FIDUS INVESTMENT Corp
Form 497
February 05, 2019
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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.

SUBJECT TO COMPLETION, DATED FEBRUARY 5, 2019

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated May 2, 2018)

$

% Notes due 2024

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. 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 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 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.

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

We are offering $ million in aggregate principal amount of % notes due 2024, which we refer to as the Notes. The Notes will mature on , 2024. We will pay interest on the Notes on February 15, May 15, August 15 and November 15 of each year, beginning May 15, 2019. We may redeem the Notes in whole or in part at any time or from time to time on or after , 2021, at the redemption price of 100% plus accrued and unpaid interest, as discussed under the section titled Description of the Notes Optional Redemption in this prospectus supplement. The Notes will be issued in minimum denominations of $25 and integral multiples of $25 in excess thereof.

The underwriters may also purchase up to an additional $ million aggregate principal amount of Notes offered by this prospectus supplement and the accompanying prospectus, within 30 days of the date of this prospectus supplement solely to cover over-allotments, if any. If the underwriters exercise this over-allotment option in full, the total aggregate proceeds to us, before deducting expenses payable by us, will be $.

The Notes will be our direct unsecured obligations and rank *pari passu*, which means equal in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by us, including, without limitation, our 5.875% notes due 2023 (the 2023 Notes), of which $50.0 million in aggregate principal was outstanding as of February 4, 2019. Because the Notes will not be secured by any of our assets, they will be effectively subordinated to all of our existing and future secured indebtedness (or any indebtedness that is initially unsecured as to which we subsequently grant a security interest), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under our senior secured revolving credit facility with ING Capital LLC, or ING, as amended, or the Credit Facility, of which we had $75.0 million outstanding as of February 4, 2019. The Notes will be structurally subordinated to all existing and future indebtedness and other obligations of any of our existing or future subsidiaries since the Notes are obligations exclusively of Fidus Investment Corporation and not of any of our subsidiaries. As of February 4, 2019, our subsidiaries had total indebtedness outstanding of $191.0 million. None of our subsidiaries is a guarantor of the Notes and the Notes will not be required to be guaranteed by any subsidiary we may acquire or create in the future. For further discussion, see the section titled Description of the Notes in this prospectus supplement.

The Notes will also rank *pari passu* with, or equal to, our general liabilities (total liabilities, less debt). In total, these general liabilities were $17.0 million as of September 30, 2018. We currently do not have outstanding debt that is subordinated to the Notes and do not currently intend to issue indebtedness that expressly provides that it is subordinated to the Notes. Therefore, the Notes will not be senior to any of our indebtedness or obligations.

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We intend to list the Notes on The Nasdaq Global Select Market, and we expect trading to commence thereon within 30 days of the original issue date under the trading symbol FDUSZ . We have agreed to a covenant relating to the listing of the Notes, which is described under the headings Specific Terms of the Notes and Offering Other Covenants and Description of the Notes Covenants in this prospectus supplement. The Notes are expected to trade flat. This means that purchasers will not pay, and sellers will not receive, any accrued and unpaid interest on the Notes that is not included in the trading price. Currently, there is no public market for the Notes, and there can be no assurance that one will develop.

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

Investing in the Notes involves a high degree of risk, and should be considered highly speculative. See Supplementary Risk Factors beginning on page S-18 of this prospectus supplement and Risk Factors beginning on page 13 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in the Notes.

Neither the SEC nor any state securities commission, nor any other regulatory body, has 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 Note	Total
Public offering price	$	$
Underwriting discount (sales load and commissions)	$	$
Proceeds, before expenses, to us (1)	$	$

(1) We estimate that we will incur approximately $400,000 in offering expenses in connection with this offering.

The underwriters may also purchase up to an additional $ total aggregate principal amount of Notes offered by this prospectus supplement and the accompanying prospectus, solely to cover over-allotments, if any, within 30 days of the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price will be $, the total underwriting discount (sales load and commissions) paid by us will be $, and total proceeds, before expenses, will be $.

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

Delivery of the Notes in book-entry form only through The Depository Trust Company, known as DTC, will be made on or about , 2019.

Sole Bookrunner

Keefe, Bruyette & Woods,

A Stifel Company

Co-Leads

BB&T Capital Markets Janney Montgomery Scott Ladenburg Thalmann

Co-Managers

B. Riley FBR William Blair

The date of this prospectus supplement is February , 2019

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Prospectus Supplement

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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 Notes 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 Notes offered by this prospectus supplement.

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 NOTES 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 ITS DATE, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS OR ANY SALES OF THE NOTES. 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 Supplementary Risk Factors, Risk Factors, Use of Proceeds, 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 Notes we are offering.

Fidus Investment Corporation (FIC), a Maryland Corporation, operates as an externally managed BDC under the 1940 Act. FIC completed its initial public offering, or IPO, in June 2011. In addition, FIC has elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). As of December 31, 2018, our shares were listed on the NASDAQ Global Select Market under the symbol FDUS and our 5.875% notes due 2023 Notes (the 2023 Notes) were listed on the NASDAQ Global Select Market under the symbol FDUSL.

FIC may make investments directly or through its two wholly owned investment company subsidiaries, Fidus Mezzanine Capital, L.P. (Fund I) and Fidus Mezzanine Capital II, L.P. (Fund II)(collectively Fund I and Fund II are referred to as the Funds). Fidus Investment GP, LLC, the general partner of the Funds, is also a wholly owned subsidiary of FIC. The Funds are licensed by the U.S. Small Business Administration (the SBA) as small business investment companies (SBICs). The Funds utilize the proceeds of the issuance of SBA-guaranteed debentures to enhance returns to our stockholders. We believe that utilizing both FIC and the Funds as investment vehicles provides us with access to a broader array of investment opportunities. Given our access to lower cost capital through the SBA s SBIC debenture program, we expect that the majority of our investments will continue to be made through the Funds until the Funds reach their borrowing limit under the program. For three or more SBICs under common control, the maximum amount of outstanding SBA debentures cannot exceed $350.0 million.

Unless otherwise noted in this prospectus supplement, the terms we, us, our, the Company, Fidus and FIC refer to Fidus Investment Corporation and its consolidated subsidiaries.

As used in this prospectus supplement, the term our investment advisor refers to Fidus Investment Advisors, 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.

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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 $5.0 million and $30.0 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 $30.0 million per portfolio company.

As of September 30, 2018, we had debt and equity investments in 65 active portfolio companies and one portfolio company that has sold its underlying operations with an aggregate fair value of $668.5 million. The weighted average yield on our debt investments as of September 30, 2018 was 12.6%. The weighted average yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our fees and expenses. The weighted average yield was computed using the effective interest rates as of September 30, 2018, including accretion of original issue discount (*OID*) and loan origination fees, but excluding investments on non-accrual status, if any. There can be no assurance that the weighted average yield will remain at its current level.

Market Opportunity

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

Business Strategy

We intend to accomplish our goal of becoming one of the premier providers 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.

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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 $5.0 million. We do not invest in start-up companies, turn-around situations or companies that we believe have unproven business plans.

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

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

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

Significant Equity Value. We believe the existence of significant underlying equity value provides important support to our debt investments. With respect to our debt investments, we look for portfolio companies where management/sponsors have provided significant equity funding and where we believe aggregate enterprise value significantly exceeds aggregate indebtedness, after consideration of our investment.

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

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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 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 RIC under Subchapter M of 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 securities, 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;

legislation that took effect in 2018 would allow us to incur additional leverage;

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

uncertain valuations of our portfolio investments;

competition for investment opportunities;

actual and potential conflicts of interests with our investment advisor;

other potential conflicts of interest;

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;

our ability to invest in qualifying assets;

the Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future, and will rank *pari passu* with, or equal to, all outstanding and future unsecured unsubordinated indebtedness issued by us and our general liabilities;

the Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries;

the indenture under which the Notes will be issued contains limited protection for holders of the Notes;

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- there is no existing trading market for the Notes and, even if The Nasdaq Global Select Market approves the listing of the Notes, an active trading market for the Notes may not develop, which could limit your ability to sell the Notes and/or the market price of the Notes;

- our amount of debt outstanding will increase as a result of this offering, and if we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes;

- recent tax reform could have a negative effect on holders of the Notes or us;

- a downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or the Notes, if any, or change in the debt markets could cause the liquidity or market value of the Notes to decline significantly; and

- we may choose to redeem the Notes when prevailing interest rates are relatively low.

See Supplementary Risk Factors beginning on page S-18 of this prospectus supplement and Risk Factors beginning on page 13 of the accompanying prospectus for additional factors you should carefully consider before deciding to invest in the Notes.

Recent Developments

On October 1, 2018, we invested $13.7 million in a new subordinated debt investment of existing portfolio company, Rohrer Corporation.

On October 1, 2018, we exited our debt investment in Toledo Molding & Die, Inc. We received payment in full of $10.0 million on our second lien debt.

On October 4, 2018, we exited our debt investment in Midwest Transit Equipment, Inc. We received payment in full of $12.6 million on our subordinated debt, which includes a prepayment penalty.

On October 4, 2018, we exited our debt investment in Thermoforming Technology Group LLC (dba Brown Machine Group). We received payment in full of $23.4 million on our second lien debt, which includes a prepayment penalty. We also received a distribution on our equity investment resulting in a realized gain of approximately $0.7 million.

On October 19, 2018, we executed an amendment and incremental commitment agreement to the Credit Facility, whereby the amount available for borrowing under the Credit Facility was increased from $75.0 million to $90.0 million, with allowance for future increases in the commitments up to $100.0 million.

On October 23, 2018, we invested $7.5 million in first lien debt and common equity of Alzheimer s Research and Treatment Center, LLC, a leading clinical trial site services provider with a focus on trials targeting the treatment and prevention of Alzheimer s Disease.

On October 26, 2018, we received a distribution on our equity investment in FAR Research Inc., resulting in a realized gain of approximately $3.3 million.

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On October 30, 2018, our board of directors declared a regular quarterly dividend of $0.39 per share payable on December 21, 2018 to stockholders of record as of December 7, 2018. In addition, our board of directors declared a special dividend of $0.04 per share payable on December 21, 2018 to stockholders of record as of December 7, 2018.

On November 8, 2018, we exited our debt investments in Revenue Management Solutions, LLC. We received payment in full of $9.1 million on our subordinated debt, which includes a prepayment penalty.

On November 15, 2018, we invested $7.5 million in subordinated debt and common equity of Palisade Company, LLC, a leading provider of risk modeling and decision analysis software.

On November 27, 2018, we exited our debt and equity investments in SimplyWell, Inc. We received payment in full of $10.4 million on our second lien debt investment, which includes a prepayment penalty. We sold our preferred equity investment for approximately $0.5 million.

On November 28, 2018, we exited our equity investments in Apex Microtechnology, Inc. We sold our common equity and warrant investments for a realized gain of approximately $6.7 million.

On December 5, 2018, we exited our debt and equity investments in Caldwell & Gregory, LLC. We received payment in full of $3.3 million on our subordinated debt investment. We sold our common equity and warrant investments for a realized gain of approximately $1.0 million.

On December 13, 2018, we exited our debt investments in Restaurant Finance Co, LLC. We received partial repayment of approximately $2.5 million on our second lien debt and realized a loss of approximately $(6.8) million on relinquishment of the remaining balance.

On December 19, 2018, we exited our debt investments in Plymouth Rock Energy, LLC. We received payment in full of $7.0 million on our second lien debt investment.

On December 26, 2018, we invested $15.0 million in second lien debt of Argo Turboserve Corporation, a leading provider of parts management and other outsourced logistics services to the aerospace and industrial markets.

On January 3, 2019, we invested $17.0 million in subordinated debt, common equity and preferred equity, and made a commitment for up to $11.0 million of additional subordinated debt, of BCM One Group Holdings, Inc., a provider of managed technology solutions and services.

On January 3, 2019, we exited our debt investments in Gurobi Optimization, LLC. We received payment in full of $20.4 million on our subordinated debt, which includes a prepayment penalty.

On January 28, 2019, we exited our existing debt and equity investments in K2 Industrial Services, Inc. We received payment in full on our Tranche A and A-1 notes, including prepayment penalties, and recognized a loss of approximately $1.3 million on our equity investment. We converted our remaining Tranche B note into a new debt security of K2 Merger Agreement Agent, LLC (the residual escrow entity).

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On January 28, 2019, we invested $18.4 million in subordinated debt and common equity of BCC Group Holdings, Inc., a leading provider of software and data solutions designed to enhance direct mail processing.

On January 31, 2019, the board of directors declared a regular quarterly dividend of $0.39 per share payable on March 22, 2019 to stockholders of record as of March 8, 2019.

On February 1, 2019, we exited our debt investment in Fiber Materials, Inc. We received payment in full of $4.0 million on our second lien debt.

On February 1, 2019, we exited our debt investment in Tile Redi, LLC. We received payment in full of $10.2 million on our first lien debt.

After September 30, 2018, we borrowed a total of $38.0 million under our Credit Facility, which brought the total amount of indebtedness outstanding under our Credit Facility to $75.0 million as of February 4, 2019. We intend to use the net proceeds from this offering to repay a portion of such indebtedness, and after giving effect to this offering and such repayment (and assuming no exercise of the over-allotment option), we expect to have $ of indebtedness outstanding under our Credit Facility.

Preliminary Estimate of Fourth Quarter 2018 Results

Set forth below are certain preliminary estimates of our financial condition and results of operations for the three months ended December 31, 2018. These estimates are subject to the completion of financial closing procedures and are not a comprehensive statement of our financial results for the three months ended December 31, 2018. We advise you that this information is inherently uncertain. Our actual results may differ materially from these estimates, which are given only as of the date of this prospectus supplement, as a result of the completion of our financial closing procedures, final adjustments and other developments that arise between now and the time that our financial results for the three months ended December 31, 2018 are finalized.

The preliminary financial estimates provided in this prospectus supplement have been prepared by, and are the responsibility of, management. Neither RSM US LLP, our independent registered public accounting firm, nor any other independent accountants has audited, reviewed, compiled, or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, RSM US LLP does not express an opinion or any form of assurance with respect thereto and assumes no responsibility for, and disclaims any association with, this information.

As of the date of this prospectus supplement, we estimate that the range of our net investment income per share was between $0.44 and $0.46 for the three months ended December 31, 2018.

As of the date of this prospectus supplement, we estimate that the range of our adjusted net investment income[(1)] per share was between $0.45 and $0.47 for the three months ended December 31, 2018.

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As of the date of this prospectus supplement, we estimate that the range of our net asset value per share was between $16.44 to $16.49 as of December 31, 2018.

	(Per share) Three Months Ended December 31, 2018 (unaudited)	
	Low Estimate	High Estimate
Net investment income	$ 0.44	$ 0.46
Capital gains incentive fee expense (reversal)	0.01	0.01
Adjusted net investment income (1)	$ 0.45	$ 0.47

(1) On a supplemental basis, we provide information relating to adjusted net investment income, which is a non-GAAP measure. This measure is provided in addition to, but not as a substitute for, net investment income. Adjusted net investment income represents net investment income excluding any capital gains incentive fee expense or (reversal) attributable to realized and unrealized gains and losses. The Investment Advisory Agreement provides that a capital gains incentive fee is determined and paid annually with respect to cumulative realized capital gains (but not unrealized capital gains) to the extent such realized capital gains exceed realized and unrealized losses for such year, less the aggregate amount of any capital gains incentive fees paid in all prior years. In addition, we accrue, but do not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. As such, we believe that adjusted net investment income is a useful indicator of operations exclusive of any capital gains incentive fee expense or (reversal) attributable to realized and unrealized gains and losses. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. The table above provides a reconciliation of our estimates for net investment income to adjusted net investment income for the three months ended December 31, 2018.

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SPECIFIC TERMS OF THE NOTES AND THE OFFERING

This summary sets forth certain terms of the Notes that we are offering pursuant to this prospectus supplement and the accompanying prospectus. This section and the Description of the Notes section in this prospectus supplement outline the specific legal and financial terms of the Notes. You should read this section of the prospectus supplement together with the section titled Description of the Notes beginning on page S-57 of this prospectus supplement and the more general description of the Notes in the section titled Description of Our Debt Securities beginning on page 143 of the accompanying prospectus before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined have the meanings ascribed to them in the accompanying prospectus or in the indenture governing the Notes.

Issuer	Fidus Investment Corporation
Title of the securities	% Notes due 2024
Initial aggregate principal amount being offered	$
Over-Allotment Option	The underwriters may also purchase from us up to an additional $ million aggregate principal amount of Notes offered by this prospectus supplement and the accompanying prospectus within 30 days of the date of this prospectus supplement solely to cover over-allotments, if any.
Initial public offering price	% of the aggregate principal amount ($ per Note)
Principal payable at maturity	100% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the trustee, paying agent, and security registrar for the Notes or at such other office as we may designate.
Type of note	Fixed rate note
Listing	We intend to list the Notes on The Nasdaq Global Select Market within 30 days of the original issue date under the trading symbol FDUSZ . We have agreed to a covenant relating to the listing of the Notes, which is described under the headings Specific Terms of the Notes and the Offering Other Covenants and Description of the Notes Covenants in this prospectus supplement.

Interest rate	% per year
Day count basis	360-day year of twelve 30-day months
Original issue date	, 2019
Stated maturity date	, 2024
Date interest starts accruing	, 2019
Interest payment dates	Every February 15, May 15, August 15 and November 15, commencing May 15, 2019. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day, and no additional interest will accrue as a result of such delayed payment.

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Interest periods	The initial interest period will be the period from and including , 2019, to, but excluding, the initial interest payment date, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.
Regular record dates for interest	Every February 1, May 1, August 1 and November 1, commencing May 1, 2019.
Specified currency	U.S. Dollars
Place of payment	The City of New York and/or such other places that may be specified in the indenture or a notice to holders.
Ranking of notes	The Notes will be our direct unsecured obligations and will rank:

pari passu with our other outstanding and future unsecured unsubordinated indebtedness, including our 2023 Notes, of which $50.0 million in aggregate principal amount was outstanding as of February 4, 2019;

senior to any of our future indebtedness that expressly provides it is subordinated to the Notes;

effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured in respect of which we subsequently grant a security interest), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under our Credit Facility, of which $75.0 million was outstanding as of February 4, 2019; and

structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including the Funds, which subsidiaries, as of February 4, 2019, had total indebtedness outstanding of $191.0 million.

Denominations

	We will issue the Notes in denominations of $25 and integral multiples of $25 in excess thereof.
Business day	Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in the City of New York or another place of payment are authorized or obligated by law or executive order to close.
Optional redemption	The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after ,

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2021 upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount of the Notes plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to the date fixed for redemption.

Any exercise of our option to redeem the Notes will be done in compliance with the 1940 Act.

If we redeem only some of the Notes, the trustee or DTC, as applicable, will determine the method for selection of the particular Notes to be redeemed, in accordance with the indenture governing the Notes and in accordance with the rules of any national securities exchange or quotation system on which the Notes are listed. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.

Sinking fund

The Notes will not be subject to any sinking fund.

Repayment at option of holders

Holders will not have the option to have the Notes repaid prior to the stated maturity date.

Defeasance

The Notes are subject to defeasance by us. Defeasance means that, by depositing with a trustee an amount of cash and/or government securities sufficient to pay all principal and interest, if any, on the Notes when due and satisfying any additional conditions required under the indenture relating to the Notes, we will be deemed to have been discharged from our obligations under the Notes. See Description of the Notes Defeasance in this prospectus supplement.

Covenant defeasance

The Notes are subject to covenant defeasance by us. In the event of a covenant defeasance, upon depositing such funds and satisfying conditions similar to those for defeasance we would be released from certain covenants under the indenture relating to the Notes. The consequences to the holders of the Notes would be that, while they would no longer benefit from certain covenants under the indenture, and while the Notes could not be accelerated for any reason, the holders of the Notes nonetheless could look to the Company for repayment of the Notes if there were a shortfall in the funds deposited with the trustee or the trustee is prevented from making a payment. See Description of the Notes Defeasance in this prospectus supplement.

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Form of notes	The Notes will be represented by global securities that will be deposited and registered in the name of DTC or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations that are participants in DTC.
Trustee, paying agent, and security registrar	U.S. Bank National Association
Other covenants	In addition to any covenants described elsewhere in this prospectus supplement or the accompanying prospectus, the following covenants will apply to the Notes:

We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in either case, to the exemptive relief granted to us by the SEC with respect to the consolidation of debt of the Funds. Currently, these provisions generally prohibit us from incurring additional borrowings, including through the issuance of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if we satisfy certain requirements in the future) after such borrowings. See Supplementary Risk Factors Risks Related to the Notes Legislation that took effect in 2018 would allow us to incur additional leverage in this prospectus supplement.

We agree that, for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(B) as modified by (i) such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions and after giving effect to any exemptive relief granted to us by the SEC and (ii) the two other exceptions set forth below. These statutory provisions of the 1940 Act are not currently applicable to us and will not be applicable to us as a result of this offering. However, if Section 18(a)(1)(B) as modified by Section 61(a) of the 1940 Act were currently applicable to us in connection with this offering, these provisions would generally

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prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage were below 200% (or 150% if we satisfy certain requirements in the future) at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution, or purchase. Under the covenant, we will be permitted to declare a cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions, but only up to such amount as is necessary for us to maintain our status as a RIC under Subchapter M of the Code. Furthermore, the covenant will permit us to continue paying dividends or distributions and will not be triggered unless and until such time as our asset coverage (as defined in the 1940 Act, except to the extent modified by this covenant) has not been in compliance with the minimum asset coverage required by Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions (after giving effect to any exemptive relief granted to us by the SEC) for more than six consecutive months. For the purposes of determining asset coverage as used above, any and all indebtedness of the Company, including any outstanding borrowings under the Credit Facility and any successor or additional credit facility, shall be deemed a senior security of us. See Supplementary Risk Factors Risks Related to the Notes Legislation that took effect in 2018 would allow us to incur additional leverage in this prospectus supplement.

If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable Generally Accepted Accounting Principles in the United States of America, or U.S. GAAP.

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We agree that for the period of time during which the Notes are outstanding, we will use our reasonable best efforts (i) to effect within thirty (30) days of issuance and delivery of the Notes the listing of the Notes on the Nasdaq Stock Market LLC and (ii) to maintain the listing of the Notes on the Nasdaq Stock Market LLC or another national securities exchange.

Events of default

You will have rights if an Event of Default occurs with respect to the Notes and is not cured.

The term Event of Default in respect of the Notes means any of the following:

We do not pay the principal of, or any premium on, any Note when due and payable at maturity;

We do not pay interest on any Note when due and payable, and such default is not cured within 30 days of its due date;

We remain in breach of any other covenant in respect of the Notes for 60 days after we receive a written notice of default stating we are in breach (the notice must be sent by either the trustee or holders of at least 25% of the principal amount of the outstanding Notes);

We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days; or

On the last business day of each of twenty-four consecutive calendar months, the Notes have an asset coverage of less than 100%, giving effect to the exemptive relief granted to us by the SEC with respect to the consolidation of debt of the Funds.

Further issuances

We have the ability to issue additional debt securities under the indenture with terms different from the Notes and, without the consent of the holders of the Notes, to reopen the Notes and issue additional Notes. If we issue additional debt securities, these additional debt securities could have a lien or other security interest greater than that accorded to the holders of the Notes, which are unsecured.

Use of proceeds	We estimate that the net proceeds we will receive from the sale of the Notes will be approximately $ million (or approximately $ million if the underwriters exercise their over-allotment option in full) based on a public offering price of $ per Note, after deducting the underwriting

	discount of $ (or approximately $ if the underwriters fully exercise their over-allotment option) payable by us and estimated offering expenses of approximately $400,000 payable by us. We may change the size of this offering based on demand and market conditions.
	We intend to use the net proceeds from this offering to repay outstanding indebtedness under our Credit Facility. However, we may re-borrow under our Credit Facility and use such borrowings to invest in lower middle-market companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. As of February 4, 2019, we had $75.0 million of indebtedness outstanding under our Credit Facility. Our Credit Facility matures on June 16, 2019, and borrowings under the Credit Facility currently bear interest on a per annum basis equal to (i) the alternate base rate plus 2.5% or (ii) the applicable London Interbank Offered Rate, or 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%.
Governing law	The Notes and the indenture will be governed by and construed in accordance with the laws of the State of New York.
Global clearance and settlement procedures	Interests in the Notes will trade in DTC s Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

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SUPPLEMENTARY RISK FACTORS

Investing in the Notes involves a high degree of risk. Before you invest in the Notes, you should be aware of various significant risks, including those described below. You should carefully consider these risks, together with all of the other information included in this prospectus supplement and the accompanying prospectus, before you decide whether to make an investment in the Notes. The risks set forth below are not the only risks we face. If any of the following risks occur, our business, financial condition and results of our operations could be materially adversely affected. In such case, you could lose all or part of your investment.

Risks Related to the Notes

The Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future and will rank pari passu with, or equal to, all outstanding and future unsecured unsubordinated indebtedness issued by us and our general liabilities.

The Notes will not be secured by any of our assets or any of the assets of any of our subsidiaries. As a result, the Notes will be effectively subordinated to any secured indebtedness we or our subsidiaries have outstanding as of the date of this prospectus supplement (including our Credit Facility) or that we or our subsidiaries may incur in the future (or any indebtedness that is initially unsecured as to which we subsequently grant a security interest) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our secured indebtedness or secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of February 4, 2019, we had $75.0 million in outstanding indebtedness under our Credit Facility. The indebtedness under the Credit Facility is effectively senior to the Notes to the extent of the value of the assets securing such indebtedness.

The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The Notes will be obligations exclusively of Fidus Investment Corporation, and not of any of our subsidiaries. None of our subsidiaries will be a guarantor of the Notes, and the Notes will not be required to be guaranteed by any subsidiary we may acquire or create in the future. Any assets of our subsidiaries will not be directly available to satisfy the claims of our creditors, including holders of the Notes. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors of our subsidiaries will have priority over our equity interests in such entities (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such entities. Even if we are recognized as a creditor of one or more of these entities, our claims would still be effectively subordinated to any security interests in the assets of any such entity and to any indebtedness or other liabilities of any such entity senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness and other liabilities, including trade payables, of any of our existing or future subsidiaries, including the Funds. As of February 4, 2019, our subsidiaries had total indebtedness outstanding of $191.0 million. Certain of these entities currently serve as guarantors under our Credit Facility, and in the future our subsidiaries may incur substantial additional indebtedness, all of which is and would be structurally senior to the Notes.

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The indenture under which the Notes will be issued contains limited protection for holders of the Notes.

The indenture under which the Notes will be issued offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our or any of our subsidiaries ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have a material adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes will not place any restrictions on our or our subsidiaries ability to:

issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in those entities and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in each case, to the exemptive relief granted to us by the SEC with respect to the consolidation of debt of the Funds. Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if we satisfy certain requirements in the future) after such borrowings. See Legislation that took effect in 2018 would allow us to incur additional leverage below;

pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, including subordinated indebtedness, except that we have agreed that, for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(B) as modified by (i) such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions and after giving effect to any exemptive relief granted to us by the SEC and (ii) the following two exceptions: (A) we will be permitted to declare a cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions, but only up to such amount as is necessary for us to maintain our status as a RIC under Subchapter M of the Code; and (B) this restriction will permit us to continue paying dividends or distributions and will not be triggered unless and until such time as our asset coverage (as defined in the 1940 Act, except to the extent modified by this covenant) has not been in compliance with the minimum asset coverage required by Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions (after giving effect to any exemptive relief granted to us by the SEC) for more than six consecutive months. If Section 18(a)(1)(B) as modified by Section 61(a) of the 1940 Act were currently applicable to us in connection with this offering, these provisions would generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage were below 200% (or 150% if we satisfy certain requirements in the future) at the time of the

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declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase. For the purposes of determining asset coverage as used above, any and all indebtedness of the Company, including any outstanding borrowings under the Credit Facility and any successor or additional credit facility, shall be deemed a senior security of us. See Legislation that took effect in 2018 would allow us to incur additional leverage below;

sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

enter into transactions with affiliates;

create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

make investments; or

create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

In addition, the indenture (as defined in Description of the Notes) will not require us to make an offer to purchase the Notes in connection with a change of control or any other event.

Furthermore, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, if any, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity other than as described under Description of the Notes Events of Default and Description of the Notes Covenants elsewhere in this prospectus supplement.

Our ability to recapitalize, incur additional debt (including additional debt that matures prior to the maturity of the Notes), and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

Other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for, trading levels, and prices of the Notes.

There is no existing trading market for the Notes and, even if The Nasdaq Global Select Market approves the listing of the Notes, an active trading market for the Notes may not develop, which could limit your ability to sell the Notes and/or the market price of the Notes.

The Notes will be a new issue of debt securities for which there initially will not be a trading market. We intend to list the Notes on The Nasdaq Global Select Market within 30 days of the original issue date under the symbol FDUSZ . However, there is no assurance that the Notes will be approved for listing on The Nasdaq Global Select Market.

Moreover, even if the listing of the Notes is approved, we cannot provide any assurances that an active trading market will develop or be maintained for the Notes or that you will be able to sell your Notes. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, if any, general economic conditions, our financial condition, performance and prospects and other factors. The underwriters have advised us that they intend to make a market in the Notes, but they are not obligated to do so. The underwriters may discontinue any market-making in the Notes at any time at their sole discretion.

Accordingly, we cannot assure you that the Notes will be approved for listing on The Nasdaq Global Select Market, that a liquid trading market will develop or be maintained for the Notes, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

Our amount of debt outstanding will increase as a result of this offering, and if we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

As of February 4, 2019, we had approximately $75.0 million of indebtedness outstanding under the Credit Facility and $50.0 million in aggregate principal of our 2023 Notes outstanding. Any default under the agreements governing our indebtedness, including a default under our Credit Facility, the indenture governing our 2023 Notes or other indebtedness to which we may be a party that is not waived by the required lenders or holders, and the remedies sought by lenders or the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, as applicable, in the instruments governing our indebtedness (including the Credit Facility, the Notes, and the 2023 Notes), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest; the lenders under the Credit Facility or other revolving credit facility we may incur in the future could elect to terminate their commitment, cease making further loans and institute foreclosure proceedings against our assets; and we could be forced into bankruptcy or liquidation.

Our ability to generate sufficient cash flow in the future is, to some extent, subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under the Credit Facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Notes, our other debt, and to fund other liquidity needs.

In this regard, our Credit Facility is scheduled to mature on June 16, 2019. We are in the process of negotiating a renewal and extension of our Credit Facility, but we cannot assure you that those efforts will be successful. If we fail to negotiate such an extension, and the Credit Facility were to mature on June 16, 2019, as scheduled, then the commitments under the Credit Facility would expire, we would have to repay any then-outstanding borrowings under the Credit Facility, and we would be unable to borrow additional amounts under the Credit Facility, all of which could have a material adverse effect on our ability to make required payments under the Notes and the 2023 Notes, our ability to fund new investments, and our liquidity generally.

In addition, if our operating performance declines and we are not able to generate sufficient cash flow to service our debt obligations, we may in the future need to refinance or restructure our debt, including any Notes sold, sell assets, reduce or delay capital investments, seek to raise additional capital or seek to obtain waivers from the lenders under the Credit Facility, the holders of our 2023 Notes or other debt that we may incur in the future to avoid being in default. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes and our other debt. If we breach our covenants under the Credit Facility, the 2023 Notes or any of our other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders thereof. If this occurs, we would be in default under the Credit Facility, the 2023 Notes or other debt, the lenders or holders could exercise rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations could proceed against the collateral securing the debt, including the Credit Facility. Because the Credit Facility has, and any future credit facilities will likely have, customary cross-default provisions, if we have a default under the terms of the Notes, the obligations under the Credit Facility or any future credit facility may be accelerated and we may be unable to repay or finance the amounts due.

A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or the Notes, if any, or change in the debt markets could cause the liquidity or market value of the Notes to decline significantly.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by the rating agencies if in their judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the Notes.

We may choose to redeem the Notes when prevailing interest rates are relatively low.

On or after   , 2021, we may choose to redeem the Notes from time to time, especially if prevailing interest rates are lower than the rate borne by the Notes. Before redeeming any Notes, we would have to comply with certain requirements under our Credit Facility, to the extent such requirements remain in effect at such time, or otherwise obtain consent from the lenders. If prevailing rates are lower at the time of redemption, and we redeem the Notes, you likely would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. Our redemption right also may adversely impact your ability to sell the Notes as the optional redemption date or period approaches.

Legislation that took effect in 2018 would allow us to incur additional leverage.

As a BDC, under the 1940 Act generally we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200.0% (i.e., the amount of debt may not exceed 50.0% of the value of our assets). However,

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legislation that took effect in 2018 has modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200.0% to an asset coverage ratio of 150.0%, if certain requirements are met. Under the legislation, we are allowed to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when quorum is met, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the legislation allows the required majority of our independent directors, as defined in Section 57(o) of the 1940 Act, to approve an increase in our leverage capacity, and such approval would become effective after one year. In either case, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage.

Leverage magnifies the potential for loss on investments and on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. For example, as we increase our leverage and, as a result, our total interest expense and other required payments on such indebtedness, any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed, and the decline could negatively affect our ability to make the required payments on such indebtedness or on our other securities. Increased leverage may also cause a downgrade of our credit rating. Leverage is generally considered a speculative investment technique.

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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 expres 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 this 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 and a RIC and each of the Funds respective ability to operate as a SBIC;

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 Supplementary Risk Factors beginning on page S-18 of this prospectus supplement and Risk Factors beginning on page 13 of the accompanying prospectus 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 this prospectus supplement and 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 the net proceeds we will receive from the sale of the Notes will be approximately $ million (or approximately $ million if the underwriters exercise their over-allotment option in full) based on a public offering price of $ per Note, after deducting the underwriting discount of $ (or approximately $ if the underwriters fully exercise their over-allotment option) payable by us and estimated offering expenses of approximately $400,000 payable by us. We may change the size of this offering based on demand and market conditions.

We intend to use the net proceeds from this offering to repay outstanding indebtedness under our Credit Facility. However, we may re-borrow under our Credit Facility and use such borrowings to invest in lower middle-market companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. As of February 4, 2019, we had $75.0 million of indebtedness outstanding under our Credit Facility, which is subject to customary covenants and obligations. After giving effect to this offering and the use of the net proceeds therefrom to repay outstanding indebtedness under the Credit Facility (and assuming no exercise of the over-allotment option), we will have under our Credit Facility $ of indebtedness outstanding and $ available to be drawn. Our Credit Facility matures on June 16, 2019, and borrowings under the Credit Facility currently bear interest 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%. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for additional information.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2018:

on an actual basis as of September 30, 2018; and

on an as adjusted basis for the sale of $ million aggregate principal amount of the Notes offered by this prospectus supplement and the accompanying prospectus (assuming no exercise of the over-allotment option) based on a public offering price of $ per Note, after deducting the underwriting discounts and commissions of $ payable by us and estimated offering expenses of approximately $400,000 payable by us, and to reflect additional borrowings of $38.0 million under the Company s Credit Facility subsequent to September 30, 2018 and total borrowings outstanding of $75.0 million as of February 4, 2019 and the use of proceeds from this offering to repay $ million of such outstanding indebtedness under the Credit Facility.

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, 2018	
	Actual (Unaudited)	As Adjusted (Unaudited)
	(Dollars in thousands, except per share data)	
ASSETS		
Cash and cash equivalents	$ 38,072	$
Investments, at fair value	668,503	668,503
Other assets	6,923	6,923
Total assets	$ 713,498	$
LIABILITIES		
SBA debentures, net of deferred financing costs	$ 209,908	$ 209,908
2023 Notes, net of deferred financing costs	48,314	48,314
Credit Facility, net of deferred financing costs (1)	36,794	
Notes offered hereby, net of deferred financing costs		
Other liabilities	16,960	16,960
Total liabilities	311,976	

NET ASSETS		
Common stock, $0.001 par value (100,000,000 shares authorized, 24,463,119 shares issued and outstanding)	24	24
Additional paid-in capital	369,963	369,963
Undistributed net investment income	864	864
Accumulated net realized (loss) on investments, net of taxes and distributions	(18,563)	(18,563)
Accumulated net unrealized appreciation on investments	49,234	49,234
Total net assets	401,522	401,522
Total liabilities and net assets	$ 713,498	$
Net asset value per common share	$ 16.41	$ 16.41

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(1) After September 30, 2018, we borrowed a total of $38.0 million under our Credit Facility, which brought the total amount of indebtedness outstanding under our Credit Facility to $75.0 million as of February 4, 2019. We intend to use the net proceeds from this offering to repay a portion of such indebtedness, and after giving effect to this offering and such repayment (and assuming no exercise of the over-allotment option), we expect to have $ of indebtedness outstanding under our Credit Facility.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of Fidus Investment Corporation and its subsidiaries, including the Funds, as of and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, 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, 2018 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, 2018 are not necessarily indicative of the results that may be expected for the year ended December 31, 2018. 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, 2018 (Unaudited)	Years Ended December 31,				
		2017	2016	2015	2014	2013
		(Dollars in Thousands, Except Per Share Data)				
Statement of operations data:						
Total investment income	$ 54,217	$ 68,615	$ 60,229	$ 54,269	$ 46,116	$ 41,792
Interest and financing expenses	9,234	9,893	10,594	9,428	7,507	7,076
Base management fee	8,438	9,788	8,254	7,545	5,899	5,261
Incentive fee	9,359	10,968	10,369	6,481	4,857	6,792
All other expenses	3,342	4,069	3,986	3,932	4,189	3,121
Net investment income before income taxes	23,844	33,897	27,026	26,883	23,664	19,542
Income tax provision (benefit)	28	220	425	390	383	246
Net investment income	23,816	33,677	26,601	26,493	23,281	19,296
Net realized gains (losses)	(15,154)	17,904	(13,835)	9,531	(17,029)	30,588
Net change in unrealized appreciation (depreciation)	30,216	(5,426)	29,009	(10,086)	13,250	(22,188)
Income tax (provision) benefit from realized gains on investments	(1,408)	(2,204)	(205)	39	(17)	(493)
Net increase in net assets resulting from operations	$ 37,470	$ 43,951	$ 41,570	$ 25,977	$ 19,485	$ 27,203

Per share data:						
Net asset value (at end of period)	$ 16.41	$ 16.05	$ 15.76	$ 15.17	$ 15.16	$ 15.35
Net investment income	$ 0.97	$ 1.43	$ 1.45	$ 1.64	$ 1.62	$ 1.43
Net gain (loss) on investments	$ 0.56	$ 0.44	$ 0.82	$ (0.04)	$ (0.26)	$ 0.58
Net increase in net assets resulting from operations	$ 1.53	$ 1.87	$ 2.27	$ 1.60	$ 1.36	$ 2.01
Dividends	$ 1.17	$ 1.60	$ 1.60	$ 1.60	$ 1.72	$ 1.94
Other data:						
Weighted average annual yield on debt investments (1)	12.6%	13.0%	13.1%	13.3%	13.4%	14.5%
Number of portfolio companies at year end	66	63	57	53	42	37
Expense ratios (as percentage of average net assets (2)):						
Operating expenses	5.3% (3)	6.6%	7.8%	7.3%	6.7%	7.2%
Interest expense	2.3% (3)	2.6%	3.7%	3.8%	3.4%	3.4%

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(1) 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. The weighted average yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our and our subsidiaries fees and expenses.

(2) Average net assets is calculated as the average of the net asset balances as of each quarter end during the fiscal year and the prior year end.

(3) Amounts have not been annualized for the nine months ended September 30, 2018.

	Nine Months Ended September 30, 2018 (Unaudited)	As of December 31, 2017	2016	2015	2014	2013
		(Dollars in Thousands)				
Statement of assets and liabilities data:						
Total investments, fair value	$ 668,503	$ 596,308	$ 524,454	$ 443,269	$ 396,355	$ 306,981
Total assets (4)	713,498	646,263	586,742	480,668	431,020	364,110
Borrowings	301,500	242,800	224,000	229,000	183,500	144,500
Total net assets	401,522	393,273	353,785	247,362	243,263	211,125

(4) In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. We adopted ASU 2015-03 as of January 1, 2016. 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. In the table above, the new guidance has been applied retrospectively to fiscal years 2015, 2014 and 2013 to conform presentation.

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SELECTED QUARTERLY FINANCIAL DATA

The following tables set forth certain quarterly financial information for each of the 11 quarters ending with the quarter ended September 30, 2018 (dollars in thousands, except per share numbers). This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the past fiscal year or for any future quarter.

	March 31, 2018	June 30, 2018	September 30, 2018
Total investment income	$ 18,233	$ 18,112	$ 17,872
Net investment income	7,377	8,958	7,481
Net increase in net assets from operations	15,025	7,644	14,801
Net investment income per share	$ 0.30	$ 0.37	$ 0.31
Net increase in net assets from operations per share	$ 0.61	$ 0.31	$ 0.61
Net asset value per share at end of period	$ 16.28	$ 16.20	$ 16.41

	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Total investment income	$ 16,228	$ 17,271	$ 18,048	$ 17,068
Net investment income	7,859	8,942	9,189	7,687
Net increase in net assets from operations	9,532	9,957	12,055	12,407
Net investment income per share	$ 0.35	$ 0.39	$ 0.38	$ 0.31
Net increase in net assets from operations per share	$ 0.42	$ 0.44	$ 0.49	$ 0.51
Net asset value per share at end of period	$ 15.80	$ 15.87	$ 15.97	$ 16.05

	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Total investment income	$ 14,691	$ 13,832	$ 14,431	$ 17,275
Net investment income	7,082	4,943	6,735	7,841
Net increase in net assets from operations	7,540	12,793	8,594	12,643
Net investment income per share	$ 0.43	$ 0.29	$ 0.35	$ 0.39
Net increase in net assets from operations per share	$ 0.46	$ 0.74	$ 0.45	$ 0.62
Net asset value per share at end of period	$ 15.25	$ 15.52	$ 15.58	$ 15.76

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

General and Corporate Structure

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.

On June 20, 2011, FIC acquired all of the limited partnership interests of Fund I and membership interests of Fidus Mezzanine Capital GP, LLC, its general partner, resulting in Fund I becoming our wholly-owned SBIC subsidiary. Immediately following the acquisition, we and Fund I elected to be treated as business development companies, or 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 and Fund II are collectively referred to as the Funds.

Fund I received its SBIC license on October 22, 2007 and Fund II received its SBIC license on May 28, 2013. We plan to continue to operate the Funds as SBICs, subject to SBA approval, and to utilize the proceeds of the sale of SBA-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 fully utilized our borrowing capacity under the SBIC debenture program.

We have certain wholly-owned taxable subsidiaries (the Taxable Subsidiaries), each of which generally holds one or more of our portfolio investments listed on the consolidated schedules of investments. The Taxable Subsidiaries are consolidated for financial reporting purposes, such that the our consolidated financial statements reflect our investment in the portfolio company investments owned by the Taxable Subsidiaries. The purpose of the Taxable Subsidiaries is to permit us 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 us 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.

Investments

We seek to create a diversified investment portfolio that primarily includes loans and, to a lesser extent, equity securities. Our investments typically range between $5.0 million to $30.0 million per portfolio company, although this investment size may vary proportionately with the size of our capital base. Our investment objective is to provide attractive risk-adjusted returns by generating both current income from our debt investments and capital appreciation from our equity related investments. We may invest in the equity securities of our portfolio companies, such as preferred stock, common stock, warrants and other equity interests, either directly or in conjunction with our debt investments.

Second Lien Debt. The majority of our debt investments take the form of second lien debt, which includes senior subordinated notes. Second lien debt investments obtain security interests in the assets of the portfolio company as collateral in support of the repayment of such loans. Second lien debt typically is senior on a lien basis to other liabilities in the issuer s capital structure and has the benefit of a security interest over assets of the issuer, though ranking junior to first lien debt secured by those assets. First lien lenders and second lien lenders typically have separate liens on the collateral, and an intercreditor agreement provides the first lien lenders with priority over the second lien lenders liens on the collateral. These loans typically provide for no contractual loan amortization, with all amortization deferred until loan maturity, and may include payment-in-kind (PIK) interest, which increases the principal balance over the term and, coupled with the deferred principal payment provision, increases credit risk exposure over the life of the loan.

Subordinated (Mezzanine) Debt. These investments are typically structured as unsecured, subordinated notes. Structurally, mezzanine debt usually ranks subordinate in priority of payment to first lien and second lien debt and may not have the benefit of financial covenants common in first lien and second lien debt. Unsecured debt may rank junior as it relates to proceeds in certain liquidations where it does not have the benefit of a lien in specific collateral held by creditors (typically first lien and/or second lien) who have a perfected security interest in such collateral. However, both mezzanine and unsecured debt ranks senior to common and preferred equity in an issuer s capital structure. These loans typically have relatively higher fixed interest rates (often representing a combination of cash pay and PIK interest) and amortization of principal deferred to maturity. The PIK feature (meaning a feature allowing for the payment of interest in the form of additional principal amount of the loan instead of in cash), which effectively operates as negative amortization of loan principal, coupled with the deferred principal payment provision, increases credit risk exposure over the life of the loan.

First Lien Debt. To a lesser extent, we also structure some of our debt investments as senior secured or first lien debt investments. First lien debt investments are secured by a first priority lien on existing and future assets of the borrower and may take the form of term loans or revolving lines of credit. First lien debt is typically senior on a lien basis to other liabilities in the issuer s capital structure and has the benefit of a first-priority security interest in assets of the issuer. The security interest ranks above the security interest of any second lien lenders in those assets. Our first lien debt may include stand-alone first lien loans, last out first lien loans, or unitranche

loans. Stand-alone first lien loans are traditional first lien loans. All lenders in the facility have equal rights to the collateral that is subject to the first-priority security interest. Last out first lien loans have a secondary priority behind super-senior first out first lien loans in the collateral securing the loans in certain circumstances. The arrangements for a last out first lien loan are set forth in an agreement among lenders, which provides lenders with first out and last ou payment streams based on a single lien on the collateral. Since the first out lenders generally have priority over the last out lenders for receiving payment under certain specified events of default, or upon the occurrence of other triggering events under intercreditor agreements or agreements among lenders, the last out lenders bear a greater risk and, in exchange, receive a higher effective interest rate, through arrangements among the lenders, than the first out lenders or lenders in stand-alone first lien loans. Agreements among lenders also typically provide greater voting rights to the last out lenders than the intercreditor agreements to which second lien lenders often are subject.

Many of our debt investments also include excess cash flow sweep features, whereby principal repayment may be required before maturity if the portfolio company achieves certain defined operating targets. Additionally, our debt investments typically have principal prepayment penalties in the early years of the loan. The majority of our debt investments provide for a fixed interest rate.

Equity Securities. Our equity securities typically consist of either a direct minority equity investment in common or preferred stock or membership/partnership interests of a portfolio company, or we may receive warrants to buy a minority equity interest in a portfolio company in connection with a debt investment. Warrants we receive with our debt investments typically require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. Our equity investments are typically not control-oriented investments, and in many cases, we acquire equity securities as part of a group of private equity investors in which we are not the lead investor. We may structure such equity investments to include provisions protecting our rights as a minority-interest holder, as well as a put, or right to sell such securities back to the issuer, upon the occurrence of specified events. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and piggyback registration rights. Our equity investments typically are made in connection with debt investments to the same portfolio companies.

Revenues: We generate revenue in the form of interest and fee 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, which may include prepayment penalties. 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. Debt investment origination fees, OID 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. Debt investments 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 is accrued daily based on the outstanding principal amount and the contractual terms of the debt. Dividend income is recorded as dividends are declared or at the point an obligation exists for the portfolio company to make a distribution, and is generally recognized when received. Distributions of earnings from portfolio companies are evaluated to determine if the distribution is a distribution of earnings or a return of capital. Distributions of earnings are included in dividend income while a return of capital is recorded as a reduction in the cost basis of the investment. Estimates are adjusted as necessary after the relevant tax forms are received from the portfolio company.

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

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

organization;

calculating our net asset value (including the cost and expenses of any independent valuation firm);

fees and expenses incurred by our investment advisor under the Investment Advisory Agreement or payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments, including dead deal costs;

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;

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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, 2018 and 2017, we invested $144.6 million and $155.6 million in debt and equity investments, respectively, including 12 and 10 new portfolio companies, respectively. During the nine months ended September 30, 2018 and 2017, we received proceeds from sales or repayments, including principal, return of capital dividends and net realized gains (losses), of $92.1 million and $132.7 million, respectively, including exits of nine and four portfolio companies, respectively. The following table summarizes investment purchases and sales and repayments of investments by type for the nine months ended September 30, 2018 and 2017 (dollars in millions).

	Purchases of Investments				**Sales and Repayments of Investments**			
	2018		**2017**		**2018**		**2017**	
Second Lien Debt	$ 104.0	71.9%	$ 92.3	59.3%	$ 49.9	54.2%	$ 45.5	34.4%
Subordinated Debt	13.9	9.7	41.7	26.8	30.1	32.7	41.2	31.0
First Lien Debt	18.7	12.9	10.9	7.0	1.3	1.4	32.7	24.6
Equity	8.0	5.5	9.8	6.3	10.5	11.4	13.3	10.0
Warrants			0.9	0.6	0.3	0.3		
Royalty Rights								

Total	$ 144.6	100.0%	$ 155.6	100.0%	$ 92.1	100.0%	$ 132.7	100.0%

As of September 30, 2018, the fair value of our investment portfolio totaled $668.5 million and consisted of 65 active portfolio companies and one portfolio company that has sold its underlying operations. As of September 30, 2018, five debt investments bore interest at a variable rate, which represented $44.8 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 $48.7 million as of September 30, 2018. As of September 30, 2018, our average active portfolio company investment at amortized cost was $9.5 million, which excludes investments in the one portfolio company that has sold its underlying operations.

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As of December 31, 2017, the fair value of our investment portfolio totaled $596.3 million and consisted of 60 active portfolio companies and three portfolio companies that have sold their underlying operations. As of December 31, 2017, three debt investments bore interest at a variable rate, which represented $26.1 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 $18.5 million as of December 31, 2017. As of December 31, 2017, our average active portfolio company investment at amortized cost was $9.6 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, 2018 and December 31, 2017 was 12.6% and 13.0%, respectively. The weighted average yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our and our subsidiaries fees and expenses. The weighted average yields were computed using the effective interest rates for debt investments at cost as of September 30, 2018 and December 31, 2017, respectively, including the accretion of OID and loan origination fees, but excluding investments on non-accrual status, if any.

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

	Fair Value				Cost			
	September 30, 2018		December 31, 2017		September 30, 2018		December 31, 2017	
Second Lien Debt	$ 386.4	57.8%	$ 341.3	57.3%	$ 406.7	65.6%	$ 357.6	62.0%
Subordinated Debt	102.9	15.4	126.5	21.2	102.9	16.6	126.5	21.9
First Lien Debt	46.4	6.9	28.8	4.8	45.7	7.4	31.9	5.5
Equity	116.8	17.5	84.6	14.2	56.8	9.2	53.9	9.3
Warrants	16.0	2.4	15.1	2.5	7.5	1.2	7.7	1.3
Royalty Rights					0.2		0.2	
Total	$ 668.5	100.0%	$ 596.3	100.0%	$ 619.8	100.0%	$ 577.8	100.0%

The following table shows portfolio composition by geographic region at fair value and cost and as a percentage of total investments (dollars in millions). 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, 2018		December 31, 2017		September 30, 2018		December 31, 2017	
Midwest	$ 188.6	28.2%	$ 168.0	28.2%	$ 181.8	29.4%	$ 161.8	28.1%
Southeast	178.0	26.6	130.2	21.8	157.0	25.3	130.7	22.6
Northeast	76.9	11.5	107.8	18.1	69.5	11.2	105.3	18.2

West	63.3	9.5	63.4	10.6	53.9	8.7	54.0	9.3
Southwest	161.7	24.2	126.9	21.3	157.6	25.4	126.0	21.8
Total	$ 668.5	100.0%	$ 596.3	100.0%	$ 619.8	100.0%	$ 577.8	100.0%

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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, 2018	**December 31, 2017**	**September 30, 2018**	**December 31, 2017**
Specialty Distribution	12.3%	6.2%	13.0%	6.2%
Component Manufacturing	9.2	6.6	10.2	7.0
Healthcare Services	8.5	10.8	7.9	9.9
Information Technology Services	8.2	10.7	8.5	11.0
Business Services	7.2	6.5	7.6	7.3
Oil & Gas Services	5.9	4.7	1.6	2.7
Transportation Services	5.6	7.1	5.6	7.3
Aerospace & Defense Manufacturing	5.5	4.4	5.7	4.3
Healthcare Products	4.6	7.3	3.0	7.1
Building Products Manufacturing	4.5	5.1	5.0	5.4
Vending Equipment Manufacturing	4.3	5.7	4.9	5.9
Promotional Products	3.9	3.0	4.1	2.9
Capital Equipment Manufacturing	3.6	3.4	3.8	3.4
Industrial Cleaning & Coatings	2.9	4.3	4.3	4.6
Retail	2.4	2.8	2.6	2.9
Utility Equipment Manufacturing	2.2	2.6	2.4	2.8
Consumer Products	2.1	3.3	2.5	2.7
Environmental Industries	1.8		2.0	
Utilities: Services	1.5	1.6	1.5	1.7
Electronic Components Supplier	1.1	0.6	0.2	0.2
Oil & Gas Distribution	1.0	1.0	1.0	1.0
Laundry Services	0.7	0.7	0.7	0.7
Specialty Chemicals	0.5	0.2	0.2	0.2
Restaurants	0.4	0.4	1.6	1.7
Packaging	0.1	0.1	0.1	0.1
Apparel Distribution		0.9		1.0
Safety Products Manufacturing		0.0		0.0
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, the debt investment is

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expected to be paid in the near term and the trends and risk factors are favorable, and may include an expected capital gain on the equity investment.

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 investment has the potential for some loss of investment return, but we expect no loss of principal.

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

The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value and cost as of September 30, 2018 and December 31, 2017 (dollars in millions):

	Fair Value				Cost			
Investment Rating	**September 30, 2018**		**December 31, 2017**		**September 30, 2018**		**December 31, 2017**	
1	$ 172.6	25.8%	$ 125.7	21.1%	$ 103.3	16.6%	$ 83.2	14.4%
2	382.2	57.2	398.4	66.8	374.8	60.5	393.6	68.1
3	101.3	15.2	51.8	8.7	109.1	17.6	60.7	10.5
4	10.1	1.5	18.3	3.1	17.1	2.8	28.3	4.9
5	2.3	0.3	2.1	0.3	15.5	2.5	12.0	2.1
Total	$ 668.5	100.0%	$ 596.3	100.0%	$ 619.8	100.0%	$ 577.8	100.0%

Based on our investment rating system, the weighted average rating of our portfolio as of September 30, 2018 and December 31, 2017 was 1.9 and 1.9, respectively, on a fair value basis and 2.1 and 2.1, respectively, on a cost basis.

Non-Accrual

As of September 30, 2018 and December 31, 2017, we had debt investments in two portfolio companies on non-accrual status, respectively (dollars in millions):

Portfolio Company	September 30, 2018 Fair Value	September 30, 2018 Cost	December 31, 2017 Fair Value	December 31, 2017 Cost
K2 Industrial Services, Inc.	$ 6.9	$ 12.7	$ (2)	$ (2)
Restaurant Finance Co, LLC	2.2	9.3	2.1	9.3
Six Month Smiles Holdings, Inc.	(1)	(1)	5.0	9.4
Total	$ 9.1	$ 22.0	$ 7.1	$ 18.7

(1) Portfolio company was no longer held at period end.
(2) Portfolio company debt investments were not on non-accrual status at period end.

Discussion and Analysis of Results of Operations

Comparison of three and nine months ended September 30, 2018 and 2017

Investment Income

Below is a summary of the changes in total investment income for the three months ended September 30, 2018 as compared to the same period in 2017 (dollars in millions, percent change calculated based on underlying dollar amounts in thousands):

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	$ Change	% Change(1)
Interest income	$ 15.4	$ 14.5	$ 0.9	6.4%
Payment-in-kind interest income	1.5	1.9	(0.4)	(18.9%)
Dividend income	0.4	0.4		NM
Fee income	0.6	1.2	(0.6)	(54.4%)
Interest on idle funds and other income				NM
Total investment income	$ 17.9	$ 18.0	$ (0.1)	(1.0%)

(1) NM = Not meaningful

For the three months ended September 30, 2018, total investment income was $17.9 million, a decrease of $(0.1) million or (1.0)%, from the $18.0 million of total investment income for the three months ended September 30, 2017. As reflected in the table above, the decrease is primarily attributable to the following:

- $0.6 million increase in total interest income resulting from higher average debt investment balances outstanding, partially offset by a small decrease in weighted average debt yield and one additional portfolio company on non-accrual status, during 2018 as compared to 2017.

- $(0.6) million decrease in fee income resulting from a decrease in structuring fees due to a comparative decrease in new investments and a decrease in prepayment fee income, during 2018 as compared to 2017.

- Dividend income was flat during 2018 as compared to 2017.

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Below is a summary of the changes in total investment income for the nine months ended September 30, 2018 as compared to the same period in 2017 (dollars in millions, percent change calculated based on underlying dollar amounts in thousands):

	Nine Months Ended September 30,			
	2018	2017	$ Change	% Change[1]
Interest income	$ 45.8	$ 41.1	$ 4.7	11.4%
Payment-in-kind interest income	4.5	5.2	(0.7)	(12.7%)
Dividend income	1.0	1.7	(0.7)	(42.0%)
Fee income	2.8	3.4	(0.6)	(18.5%)
Interest on idle funds and other income	0.1	0.1		NM
Total investment income	$ 54.2	$ 51.5	$ 2.7	5.2%

(1) NM = Not meaningful

For the nine months ended September 30, 2018, total investment income was $54.2 million, an increase of $2.7 million or 5.2%, from the $51.5 million of total investment income for the nine months ended September 30, 2017. As reflected in the table above, the increase is primarily attributable to the following:

- $4.0 million increase in total interest income resulting from higher average debt investment balances outstanding, partially offset by a small decrease in weighted average debt yield and one additional portfolio company on non-accrual status, during 2018 as compared to 2017.

- $(0.6) million decrease in fee income resulting from a decrease in structuring fees due to a comparative decrease in new investments and a decrease in prepayment fee income, during 2018 as compared to 2017.

- $(0.7) million decrease in dividend income, during 2018 as compared to 2017, due to decreased levels of distributions received from equity investments and certain prior year dividend tax character true-ups recognized in 2018 upon receipt of the relevant tax forms from the underlying portfolio company.

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Expenses

Below is a summary of the changes in total expenses, including income tax provision, for the three months ended September 30, 2018 as compared to the same period in 2017 (dollars in millions, percent change calculated based on underlying dollar amounts in thousands):

	Three Months Ended September 30,			
	2018	2017	$ Change	% Change[1]
Interest and financing expenses	$ 3.1	$ 2.5	$ 0.6	24.7%
Base management fee	2.9	2.5	0.4	17.9%
Incentive fee income	2.2	2.4	(0.2)	(8.3%)
Incentive fee capital gains	1.5	0.6	0.9	155.5%
Administrative service expenses	0.4	0.3	0.1	15.1%
Professional fees	0.2	0.3	(0.1)	(20.7%)
Other general and administrative expenses	0.3	0.3		NM
Total expenses, before income tax provision	10.6	8.9	1.7	19.3%
Income tax provision	(0.2)		(0.2)	NM
Total expenses, including income tax provision	$ 10.4	$ 8.9	$ 1.5	17.3%

(1) NM = Not meaningful

For the three months ended September 30, 2018, total expenses, including income tax provision, were $10.4 million, an increase of $1.5 million or 17.3%, from the $8.9 million of total expenses, including income tax provision, for the three months ended September 30, 2017. As reflected in the table above, the increase is primarily attributable to the following:

$0.6 million increase in interest and financing expenses due to an increase in average borrowings outstanding and an increase in weighted average interest rate on borrowings during 2018 as compared to 2017.

$0.4 million increase in base management fee due to higher average total assets during 2018 as compared to 2017.

$0.9 million increase in the capital gains incentive fee due to a $4.5 million increase in net gain on investments (net realized gains (losses) plus net change in unrealized appreciation (depreciation) on investments) during 2018, as compared to the same period in 2017.

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Below is a summary of the changes in total expenses, including income tax provision, for the nine months ended September 30, 2018 as compared to the same period in 2017 (dollars in millions, percent change calculated based on underlying dollar amounts in thousands):

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017	$ Change	% Change(1)
Interest and financing expenses	$ 9.3	$ 7.5	$ 1.8	23.5%
Base management fee	8.4	7.2	1.2	17.2%
Incentive fee income	6.6	6.8	(0.2)	(1.9%)
Incentive fee capital gains	2.8	1.1	1.7	145.8%
Administrative service expenses	1.1	1.0	0.1	10.2%
Professional fees	1.0	1.0		NM
Other general and administrative expenses	1.2	1.0	0.2	25.3%
Total expenses, before income tax provision	30.4	25.6	4.8	19.0%
Income tax provision				NM
Total expenses, including income tax provision	$ 30.4	$ 25.6	$ 4.8	19.0%

(1) NM = Not meaningful

For the nine months ended September 30, 2018, total expenses, including income tax provision, were $30.4 million, an increase of $4.8 million or 19.0%, from the $25.6 million of total expenses, including income tax provision, for the nine months ended September 30, 2017. As reflected in the table above, the increase is primarily attributable to the following:

$1.8 million increase in interest and financing expenses due to an increase in average borrowings outstanding and an increase in weighted average interest rate on borrowings during 2018 as compared to 2017.

$1.2 million increase in base management fee due to higher average total assets during 2018 as compared to 2017.

$1.7 million increase in the capital gains incentive fee due to a $8.1 million increase in net gain on investments (net realized gains (losses) plus net change in unrealized appreciation (depreciation) on investments) during 2018, as compared to the same period in 2017.

$0.2 million increase in other general and administrative expenses during 2018 resulting from the write-off of deferred equity offering costs related to our previous Form N-2 registration statement.

Net Investment Income

Net investment income decreased by $(1.7) million, or (18.6)%, to $7.5 million during the three months ended September 30, 2018 as compared to the same period in 2017, as a result of the $(0.1) million decrease in total investment income and the increase in total expenses, including income tax provision, of $1.5 million.

Net investment income decreased by $(2.2) million, or (8.4)%, to $23.8 million during the nine months ended September 30, 2018 as compared to the same period in 2017, as a result of the $2.7 million increase in total investment income and offset by the larger increase in total expenses, including income tax provision, of $4.8 million.

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Net Gain (Loss) on Investments

For the three and nine months ended September 30, 2018, the total net realized loss on investments, before income tax provision on realized gains, was $(7.2) million and $(15.2) million, respectively. Income tax (provision) benefit from realized gains on investments was $0.3 million and $(1.4) million for the three and nine months ended September 30, 2018, respectively. Significant realized gains (losses) for the three and nine months ended September 30, 2018 are summarized below (dollars in millions):

Portfolio Company	Realization Event	Period Ended September 30, 2018 Three Months	Nine Months
World Wide Packaging, LLC	Exit of portfolio company	$ 0.2	$ 7.0
Malabar International	Escrow distribution		0.3
Worldwide Express Operations, LLC	Distributions tax character true-up		0.2
Ice House America, LLC	Exit of portfolio company	0.1	0.1
Other			0.1
IOS Acquisitions, Inc.	Exit of portfolio company		(0.1)
Inflexxion, Inc.	Exit of portfolio company	(0.1)	(6.5)
Cavallo Bus Lines Holdings, LLC	Exit of portfolio company	(7.4)	(7.4)
Six Month Smiles Holdings, Inc.	Exit of portfolio company		(8.9)
Net realized gain (loss) on investments		(7.2)	(15.2)
Income tax (provision) benefit from realized gains on investments		0.3	(1.4)
Net realized gain (loss), net of income tax provision, on investments		$ (6.9)	$ (16.6)

For the three and nine months ended September 30, 2017, the total net realized gain on investments, before income tax provision on realized gains, was $6.3 million and $12.3 million, respectively. Income tax (provision) from realized gains on investments was $(0.3) million and $(1.7) million for the three and nine months ended September 30, 2017, respectively. Significant realized gains (losses) for the three and nine months ended September 30, 2017 are summarized below (dollars in millions):

Portfolio Company	Realization Event	Period Ended September 30, 2017 Three Months	Nine Months
Worldwide Express Operations, LLC	Sale of portfolio company	$	$ 6.4
Lightning Diversion Systems, LLC	Exit of portfolio company	4.0	4.0
EBL, LLC (EbLens)	Sale of portfolio company	2.2	2.2
Anatrace Products, LLC	Sale of portfolio company		0.9
Carlson Systems Holdings, Inc.	Escrow distribution		0.1

Other		0.1	0.1
FTH Acquisition Corp. VII	Exit of portfolio company		(1.3)
Net realized gain (loss) on investments		6.3	12.4
Income tax provision from realized gains on investments		(0.3)	(1.7)
Net realized gain (loss), net of income tax provision, on investments		$ 6.0	$ 10.7

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During the three and nine months ended September 30, 2018 and 2017, we recorded a net change in unrealized appreciation (depreciation) on investments attributable to the following (dollars in millions):

Unrealized Appreciation (Depreciation)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Exit, sale or restructuring of investments	$ 5.4	$ (5.5)	$ 14.7	$ (10.1)
Fair value adjustments to debt investments	(5.9)	(5.1)	(16.7)	(8.8)
Fair value adjustments to equity investments	14.7	7.5	32.2	13.8
Net change in unrealized appreciation (depreciation)	$ 14.2	$ (3.1)	$ 30.2	$ (5.1)

Net Increase in Net Assets Resulting From Operations

Our net increase in net assets resulting from operations during the three months ended September 30, 2018 was $14.8 million, an increase of $2.7 million, or 22.8%, compared to a net increase in net assets resulting from operations of $12.1 million during the three months ended September 30, 2017.

Our net increase in net assets resulting from operations during the nine months ended September 30, 2018 was $37.5 million, an increase of $5.9 million, or 18.8%, compared to a net increase in net assets resulting from operations of $31.5 million during the nine months ended September 30, 2017.

Liquidity and Capital Resources

As of September 30, 2018, we had $38.1 million in cash and cash equivalents and our net assets totaled $401.5 million. We believe that our current cash and cash equivalents on hand, 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 at-the-market 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. During the nine months ended September 30, 2018, we repaid $43.8 million of SBA debentures which would have matured during the period March 1, 2019 through September 1, 2021. Our remaining outstanding SBA debentures continue to mature in 2020 and subsequent years through 2028, which will require repayment on or before the respective maturity dates.

Cash Flows

For the nine months ended September 30, 2018, we experienced a net decrease in cash and cash equivalents in the amount of $3.5 million. During that period, we used $30.3 million of cash for operating activities, which included the funding of $144.6 million of investments, which were offset by proceeds received from sales and repayments of investments of $92.1 million. During the same period, we received proceeds from the issuances of SBA debentures of $27.0 million, net proceeds of $25.5 million from borrowings under our Credit Facility and proceeds from the issuance of our 2023 Notes of $50.0 million; which were partially offset by repayments of SBA debentures of $43.8 million, cash dividends paid to stockholders of $28.6 million, the payment of deferred financing costs related to our debt financings of $2.7 million and repurchases of common stock under the Stock Repurchase Program (as defined below) of $0.6 million.

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Capital Resources

We anticipate that we will continue to fund our investment activities on a long-term basis through a combination of additional debt and equity capital.

SBA debentures

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 300.0% of an SBIC s regulatory capital or $175.0 million (as amended on June 21, 2018), 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 semi-annually. The principal amount of the SBA debentures is not required to be paid before maturity but may be pre-paid at any time. As of September 30, 2018, Fund I and Fund II had $64.5 million and $150.0 million of outstanding SBA debentures, respectively. Fund I has commenced a wind-down plan and can no longer issue additional SBA debentures. Subject to SBA regulatory requirements and approval of an additional SBIC licensed fund, we may access up to $135.5 million of additional SBA debentures under the SBIC debenture program. For more information on the SBA debentures, please refer to Note 6 to our consolidated financial statements.

Credit Facility

In June 2014, we entered into the Credit Facility to provide additional funding for our investment and operational activities. On December 29, 2017, we entered into an amendment to the Credit Facility to, among other things, extend the maturity date from June 16, 2018 to June 16, 2019. On June 5, 2018, we entered into an incremental commitment agreement, whereby the amount available for borrowing under the Credit Facility was increased from $50.0 million to $75.0 million. The Credit Facility is secured by substantially all of our assets, excluding the assets of the Funds.

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, transferability, 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, 2018, we were in compliance

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with all covenants of the Credit Facility and there were $37.0 million of borrowings outstanding under the Credit Facility.

2023 Notes

On February 2, 2018, we closed the public offering of approximately $43.5 million in aggregate principal amount of our 5.875% notes due 2023, or the 2023 Notes. On February 22, 2018, the underwriters exercised their overallotment option to purchase an additional $6.5 million in aggregate principal of the 2023 Notes. The total net proceeds to us from the 2023 Notes, including the exercise of the underwriters overallotment option, after deducting underwriting discounts of approximately $1.5 million and estimated offering expenses of $0.4 million, were approximately $48.1 million.

The 2023 Notes will mature on February 1, 2023 and bear interest at a rate of 5.875% per annum. The 2023 Notes are unsecured obligations and rank pari passu with our future unsecured indebtedness; effectively subordinated to all of our existing and future secured indebtedness; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, financing vehicles, or similar facilities we may form in the future, with respect to claims on the assets of any such subsidiaries, financing vehicles, or similar facilities. The 2023 Notes may be redeemed in whole or in part at any time or from time to time at our option on or after February 1, 2020. Interest on the 2023 Notes is payable quarterly on February 1, May 1, August 1 and November 1 of each year. The 2023 Notes are listed on the NASDAQ Global Select Market under the trading symbol FDUSL. As of September 30, 2018, the outstanding principal balance of the 2023 Notes was $50.0 million.

As of September 30, 2018, the weighted average stated interest rates for our SBA debentures, the 2023 Notes and the Credit Facility were 3.355%, 5.875% and 5.749%, respectively. As of September 30, 2018, we had $38.0 million of unutilized commitment under our Credit Facility, and we were subject to a 0.500% fee on such amount. As of September 30, 2018, the weighted average stated interest rate on total debt outstanding was 4.067%.

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 U.S. Securities and Exchange Commission (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. Recent legislation, however, modifies the required minimum asset coverage ratio from 200.0% to 150.0%, if certain requirements are met. Under the legislation, we are allowed to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when a quorum is present, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the legislation allows the majority of our independent directors to approve an increase in our leverage capacity, and such approval would become effective after the one-year anniversary of such approval.

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 7, 2018, 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 7, 2019

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or the date of our 2019 Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our 2019 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 7, 2019 or the date of our 2019 Annual Meeting of Stockholders may not exceed 25.0% of our outstanding common stock immediately prior to each such sale.

Stock Repurchase Program

We have an open market stock repurchase program (the Stock Repurchase Program) under which we may acquire up to $5.0 million of our outstanding common stock. Under the Stock Repurchase 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, 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. On October 30, 2018, the board of directors extended the Stock Repurchase Program through December 31, 2019, or until the approved dollar amount has been used to repurchase shares. The Stock Repurchase 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 Stock Repurchase Program. The Stock Repurchase Program may be suspended, extended, modified or discontinued at any time. During the nine months ended September 30, 2018, we repurchased 44,821 shares of common stock on the open market for $0.6 million. We did not make any repurchases of common stock during the nine months ended September 30, 2017. Refer to Note 8 to our consolidated financial statements for additional information concerning stock repurchases.

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.

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

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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 15 and 18 of our portfolio company investments representing 22.4% and 32.0% of the total portfolio investments at fair value (exclusive of new portfolio company investments made during the three months ended September 30, 2018 and December 31, 2017, respectively) as of September 30, 2018 and December 31, 2017, 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 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.

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 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 is accrued daily based on the outstanding principal amount and the contractual terms of the debt. Dividend income is recorded as dividends are declared or at the point an obligation exists for the portfolio company to make a distribution, and is generally recognized when received. Distributions from portfolio companies are evaluated to determine if the distribution is a distribution of earnings or a return of capital. Distributions of earnings are included in dividend income while a return of capital is recorded as a reduction in the cost basis of the investment. Estimates are adjusted as necessary after the relevant tax forms are received from the portfolio company.

PIK income. 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-level U.S. 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 (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 is treated as 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 and are generally non-recurring. 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.

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 interest income over the term of the investment.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *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. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. We adopted the ASU effective January 1, 2018. The majority of our income streams are specifically excluded from the scope of the ASU as they relate to financial instruments that are within the scope of other topics, and in general the impact of adopting the ASU is not material to our consolidated financial position or disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. We are currently evaluating the impact this ASU will have on our consolidated financial position or disclosures.

In August 2018, the SEC issued Final Rule Release No. 33-10532, *Disclosure Update and Simplification*, which amends certain SEC disclosure requirements that have become redundant, duplicative, overlapping, outdated, or superseded in light of other SEC disclosure requirements, U.S. GAAP requirements, or changes in the information environment. As it pertains to us, the amendments include certain presentation changes to the net assets section of the consolidated statements of assets and liabilities and the consolidated statements of changes in net assets (among other changes). The amendments are effective for all filings submitted on or after November 5, 2018. We will adopt the amendments effective November 5, 2018. The amendments do not have a material effect on our consolidated financial position or disclosures.

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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 $10.4 million and $8.4 million as of September 30, 2018 and December 31, 2017, respectively. Such outstanding commitments are summarized in the following table (dollars in millions):

		September 30, 2018		December 31, 2017	
Portfolio Company	**Investment**	**Total Commitment**	**Unfunded Commitment**	**Total Commitment**	**Unfunded Commitment**
American AllWaste LLC (dba WasteWater Transport Services)	Delayed Draw Commitment	$ 3.0	$ 2.3	$	$
B&B Roadway and Security Solutions, LLC	Common Equity	0.1	0.1		
FDS Avionics Corp. (dba Flight Display Systems)	Revolving Loan	0.2	0.1		
Mesa Line Services, LLC	Delayed Draw Commitment	4.0	4.0	4.0	4.0
Oaktree Medical Centre, P.C. (dba Pain Management Associates)	Revolving Loan			2.5	
Rhino Assembly Company, LLC	Delayed Draw Commitment	1.5	1.0	1.5	1.5
Safety Products Group, LLC	Common Equity	2.9 (1)	2.9 (1)	2.9	2.9
Total		$ 11.7	$ 10.4	$ 10.9	$ 8.4

(1) Portfolio company was no longer held at period end. The commitment represents our maximum potential liability related to certain guaranteed obligations stemming from the prior sale of the portfolio company s underlying operations.

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

Related Party Transactions

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

We have entered into the Investment Advisory Agreement with Fidus Investment Advisors, LLC, as our investment advisor. Pursuant to the agreement our investment advisor manages 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 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 SEC; 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 asset coverage requirements applicable to us. Effective June 30, 2014, pursuant to separate exemptive relief from the SEC, any SBA debentures issued by Fund II are not considered senior securities for purposes of the asset coverage requirements.

While we may co-invest with investment entities managed by our investment advisor or its affiliates, to the extent permitted by the 1940 Act and the rules and regulations thereunder, the 1940 Act imposes significant limits on co-investment. The SEC staff has granted us relief sought in an exemptive application that expands our ability to co-invest in portfolio companies with other funds managed by our investment advisor or its affiliates (Affiliated Funds) in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to compliance with certain conditions (the Order). Pursuant to the Order, we are permitted to co-invest with our affiliates if a required majority (as defined in Section 57(o) of the 1940 Act) or our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching by us or our stockholders on the part of any person concerned, and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies.

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 204A-1 under the Advisers Act and in accordance with Rule 17j-1(c) under the 1940 Act. We, and Fund I, have also adopted a code of business conduct that is applicable to all officers, directors and employees of Fidus and our investment advisor. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

Recent Developments

On October 1, 2018, we invested $13.7 million in a new subordinated debt investment of existing portfolio company, Rohrer Corporation.

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On October 1, 2018, we exited our debt investment in Toledo Molding & Die, Inc. We received payment in full of $10.0 million on our second lien debt.

On October 4, 2018, we exited our debt investment in Midwest Transit Equipment, Inc. We received payment in full of $12.6 million on our subordinated debt, which includes a prepayment penalty.

On October 4, 2018, we exited our debt investment in Thermoforming Technology Group LLC (dba Brown Machine Group). We received payment in full of $23.4 million on our second lien debt, which includes a prepayment penalty. We also received a distribution on our equity investment resulting in a realized gain of approximately $0.7 million.

On October 19, 2018, we executed an amendment and incremental commitment agreement to the Credit Facility, whereby the amount available for borrowing under the Credit Facility was increased from $75.0 million to $90.0 million, with allowance for future increases in the commitments up to $100.0 million.

On October 23, 2018, we invested $7.5 million in first lien debt and common equity of Alzheimer s Research and Treatment Center, LLC, a leading clinical trial site services provider with a focus on trials targeting the treatment and prevention of Alzheimer s Disease.

On October 26, 2018, we received a distribution on our equity investment in FAR Research Inc., resulting in a realized gain of approximately $3.3 million.

On October 30, 2018, our board of directors declared a regular quarterly dividend of $0.39 per share payable on December 21, 2018 to stockholders of record as of December 7, 2018. In addition, our board of directors declared a special dividend of $0.04 per share payable on December 21, 2018 to stockholders of record as of December 7, 2018.

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, 2018 and December 31, 2017, five and three debt investments, respectively, bore interest at a variable rate, which represented $44.8 million and $26.1 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, 2018 and December 31, 2017 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 and our 2023 Notes 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%.

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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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DESCRIPTION OF THE NOTES

The Notes will be issued under a base indenture dated as of February 2, 2018, and a second supplemental indenture thereto, to be entered into between us and U.S. Bank National Association, as trustee. We refer to the indenture and the second supplemental indenture collectively as the indenture and to U.S. Bank National Association as the trustee. The Notes are governed by the indenture, as required by federal law for all bonds and notes of companies that are publicly offered. An indenture is a contract between us and the financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under Events of Default Remedies if an Event of Default Occurs below. Second, the trustee performs certain administrative duties for us with respect to the Notes.

This section includes a summary description of the material terms of the Notes and the indenture. Because this section is a summary, however, it does not describe every aspect of the Notes and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of the Notes. The base indenture has been attached as an exhibit to the registration statement of which this prospectus supplement is a part and the second supplemental indenture will be attached as an exhibit to a post-effective amendment to the registration statement of which this prospectus supplement is a part, in each case, as filed with the SEC. See Available Information in this prospectus supplement for information on how to obtain a copy of the indenture.

General

The Notes will mature on , 2024. The principal payable at maturity will be 100% of the aggregate principal amount. The interest rate of the Notes is % per year and will be paid every February 15, May 15, August 15 and November 15, beginning on May 15, 2019, and the regular record dates for interest payments will be every February 1, May 1, August 1 and November 1, commencing May 1, 2019. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment. The initial interest period will be the period from and including , 2019, to, but excluding, the initial interest payment date, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.

We will issue the Notes in denominations of $25 and integral multiples of $25 in excess thereof. The Notes will not be subject to any sinking fund and holders of the Notes will not have the option to have the Notes repaid prior to the stated maturity date.

The indenture does not limit the amount of debt (including secured debt) that may be issued by us or our subsidiaries under the indenture or otherwise, but does contain a covenant regarding our asset coverage that would have to be satisfied at the time of our incurrence of additional indebtedness. See Covenants and Events of Default. Other than as described under Covenants below, the indenture does not restrict us from paying dividends or issuing or repurchasing our other securities. Other than restrictions described under Merger or Consolidation below, the indenture does not contain any covenants or other provisions designed to afford holders of the Notes protection in the event of a highly leveraged transaction involving us or if our credit rating declines as the result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect your investment in the Notes.

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We have the ability to issue indenture securities with terms different from the Notes and, without the consent of the holders of the Notes, to reopen the Notes and issue additional Notes.

Covenants

In addition to any other covenants described in this prospectus supplement and the accompanying prospectus, as well as standard covenants relating to payment of principal and interest, maintaining an office where payments may be made or securities can be surrendered for payment, payment of taxes by the Company and related matters, the following covenants will apply to the Notes:

We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in either case, to the exemptive relief granted to us by the SEC with respect to the consolidation of debt of the Funds. Currently, these provisions generally prohibit us from incurring additional borrowings, including through the issuance of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if we satisfy certain requirements in the future) after such borrowings. See Supplementary Risk Factors Risks Related to the Notes Legislation that took effect in 2018 would allow us to incur additional leverage in this prospectus supplement.

We agree that, for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(B) as modified by (i) such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions and after giving effect to any exemptive relief granted to us by the SEC and (ii) the two other exceptions set forth below. These statutory provisions of the 1940 Act are not currently applicable to us and will not be applicable to us as a result of this offering. However, if Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act were currently applicable to us in connection with this offering, these provisions would generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage were below 200% (or 150% if we satisfy certain requirements in the future) at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution, or purchase. Under the covenant, we will be permitted to declare a cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by Section 61(a) of the 1940 Act or any successor provisions, but only up to such amount as is necessary for us to maintain our status as a RIC under Subchapter M of the Code. Furthermore, the covenant will permit us to continue paying dividends or distributions and will not be triggered unless and until such time as our asset coverage (as defined in the 1940 Act, except to the extent modified by this covenant) has not been in compliance with the minimum asset coverage required by Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions (after giving effect to any exemptive relief granted to us by the SEC) for more than six consecutive months. For the purposes of determining asset coverage as used above, any and all indebtedness of the Company, including any outstanding borrowings under the Credit Facility and any successor or additional credit facility, will be deemed a senior security of us. See Supplementary Risk Factors Risks Related to the Notes Legislation that took effect in 2018 would allow us to incur additional leverage in this prospectus supplement.

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If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable U.S. GAAP.

We agree that for the period of time during which the Notes are outstanding, we will use our reasonable best efforts (i) to effect within thirty (30) days of issuance and delivery of the Notes the listing of the Notes on the Nasdaq Stock Market LLC and (ii) to maintain the listing of the Notes on the Nasdaq Stock Market LLC or another national securities exchange.

Optional Redemption

The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after , 2021, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount of the Notes to be redeemed plus accrued and unpaid interest payments otherwise payable thereon for the then-current quarterly interest period accrued to the date fixed for redemption.

You may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, you will receive, without a charge, a new Note or Notes of authorized denominations representing the principal amount of your remaining unredeemed Notes. Any exercise of our option to redeem the Notes will be done in compliance with the 1940 Act, to the extent applicable.

If we redeem only some of the Notes, the trustee or, with respect to global securities, The Depository Trust Company, New York, New York, will determine the method for selection of the particular Notes to be redeemed, in accordance with the indenture and the 1940 Act, to the extent applicable, and in accordance with the rules of any national securities exchange or quotation system on which the Notes are listed. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.

Global Securities

Each Note will be issued in book-entry form and represented by a global security that we deposit with and register in the name of DTC or its nominee. A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all the Notes represented by a global security, and investors will be permitted to own only beneficial interests in a global security. For more information about these arrangements, see Book-Entry Procedures below.

Termination of a Global Security

If a global security is terminated for any reason, interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated Notes directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders.

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Conversion and Exchange

The Notes are not convertible into or exchangeable for other securities.

Payment and Paying Agents

We will pay interest to the person listed in the trustee s records as the owner of the Notes at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the Note on the interest due date. That day, usually about two weeks in advance of the interest due date, is called the record date. Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling the Notes must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the Notes to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called accrued interest.

Payments on Global Securities

We will make payments on the Notes so long as they are represented by a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder s right to those payments will be governed by the rules and practices of the depositary and its participants, as described under Book-Entry Procedures below.

Payments on Certificated Securities

In the event the Notes become represented by certificated securities, we will make payments on the Notes as follows. We will pay interest that is due on an interest payment date to the holder of the Notes as shown on the trustee s records as of the close of business on the regular record date. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee in New York, New York and/or at other offices that may be specified in the indenture or a notice to holders against surrender of the Note.

Alternatively, at our option, we may pay any cash interest that becomes due on the Notes by mailing a check to the holder at his, her or its address shown on the trustee s records as of the close of business on the regular record date or by transfer to an account at a bank in the United States, in either case, on the due date.

Payment When Offices Are Closed

If any payment is due on the Notes on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date. Such payment will not result in a default under the Notes or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on the Notes.

Events of Default

You will have rights if an Event of Default occurs in respect of the Notes and the Event of Default is not cured, as described later in this subsection.

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The term Event of Default in respect of the Notes means any of the following:

- We do not pay the principal of, or any premium on, any Note when due and payable at maturity;
- We do not pay interest on any Note when due and payable, and such default is not cured within 30 days of its due date;
- We remain in breach of any other covenant in respect of the Notes for 60 days after we receive a written notice of default stating we are in breach (the notice must be sent by either the trustee or holders of at least 25% of the principal amount of the outstanding Notes);
- We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days; or
- On the last business day of each of twenty-four consecutive calendar months, the Notes have an asset coverage of less than 100%, giving effect to the exemptive relief granted to us by the SEC with respect to the consolidation of debt of the Funds.

An Event of Default for the Notes may, but does not necessarily, constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of the Notes of any default, except in the payment of principal or interest, if it in good faith considers the withholding of notice to be in the best interests of the holders.

Remedies if an Event of Default Occurs

If an Event of Default has occurred and is continuing, the trustee or the holders of not less than 25% in principal amount of the Notes may declare the entire principal amount of all the Notes to be due and immediately payable, but this does not entitle any holder of Notes to any redemption payout or redemption premium. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the Notes if (1) we have deposited with the trustee all amounts due and owing with respect to the Notes (other than principal or any payment that has become due solely by reason of such acceleration) and certain other amounts, and (2) any other Events of Default have been cured or waived.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee protection from expenses and liability reasonably satisfactory to it (called an indemnity). If indemnity reasonably satisfactory to the trustee is provided, the holders of a majority in principal amount of the Notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the Notes, the following must occur:

You must give the trustee written notice that an Event of Default has occurred and remains uncured;

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The holders of at least 25% in principal amount of all the Notes must make a written request that the trustee take action because of the default and must offer the trustee indemnity, security, or both reasonably satisfactory to it against the cost and other liabilities of taking that action;

The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity and/or security; and

The holders of a majority in principal amount of the Notes must not have given the trustee a direction inconsistent with the above notice during that 60-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your Notes on or after the due date.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.

Each year, we will furnish to the trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the Notes, or else specifying any default.

Waiver of Default

The holders of a majority in principal amount of the Notes may waive any past defaults other than a default:

in the payment of principal (or premium, if any) or interest; or

in respect of a covenant that cannot be modified or amended without the consent of each holder of the Notes.

Merger or Consolidation

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell all or substantially all of our assets to another entity. However, we may not take any of these actions unless all the following conditions are met:

where we merge out of existence or convey or transfer our assets substantially as an entirety, the resulting entity must agree to be legally responsible for our obligations under the Notes;

the merger or sale of assets must not cause a default on the Notes and we must not already be in default (unless the merger or sale would cure the default). For purposes of this no-default test, a default would include an Event of Default that has occurred and has not been cured, as described under Events of Default above. A default for this purpose would also include any event that would be an Event of Default if the requirements for giving us a notice of default or our default having to exist for a specific period of time were disregarded; and we must deliver certain certificates and documents to the trustee.

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Modification or Waiver

There are three types of changes we can make to the indenture and the Notes issued thereunder.

Changes Requiring Your Approval

First, there are changes that we cannot make to your Notes without your specific approval. The following is a list of those types of changes:

- change the stated maturity of the principal of (or premium, if any, on) or any installment of principal of or interest on the Notes;
- reduce any amounts due on the Notes or reduce the rate of interest on the Notes;
- reduce the amount of principal payable upon acceleration of the maturity of a Note following a default;
- change the place or currency of payment on a Note;
- impair your right to sue for payment;
- reduce the percentage of holders of Notes whose consent is needed to modify or amend the indenture; and
- reduce the percentage of holders of Notes whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults or reduce the percentage of holders of Notes required to satisfy quorum or voting requirements at a meeting of holders of the Notes.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the Notes. This type is limited to clarifications and certain other changes that would not adversely affect holders of the Notes in any material respect.

Changes Requiring Majority Approval

Any other change to the indenture and the Notes would require the following approval:

- if the change affects only the Notes, it must be approved by the holders of a majority in principal amount of the Notes; and if the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

In each case, the required approval must be given by written consent.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under Changes Requiring Your Approval.

Further Details Concerning Voting

When taking a vote, we will use the following rules to decide how much principal to attribute to the Notes:

The Notes will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption or if we or any affiliate of ours own any Notes. The Notes will also not be eligible to vote if they have been fully defeased as described later under Defeasance Full Defeasance below.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of the Notes that are entitled to vote or take other action under the indenture. However, the record date may not be earlier than 30 days before the date of the first solicitation of holders to vote on or take such action and not later than the date such solicitation is completed. If we set a record date for a vote or other action to be taken by holders of the Notes, that vote or action may be taken only by persons who are holders of the Notes on the record date and must be taken within eleven months following the record date.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the Notes or request a waiver.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect with respect to the Notes when:

Either

- all the Notes that have been authenticated have been delivered to the trustee for cancellation; or

- all the Notes that have not been delivered to the trustee for cancellation:

  - have become due and payable, or

  - will become due and payable at their stated maturity within one year, or

  - are to be called for redemption,

and we, in the case of the first, second and third sub-bullets above, have irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders of the Notes, in amounts in the currency payable for the Notes as will be sufficient, to pay and discharge the entire indebtedness (including all principal, premium, if any, and interest) on such Notes delivered to the trustee for cancellation (in the case of Notes that have become due and payable on or prior to the date of such deposit) or to the stated maturity or redemption date, as the case may be;

- we have paid or caused to be paid all other sums payable by us under the indenture with respect to the Notes; and

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we have delivered to the trustee an officers certificate and legal opinion, each stating that all conditions precedent provided for in the indenture relating to the satisfaction and discharge of the indenture and the Notes have been complied with.

Defeasance

The following provisions will be applicable to the Notes. Defeasance means that, by depositing with a trustee an amount of cash and/or government securities sufficient to pay all principal and interest, if any, on the Notes when due and satisfying any additional conditions noted below, we will be deemed to have been discharged from our obligations under the Notes. In the event of a covenant defeasance, upon depositing such funds and satisfying similar conditions discussed below we would be released from certain covenants under the indenture relating to the Notes.

Covenant Defeasance

Under current U.S. federal income tax law and the indenture, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the Notes were issued. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your Notes. In order to achieve covenant defeasance, the following must occur:

Since the Notes are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of the Notes a combination of cash and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates;

We must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the Notes any differently than if we did not make the deposit;

We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, and a legal opinion and officers certificate stating that all conditions precedent to covenant defeasance have been complied with;

Defeasance must not result in a breach or violation of, or result in a default under, the indenture or any of our other material agreements or instruments; and

No default or Event of Default with respect to the Notes shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 60 days.

If we accomplish covenant defeasance, you can still look to us for repayment of the Notes if there were a shortfall in the trust deposit or the trustee is prevented from making payment. In fact, if one of the remaining Events of Default occurred (such as our bankruptcy) and the Notes became immediately due and payable, there might be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

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Full Defeasance

If there is a change in U.S. federal income tax law, as described below, we can legally release ourselves from all payment and other obligations on the Notes (called full defeasance) if we put in place the following other arrangements for you to be repaid:

- Since the Notes are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of the Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates;

- We must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an Internal Revenue Service (IRS) ruling that allows us to make the above deposit without causing you to be taxed on the Notes any differently than if we did not make the deposit;

- We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, and a legal opinion and officers certificate stating that all conditions precedent to defeasance have been complied with;

- Defeasance must not result in a breach or violation of, or constitute a default under, the indenture or any of our other material agreements or instruments; and

- No default or Event of Default with respect to the Notes shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 60 days.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the Notes. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent.

Form, Exchange and Transfer of Certificated Registered Securities

If registered Notes cease to be issued in book-entry form, they will be issued:

- only in fully registered certificated form;

- without interest coupons; and

unless we indicate otherwise, in denominations of $25 and amounts that are multiples of $25.
Holders may exchange their certificated securities for Notes of smaller denominations or combined into fewer Notes of larger denominations, as long as the total principal amount is not changed and as long as the denomination is equal to or greater than $25.

Holders may exchange or transfer their certificated securities at the office of the trustee. We have appointed the trustee to act as our agent for registering Notes in the names of holders transferring Notes. We may appoint another entity to perform these functions or perform them ourselves.

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Holders will not be required to pay a service charge to transfer or exchange their certificated securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder s proof of legal ownership.

We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the Notes, we may block the transfer or exchange of those Notes selected for redemption during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated Notes selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any Note that will be partially redeemed.

If registered Notes are issued in book-entry form, only the depositary will be entitled to transfer and exchange the Notes as described in this subsection, since it will be the sole holder of the Notes.

Resignation of Trustee

The trustee may resign or be removed with respect to the Notes provided that a successor trustee is appointed to act with respect to the Notes. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

Governing Law

The indenture and the Notes will be governed by and construed in accordance with the laws of the State of New York.

Indenture Provisions Ranking

The Notes will be our direct unsecured obligations and will rank:

- *pari passu* with our existing and future unsubordinated unsecured indebtedness, including our 2023 Notes, of which $50.0 million in aggregate principal amount was outstanding as of February 4, 2019;

- senior to any of our future indebtedness that expressly provides it is subordinated to the Notes; and

- effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under our Credit Facility, of which $75.0 million was outstanding as of February 4, 2019; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including the Funds, which subsidiaries, as of February 4, 2019, had total indebtedness outstanding of $191.0 million.

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The Trustee under the Indenture

U.S Bank National Association serves as the trustee, paying agent, and security registrar under the indenture. Separately, our securities are held by U.S. Bank National Association pursuant to a custody agreement.

Book-Entry Procedures

The Notes will be represented by global securities that will be deposited and registered in the name of DTC or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations that are participants in DTC.

The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each issuance of the Notes, in the aggregate principal amount thereof, and will be deposited with DTC. Interests in the Notes will trade in DTC s Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC s participants (Direct Participants) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (DTCC).

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). DTC has a Standard & Poor s Rating of AA+. The DTC Rules applicable to its participants are on file with the SEC. More information about DTC can be found at *www.dtcc.com* and *www.dtc.org*.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC s records. The ownership interest of each actual purchaser of each security, or the Beneficial Owner, is in turn to be recorded on the Direct and Indirect Participants records. Beneficial Owners will not receive written confirmation from DTC

of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC s records reflect only the identity of the Direct Participants to whose accounts the Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Redemption proceeds, distributions, and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC s practice is to credit Direct Participants accounts upon DTC s receipt of funds and corresponding detail information from us or the trustee on the payment date in accordance with their respective holdings shown on DTC s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC nor its nominee, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of us or the trustee, but disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to us or to the trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered. We may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC s book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for its accuracy.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes certain U.S. federal income tax and, in the case of non-U.S. holders (as defined below), estate tax consequences applicable to an investment in the Notes. This summary does not purport to be a complete description of the U.S. federal income and estate tax considerations applicable to such an investment. The summary is based upon the Code, U.S. Treasury regulations, and administrative and judicial interpretations, each as of the date of this prospectus supplement and all of which are subject to change, potentially with retroactive effect, or to different interpretations. We cannot assure you that the U.S. Internal Revenue Service, or the IRS, will not challenge one or more of the tax consequences described in this summary, and we have not obtained, nor do we intend to obtain, any ruling from the IRS or opinion of counsel with respect to the tax consequences of an investment in the Notes. Investors should consult their own tax advisors with respect to tax considerations that pertain to their investment in the Notes.

This summary discusses only Notes held as capital assets within the meaning of the Code (generally, property held for investment purposes) and does not purport to address persons in special tax situations, such as banks and other financial institutions, insurance companies, controlled foreign corporations, passive foreign investment companies, real estate investment trusts and regulated investment companies (and shareholders of such corporations), dealers in securities or currencies, traders in securities, former citizens of the United States, persons holding the Notes as a position in a straddle, hedge, constructive sale transaction, conversion transaction, wash sale or other integrated transaction for U.S. federal income tax purposes, entities that are tax-exempt for U.S. federal income tax purposes, retirement plans, individual retirement accounts, tax-deferred accounts, persons subject to the alternative minimum tax, pass-through entities (including partnerships and entities and arrangements classified as partnerships for U.S. federal income tax purposes) and beneficial owners of pass-through entities, persons required to accelerate the recognition of gross income with respect to the Notes as a result of such income being recognized on an applicable financial statement, or U.S. holders (as defined below) whose functional currency (as defined in the Code) is not the U.S. dollar. It also does not address beneficial owners of the Notes other than original purchasers of the Notes who acquire the Notes in this offering for cash at a price equal to their issue price (*i.e.*, the first price at which a substantial amount of the Notes is sold for money to investors (other than to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placements agents or wholesalers)). In addition, this summary also does not address any U.S. state or local or non-U.S. tax consequences, or any U.S. federal tax consequences other than income and estate taxation. Investors considering purchasing the Notes should consult their own tax advisors concerning the application of the U.S. federal income tax laws to their individual circumstances, as well as any consequences to such investors relating to purchasing, owning and disposing of the Notes under the laws of any state, local, foreign or other taxing jurisdiction.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds any Notes, the U.S. federal income tax treatment of a partner of the partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partnerships holding Notes, and persons holding interests in such partnerships, should each consult their own tax advisors as to the consequences of investing in the Notes in their individual circumstances.

Taxation of U.S. Holders

For purposes of this discussion, the term U.S. holder means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

an individual who is a citizen or resident of the United States;

a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;

a trust (i) the administration of which is subject to the primary supervision of a U.S. court and that has one or more United States persons (within the meaning of the Code) that have the authority to control all substantial decisions of the trust or (ii) that has made a valid election under applicable U.S. Treasury regulations to be treated as a United States person (within the meaning of the Code); or

an estate the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Interest

Payments or accruals of interest on a Note generally will be taxable to a U.S. holder as ordinary interest income at the time they are received (actually or constructively) or accrued, in accordance with the U.S. holder s regular method of tax accounting.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Note

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption, retirement or other taxable disposition (excluding amounts representing accrued and unpaid interest, which are treated as ordinary interest income to the extent not previously included in income) and the U.S. holder s adjusted tax basis in the Note. A U.S. holder s adjusted tax basis in a Note generally will equal the U.S. holder s initial investment in the Note. Capital gain or loss generally will be long-term capital gain or loss if the Note was held for more than one year. Long-term capital gains recognized by individuals and certain other non-corporate U.S. holders generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations under the Code.

Additional Tax on Net Investment Income

An additional tax of 3.8% is imposed on certain net investment income (or undistributed net investment income, in the case of certain U.S. holders that are estates and trusts) received by certain U.S. holders with adjusted gross income above certain threshold amounts. Net investment income generally includes interest payments on, and gain recognized from the sale, exchange, redemption, retirement or other taxable disposition of, the Notes, less certain deductions. U.S. holders should consult their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of the Notes.

Backup Withholding and Information Reporting

In general, a U.S. holder will be subject to U.S. federal backup withholding tax at the applicable rate with respect to payments on the Notes and the proceeds of a sale, exchange, redemption, retirement or other taxable disposition of the Notes, unless the U.S. holder is an exempt recipient and appropriately establishes that exemption, or provides its taxpayer identification number to the paying agent and certifies, under penalty of perjury, that it is not subject to backup withholding on an IRS Form W-9 and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. holder may be allowed as a credit against such U.S. holder s U.S. federal income tax liability and may entitle such U.S. holder to a

refund, provided the required information is furnished to the IRS in a timely manner. In addition, payments on the Notes made to, and the proceeds of a sale, exchange, redemption, retirement or other taxable disposition by, a U.S. holder generally will be subject to information reporting requirements, unless such U.S. holder is an exempt recipient and appropriately establishes that exemption.

Taxation of Non-U.S. Holders

For purposes of this discussion, the term non-U.S. holder means a beneficial owner of a Note that is neither a U.S. holder nor a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

Interest on the Notes

Subject to the discussions of backup withholding and Foreign Account Tax Compliance Act, or FATCA, withholding below, payments to a non-U.S. holder of interest on the Notes generally will not be subject to U.S. federal income tax and will be exempt from withholding of U.S. federal income tax under the portfolio interest exemption if such non-U.S. holder properly certifies as to such non-U.S. holder s foreign status, as described below, and:

- such non-U.S. holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote;

- such non-U.S. holder is not a controlled foreign corporation that is related to us (actually or constructively);

- such non-U.S. holder is not a bank whose receipt of interest on the Notes is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such non-U.S. holder s trade or business; and

- interest on the Notes is not effectively connected with such non-U.S. holder s conduct of a U.S. trade or business (or, in the case of an applicable income tax treaty, such interest is not attributable to a permanent establishment maintained by such non-U.S. holder in the United States).

The portfolio interest exemption generally applies only if a non-U.S. holder also appropriately certifies as to such non-U.S. holder s foreign status. A non-U.S. holder can generally meet the certification requirement by providing a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E (or applicable successor form) to the applicable withholding agent. If a non-U.S. holder holds the Notes through a financial institution or other agent acting on such non-U.S. holder s behalf, such non-U.S. holder may be required to provide appropriate certifications to the agent. Such non-U.S. holder s agent will then generally be required to provide appropriate certifications to the applicable withholding agent, either directly or through other intermediaries.

If a non-U.S. holder cannot satisfy the requirements described above, payments of interest made to such non-U.S. holder will be subject to U.S. federal withholding tax at a 30% rate, unless (i) such non-U.S. holder provides the applicable withholding agent with a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E (or applicable successor form) claiming an exemption from (or a reduction of) withholding under the benefits of an income tax treaty, or (ii) the payments of such interest are effectively connected with such non-U.S. holder s conduct of a trade or business in the United States and such non-U.S. holder meets the certification requirements described below. See Income or Gain Effectively Connected with a U.S. Trade or Business below.

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Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Note

Subject to the discussions of backup withholding and FATCA withholding below, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement, or other taxable disposition of a Note unless:

- the gain is effectively connected with the conduct by such non-U.S. holder of a U.S. trade or business (and, if required by an applicable income tax treaty, such non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable); or

- such non-U.S. holder is a non-resident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met.

If a non-U.S. holder s gain is described in the first bullet point above, such non-U.S. holder generally will be subject to U.S. federal income tax in the manner described under Income or Gain Effectively Connected with a U.S. Trade or Business below. A non-U.S. holder described in the second bullet point above will be subject to a flat 30% (or lower applicable income tax treaty rate) U.S. federal income tax on the gain derived from the sale, redemption, exchange, retirement, or other taxable disposition, which may be offset by certain U.S. source capital losses. To the extent that any portion of the amount realized on a sale, redemption, exchange, retirement or other taxable disposition of a Note is attributable to accrued but unpaid interest on the Note, this amount generally will be taxed in the same manner as described above in Interest on the Notes.

Income or Gain Effectively Connected with a U.S. Trade or Business

If any interest on the Notes or gain from the sale, redemption, exchange, retirement, or other taxable disposition of the Notes is effectively connected with a non-U.S. holder s conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, such non-U.S. holder maintains a permanent establishment in the United States to which such interest or gain is attributable), then the interest income or gain will be subject to U.S. federal income tax at regular graduated income tax rates generally in the same manner as if such non-U.S. holder were a U.S. holder (but without regard to the additional tax on net investment income described above). Effectively connected interest income will not be subject to U.S. federal withholding tax if a non-U.S. holder satisfies certain certification requirements by providing to the applicable withholding agent a properly executed IRS Form W-8ECI (or successor form). In addition, if a non-U.S. holder is a corporation, that portion of such non-U.S. holder s earnings and profits that are effectively connected with such non-U.S. holder s conduct of a U.S. trade or business may also be subject to a branch profits tax at a 30% rate, unless an applicable income tax treaty provides for a lower rate. For this purpose, interest received on a Note and gain recognized on the disposition of a Note will be included in earnings and profits if the interest or gain is effectively connected with the conduct by such non-U.S. holder of a U.S. trade or business.

Backup Withholding and Information Reporting

Under current U.S. Treasury regulations, the amount of interest paid to a non-U.S. holder and the amount of tax withheld, if any, from those payments must be reported annually to the IRS and each non-U.S. holder. These reporting requirements apply regardless of whether U.S. withholding tax on such payments was reduced or eliminated by any applicable tax treaty or otherwise. Copies of the information returns reporting those payments and the amounts withheld may also be made available to the tax authorities in the country where a non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

Backup withholding generally will not apply to payments of interest to a non-U.S. holder on a Note if the certification described above in Interest on the Notes is duly provided or such non-U.S. holder otherwise establishes an exemption.

Additionally, the gross proceeds from a non-U.S. holder s disposition of Notes may be subject under certain circumstances to information reporting and backup withholding unless the non-U.S. holder provides an IRS Form W-8BEN or W-8BEN-E (or other applicable form) certifying that the non-U.S. holder is not a United States person or otherwise qualifies for an exemption.

Non-U.S. holders should consult their own tax advisors regarding application of the backup withholding rules to their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be credited against a non-U.S. holder s U.S. federal income tax liability (which may result in such non-U.S. holder being entitled to a refund of U.S. federal income tax), provided that the required information is timely provided to the IRS.

Estate Tax

A Note that is held by an individual who, at the time of death, is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) generally will not be subject to the U.S. federal estate tax, unless, at the time of death, (i) such individual directly or indirectly, actually or constructively, owns ten percent or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code and the Treasury Regulations thereunder or (ii) such individual s interest in the Notes is effectively connected with the individual s conduct of a United States trade or business.

FATCA

FATCA generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions (FFIs) unless such FFIs either (i) enter into an agreement with the U.S. Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities that have U.S. persons as substantial owners) or (ii) reside in a jurisdiction that has entered into an intergovernmental agreement (IGA) with the United States to collect and share such information and are in compliance with the terms of such IGA and any enabling legislation or regulations. The types of income subject to the tax include U.S. source interest (including interest on a Note) and dividends. While existing U.S. Treasury regulations would also require withholding on payments of the gross proceeds from the sale of any property that could produce U.S. source interest (such as a Note) or dividends, the U.S. Treasury Department has indicated in subsequent proposed regulations its intent to eliminate this requirement. the gross proceeds from the sale of any property that could produce U.S. source interest (such as a Note) or dividends. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder s account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding on payments to foreign entities that are not FFIs unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. Depending on the status of a beneficial owner and the status of the intermediary through which it holds the Notes, a beneficial owner could be subject to this 30% withholding tax with respect to interest paid on the Notes and potentially gross proceeds from the sale of the Notes (recent IRS regulations propose eliminating withholding on gross proceeds). Under certain circumstances, a beneficial owner might be eligible for a refund or credit of such taxes.

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Holders and beneficial owners should consult their own tax advisors regarding FATCA and whether it may be relevant to their acquisition, ownership and disposition of the Notes.

You should consult your own tax advisor with respect to the particular tax consequences to you of an investment in the Notes, including the possible effect of any pending legislation or proposed regulations.

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UNDERWRITING

Keefe, Bruyette & Woods, Inc. is acting as the representative of the underwriters for this offering. Subject to the terms and conditions set forth in an underwriting agreement dated , 2019 among us, our investment advisor and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the aggregate principal amount of Notes indicated in the table below:

Underwriter	Principal Amount of Notes
Keefe, Bruyette & Woods, Inc.	$
BB&T Capital Markets, a division of BB&T Securities LLC	$
Janney Montgomery Scott LLC	$
Ladenburg Thalmann & Co. Inc.	$
B. Riley FBR, Inc.	$
William Blair & Company, L.L.C.	$
Total	$

Keefe, Bruyette & Woods, Inc. is acting as book-running manager of this offering.

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers certificates and legal opinions. The underwriting agreement provides that the underwriters will purchase all of the Notes (other than those covered by the over-allotment option described below) if they purchase any of the Notes. If an underwriter defaults, the underwriting agreement provides that, under the circumstances, the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated. We and our investment advisor have each agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters have advised us that they currently intend to make a market in the Notes. However, the underwriters are not obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

The underwriters are offering the Notes, subject to their acceptance of the Notes from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The underwriters propose to initially offer some of the Notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement. If all of the Notes are not sold at the public offering price, the representative may change the public offering price and other selling terms. Investors must pay for any Notes purchased in this offering on or before , 2019. The representative has advised us that the underwriters do not intend to confirm any sales to any accounts over which they exercise discretionary authority.

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The following table shows the sales load to be paid to the underwriters in connection with this offering assuming (1) no exercise of and (2) exercise in full of the underwriters over-allotment option.

		Total	
	Per Note	Without Over-allotment	With Full Over-allotment
Public offering price	%	$	$
Sales load (underwriting discounts and commissions)	%	$	$
Proceeds to us (before expenses)	%	$	$

We estimate expenses payable by us in connection with this offering will be approximately $400,000. As part of our payment of our offering expenses, we have agreed to pay the underwriters an amount not to exceed $15,000 for the fees and disbursements of counsel to the underwriters in connection with the review by FINRA of the terms of the sale of the Notes.

Listing

We intend to list the Notes on The Nasdaq Global Select Market. We expect trading in the Notes on The Nasdaq Global Select Market to begin within 30 days after the original issue date under the trading symbol FDUSZ . We offer no assurances that an active trading market for the Notes will develop and continue after the offering. We have agreed to a covenant relating to the listing of the Notes, which is described under the headings Specific Terms of the Notes and the Offering Other Covenants and Description of the Notes Covenants in this prospectus supplement.

Over-Allotment Option

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase from us up to an additional $ million aggregate principal amount of the Notes at the public offering price set forth on the cover of this prospectus supplement less the sales load. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. If the underwriters exercise this overallotment option, each will be obligated, subject to the specified conditions, to purchase a number of additional Notes proportionate to that underwriter s initial principal amount reflected in the table above.

No Sales of Similar Securities

Subject to certain exceptions, we have agreed not to, directly or indirectly, offer, pledge, sell, contract to sell, grant any option for the sale of, make any short sale or otherwise transfer or dispose of any debt securities issued or guaranteed by the Company or any securities convertible into or exercisable or exchangeable for debt securities issued or guaranteed by the Company, enter into any swap or other derivatives transaction that transfers any of the economic benefits or risks of ownership of any debt securities issued or guaranteed by the Company or file any registration statement under the Securities Act with respect to any of the foregoing for a period of 45 days after the date of this prospectus supplement without first obtaining the written consent of Keefe, Bruyette & Woods, Inc., other than certain private sales of debt securities to a limited number of institutional investors. This consent may be given at any time without public notice.

Stabilization

The underwriters have advised us that, pursuant to Regulation M under the Exchange Act, certain persons participating in the offering may engage in transactions including over-allotment, covering transactions and stabilizing transactions, which may have the effect of stabilizing or

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maintaining the market price of the Notes at a level above that which might otherwise prevail in the open market. Over-allotment involves syndicate sales of securities in excess of the aggregate principal amount of securities to be purchased by the underwriters in the offering, which creates a short position for the underwriters. Covering transactions involve purchases of the securities in the open market after the distribution has been completed in order to cover short positions.

A stabilizing bid is a bid for the purchase of Notes on behalf of the underwriters for the purpose of fixing or maintaining the price of the Notes. A syndicate covering transaction is the bid for or the purchase of Notes on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriter s purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the Notes originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member. The underwriters may conduct these transactions on The Nasdaq Global Select Market, in the over-the-counter market or otherwise.

Neither we, nor any of the underwriters makes 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 Notes. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

Electronic Distribution

A prospectus in electronic format may be made available by e-mail or on the web sites or through online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a limited principal amount of the Notes for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, information on the underwriters web sites and any information contained in any other web site maintained by any of the underwriters or selling group members is not part of this prospectus supplement or the registration statement of which this prospectus supplement is a part, has not been approved and/or endorsed by us or the underwriters and should not be relied on by investors.

Other Relationships

Certain of the underwriters and their affiliates have provided in the past and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to us, our portfolio companies or our affiliates for which they have received or will be entitled to receive separate fees. In particular, the underwriters or their affiliates may execute transactions with us, on behalf of us, any of our portfolio companies or our affiliates. In addition, the underwriters or their affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to or whose loans are syndicated to us, our portfolio companies or our affiliates.

The underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account

of others and may extend loans or financing directly or through derivative transactions to us, any of our portfolio companies or our affiliates.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by the underwriters and their affiliates in the ordinary course of their business and not in connection with the offering of the Notes. In addition, after the offering period for the sale of the Notes, the underwriters or their affiliates may develop analyses or opinions related to us or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding us to holders of the Notes or any other persons.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters and their affiliates that may have a lending relationship with us may routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered by this prospectus supplement and the accompanying prospectus. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The principal business address of Keefe, Bruyette & Woods, Inc. is 787 Seventh Avenue, 4th Floor, New York, New York 10019.

Other Jurisdictions

The Notes offered by this prospectus supplement and the accompanying prospectus may not be offered or sold, directly or indirectly, nor may this prospectus supplement, the accompanying prospectus or any other offering material or advertisements in connection with the offer and sale of any such Notes be distributed or published, in any jurisdiction except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement and the accompanying prospectus come are advised to inform themselves about and to observe any restriction relating to the offering and the distribution of this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy the Notes offered by this prospectus supplement and the accompanying prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

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Alternative Settlement Cycle

We expect that delivery of the Notes will be made against payment therefor on or about , 2019, which will be the third business day following the date of pricing of the Notes (such settlement cycle being referred to as T+3). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next two succeeding business days should consult their own advisor.

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LEGAL MATTERS

Certain legal matters will be passed upon for us by Eversheds Sutherland (US) LLP. Eversheds Sutherland (US) LLP also represents our investment advisor. Certain legal matters will be passed upon for the underwriters by Dechert LLP.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements, the related senior securities table and the effectiveness of internal control over financial reporting appearing in 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 in this prospectus supplement, 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 Notes offered by this prospectus supplement. The registration statement contains additional information about us and the Notes being offered by this prospectus supplement.

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. 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.

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INDEX TO FINANCIAL INFORMATION

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FIDUS INVESTMENT CORPORATION

Consolidated Statements of Assets and Liabilities

(in thousands, except shares and per share data)

	September 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Investments, at fair value		
Control investments (cost: $6,983 and $6,294, respectively)	$ 5,318	$ 4,723
Affiliate investments (cost: $73,606 and $91,361, respectively)	133,202	123,011
Non-control/non-affiliate investments (cost: $539,184 and $480,139, respectively)	529,983	468,574
Total investments, at fair value (cost: $619,773 and $577,794, respectively)	668,503	596,308
Cash and cash equivalents	38,072	41,572
Interest receivable	6,024	7,411
Prepaid expenses and other assets	899	972
Total assets	$ 713,498	$ 646,263
LIABILITIES		
SBA debentures, net of deferred financing costs (Note 6)	$ 209,908	$ 226,660
Public Notes, net of deferred financing costs (Note 6)	48,314	
Borrowings under Credit Facility, net of deferred financing costs (Note 6)	36,794	11,175
Accrued interest and fees payable	1,280	2,712
Management and incentive fees payable due to affiliate	14,374	11,217
Administration fee payable and other due to affiliate	425	562
Taxes payable	530	500
Accounts payable and other liabilities	351	164
Total liabilities	311,976	252,990
Commitments and contingencies (Note 7)		
NET ASSETS		
Common stock, $0.001 par value (100,000,000 shares authorized, 24,463,119 and 24,507,940 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively)	24	24
Additional paid-in capital	369,963	370,545
Undistributed net investment income	864	5,687
Accumulated net realized gain (loss) on investments, net of taxes and distributions	(18,563)	(2,001)

Accumulated net unrealized appreciation (depreciation) on investments		49,234		19,018
Total net assets		401,522		393,273
Total liabilities and net assets	$	713,498	$	646,263
Net asset value per common share	$	16.41	$	16.05

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,			
	2018		2017		2018		2017	
Investment Income:								
Interest income								
Control investments	$	63	$		$	181	$	
Affiliate investments		1,730		2,506		5,268		7,219
Non-control/non-affiliate investments		13,621		11,981		40,385		33,935
Total interest income		15,414		14,487		45,834		41,154
Payment-in-kind interest income								
Control investments		171				486		
Affiliate investments		106		520		613		1,390
Non-control/non-affiliate investments		1,238		1,347		3,425		3,792
Total payment-in-kind interest income		1,515		1,867		4,524		5,182
Dividend income								
Control investments								
Affiliate investments		312		325		953		871
Non-control/non-affiliate investments		45		108		37		835
Total dividend income		357		433		990		1,706
Fee income								
Control investments								
Affiliate investments				79		23		226
Non-control/non-affiliate investments		556		1,139		2,745		3,169
Total fee income		556		1,218		2,768		3,395
Interest on idle funds and other income		30		43		101		110
Total investment income		17,872		18,048		54,217		51,547
Expenses:								
Interest and financing expenses		3,106		2,491		9,234		7,476
Base management fee		2,932		2,486		8,438		7,202
Incentive fee		3,698		3,008		9,359		7,870
Administrative service expenses		366		318		1,112		1,009
Professional fees		233		294		1,018		1,004
Other general and administrative expenses		226		258		1,212		967

Total expenses	10,561	8,855	30,373	25,528
Net investment income before income taxes	7,311	9,193	23,844	26,019
Income tax provision (benefit)	(170)	4	28	29
Net investment income	7,481	9,189	23,816	25,990
Net realized and unrealized gains (losses) on investments:				
Net realized gains (losses):				
Control investments				
Affiliate investments	109	(47)	842	(21)
Non-control/non-affiliate investments	(7,345)	6,299	(15,996)	12,370
Net change in unrealized appreciation (depreciation):				
Control investments	105		(94)	
Affiliate investments	12,208	4,794	27,946	5,544
Non-control/non-affiliate investments	1,903	(7,903)	2,364	(10,677)
Income tax (provision) benefit from realized gains on investments	340	(277)	(1,408)	(1,662)
Net gain (loss) on investments	7,320	2,866	13,654	5,554
Net increase in net assets resulting from operations	$ 14,801	$ 12,055	$ 37,470	$ 31,544
Per common share data:				
Net investment income per share-basic and diluted	$ 0.31	$ 0.38	$ 0.97	$ 1.12
Net increase in net assets resulting from operations per share basic and diluted	$ 0.61	$ 0.49	$ 1.53	$ 1.36
Dividends declared per share	$ 0.39	$ 0.39	$ 1.17	$ 1.17
Weighted average number of shares outstanding basic and diluted	24,463,119	24,481,690	24,474,632	23,201,533

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 gain (loss) on investments, net of taxes and distributions**	**Accumulated net unrealized appreciation (depreciation) on investments**	**Total net assets**
Balances at December 31, 2016	22,446,076	$ 22	$ 340,101	$ 9,626	$ (19,908)	$ 23,944	$ 353,785
Public offerings of common stock, net of expenses (Note 8)	2,012,500	2	32,328				32,330
Shares issued under dividend reinvestment plan	34,304		569				569
Net increase in net assets resulting from operations				25,990	10,687	(5,133)	31,544
Dividends declared				(27,060)			(27,060)
Balances at September 30, 2017	24,492,880	$ 24	$ 372,998	$ 8,556	$ (9,221)	$ 18,811	$ 391,168
Balances at December 31, 2017	24,507,940	$ 24	$ 370,545	$ 5,687	$ (2,001)	$ 19,018	$ 393,273
Repurchases of common stock under Stock Repurchase Program (Note 8)	(44,821)		(582)				(582)
Net increase in net assets resulting from operations				23,816	(16,562)	30,216	37,470
Dividends declared				(28,639)			(28,639)
Balances at September 30, 2018	24,463,119	$ 24	$ 369,963	$ 864	$ (18,563)	$ 49,234	$ 401,522

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, 2018	Nine Months Ended September 30, 2017
Cash Flows from Operating Activities:		
Net increase in net assets resulting from operations	$ 37,470	$ 31,544
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used for) operating activities:		
Net change in unrealized (appreciation) depreciation on investments	(30,216)	5,133
Net realized (gain) loss on investments	15,154	(12,349)
Interest and dividend income paid-in-kind	(4,610)	(5,784)
Accretion of original issue discount	(208)	(330)
Accretion of loan origination fees	(624)	(1,179)
Purchase of investments	(144,614)	(155,577)
Proceeds from sales and repayments of investments	92,052	132,724
Proceeds from loan origination fees	871	907
Amortization of deferred financing costs	1,164	957
Changes in operating assets and liabilities:		
Interest receivable	1,387	(1,542)
Prepaid expenses and other assets	40	(329)
Accrued interest and fees payable	(1,432)	(2,539)
Management and incentive fees payable due to affiliate	3,157	1,624
Administration fee payable and other due to affiliate	(137)	(98)
Taxes payable	30	(190)
Accounts payable and other liabilities	187	(207)
Net cash (used for) operating activities	(30,329)	(7,235)
Cash Flows from Financing Activities:		
Proceeds from stock offerings, net of expenses		32,330
Proceeds received from SBA debentures	27,000	34,000
Repayments of SBA debentures	(43,800)	(41,700)
Proceeds received from issuance of Public Notes	50,000	
Proceeds received from (repayments of) borrowings under Credit Facility, net	25,500	
Payment of deferred financing costs	(2,650)	(1,119)
Dividends paid to stockholders, including expenses	(28,639)	(26,491)
Repurchases of common stock under Stock Repurchase Program	(582)	
Net cash provided by (used for) financing activities	26,829	(2,980)
Net (decrease) in cash and cash equivalents	(3,500)	(10,215)

Cash and cash equivalents:				
Beginning of period		41,572		57,083
End of period	$	38,072	$	46,868
Supplemental disclosure of cash flow information:				
Cash payments for interest	$	9,502	$	9,058
Cash payments for taxes, net of tax refunds received	$	1,406	$	1,881
Non-cash financing activities:				
Shares issued under dividend reinvestment plan	$		$	569

See Notes to Consolidated Financial Statements (unaudited).

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited)

September 30, 2018

(in thousands, except shares)

Portfolio Company [a][b] Investment Type [c]	**Industry**	**Rate [d] Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value [e]**	**Percent of Net Assets**
Control Investments [t]							
FDS Avionics Corp. (dba Flight Display Systems)	Aerospace & Defense Manufacturing						
Second Lien Debt		4.00%/11.00%	4/1/2020	$ 6,034	$ 6,026	$ 5,109	
Revolving Loan ($50 commitment)		4.00%/11.00%	4/1/2020	209	209	209	
Common Equity (7,478 shares) [j]					748		
					6,983	5,318	1%
Total Control Investments					$ 6,983	$ 5,318	1%
Affiliate Investments [l]							
Apex Microtechnology, Inc.	Electronic Components Supplier						
Warrant (2,293 shares) [m]					$ 220	$ 1,218	
Common Equity (11,690 shares)					1,168	5,956	
					1,388	7,174	2%
FAR Research Inc.	Specialty Chemicals						
Common Equity (1,396 units)					1,396	3,315	1%
Fiber Materials, Inc.	Aerospace & Defense Manufacturing						
Second Lien Debt		12.00%/0.00%	5/30/2022	$ 4,044	4,031	4,044	
Common Equity (10 units)					1,000	2,244	
					5,031	6,288	1%
Medsurant Holdings, LLC	Healthcare Services						

Second Lien Debt		13.00%/0.00%	6/30/2020	8,823	8,790	8,823	
Preferred Equity (126,662 units) [h]					1,346	3,026	
Warrant (505,176 units) [h][m]					4,516	11,027	
					14,652	22,876	6%
Microbiology Research Associates, Inc.	Healthcare Services						
Subordinated Debt		11.00%/1.50%	3/13/2022	8,765	8,750	8,360	
Common Equity (1,625,731 units) [j]					1,939	2,294	
					10,689	10,654	3%
Mirage Trailers LLC	Utility Equipment Manufacturing						
Second Lien Debt [k][f]		13.61%/1.50%	11/25/2020	6,085	6,046	6,085	
Common Equity (2,500,000 shares) [g]					2,177	3,113	
					8,223	9,198	2%
Pfanstiehl, Inc.	Healthcare Products						
Subordinated Debt		10.50%/0.00%	9/29/2022	6,208	6,196	6,208	
Common Equity (8,500 units) [j]					850	13,963	
					7,046	20,171	5%
Pinnergy, Ltd.	Oil & Gas Services						
Second Lien Debt [k]		12.00%/0.00%	1/24/2020	4,000	3,991	4,000	
Common Equity Class A-2 (42,500 units) [k]					3,000	32,118	
Common Equity Class B (1,000 units) [k]					3,000	3,000	
					9,991	39,118	10%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2018

(in thousands, except shares)

o Company [(a)(b)] **ent Type** [(c)]	**Industry**	**Rate** [(d)] **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Pe** **Fair Value** [(e)]
l Holding LLC *ward Advanced Materials)*	Aerospace & Defense Manufacturing					
Lien Debt		12.00%/2.25%	5/12/2021	7,525	7,508	7,525
n Equity (1,000,000 units)					1,000	1,090
					8,508	8,615
h Radiator Products, Inc.	Utility Equipment Manufacturing					
Lien Debt [(j)]		14.25%/0.00%	12/31/2019	5,994	5,994	5,705
n Equity (6,875 shares) [(j)]					688	88
					6,682	5,793
ffiliate Investments					$ 73,606	$ 133,202
ntrol/Non-affiliate Investments						
Food Services, LLC	Vending Equipment Manufacturing					
Lien Debt [(k)]		10.00%/3.00%	5/30/2022	$ 29,639	$ 29,527	$ 28,160
n Equity (7,885 units) [(h)(j)]					800	559
					30,327	28,719
00 Group, Inc.	Healthcare Products					
n Equity (1,250,000 units) [(j)]					1,250	1,684
n AllWaste LLC *asteWater Transport Services)*	Environmental Industries					
Lien Debt [(j)]		11.00%/1.50%	11/30/2023	11,780	11,716	11,716
l Draw Commitment ($2,276 commitment) [(i)(j)]		11.00%/1.50%	11/30/2019		(9)	
d Equity (500 units) [(j)]					500	500
					12,207	12,216
estors, LLC (dba Auveco)	Specialty Distribution					

Lien Debt (k)		11.50%/0.00%	7/3/2023	22,500	22,401	22,500
n Equity (5,000 units) (j)					500	669
					22,901	23,169
padway and Security Solutions, LLC	Component Manufacturing					
Lien Debt		10.50%/1.50%	8/27/2023	10,090	10,040	10,090
n Equity (50,000 units) ($133 commitment)					500	387
					10,540	10,477
ll & Gregory, LLC	Laundry Services					
nated Debt		0.00%/12.00%	5/31/2022	3,316	3,316	3,316
n Equity (500,000 units) (h)					500	839
t (242,121 units) (h)(m)					242	371
					4,058	4,526
ard Box LLC (dba Anthony s Coal Fired Pizza)	Restaurants					
n Equity (521,021 units) (j)					520	125

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2018

(in thousands, except shares)

Portfolio Company [a][b] Investment Type [c]	**Industry**	**Rate [d] Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value [e]**	**Percent of Net Assets**
Consolidated Infrastructure Group Holdings, LP	Business Services						
Common Equity (298 units)					379	275	0%
ControlScan, Inc.	Information Technology Services						
Subordinated Debt [j]		11.00%/0.00%	1/28/2023	6,750	6,723	6,750	
Common Equity (3,704 shares) [j]					4	637	
Preferred Equity (100 shares) [j]					996	996	
					7,723	8,383	2%
CRS Solutions Holdings, LLC (dba CRS Texas)	Business Services						
Second Lien Debt		10.50%/1.00%	9/14/2023	9,050	9,010	9,050	
Common Equity (750,000 units) [j]					750	758	
					9,760	9,808	2%
EBL, LLC (EbLens)	Retail						
Second Lien Debt [j]		12.00%/1.00%	1/13/2023	9,365	9,293	9,365	
Common Equity (75,000 units) [j]					750	754	
					10,043	10,119	3%
Global Plasma Solutions, Inc.	Component Manufacturing						
First Lien Debt [j][v]		7.35%/0.00%	9/21/2023	8,800	8,722	8,722	
Preferred Equity (947 shares) [j]					360	360	

Common Equity (947 shares) (j)					15	15	
					9,097	9,097	2%
Gurobi Optimization, LLC	Information Technology Services						
Subordinated Debt (k)		11.00%/0.00%	6/19/2023	20,000	19,915	20,000	
Common Equity (5 shares)					1,500	1,893	
					21,415	21,893	5%
Hilco Plastics Holdings, LLC (dba Hilco Technologies)	Component Manufacturing						
Second Lien Debt		11.50%/1.50%	12/31/2019	9,895	9,874	9,348	
Preferred Equity (1,000,000 units) (h)(j)					1,000	1,089	
Common Equity (72,507 units) (h)(j)					473	255	
					11,347	10,692	3%
Hub Acquisition Sub, LLC (dba Hub Pen)	Promotional products						
Second Lien Debt (k)		12.25%/0.00%	9/23/2021	$ 25,000	$ 24,909	$ 25,000	
Common Equity (7,500 units)					263	1,353	
					25,172	26,353	7%
Hunter Defense Technologies, Inc.	Aerospace & Defense Manufacturing						
First Lien Debt (j)(w)		9.39%/0.00%	3/29/2023	10,000	9,900	9,900	2%
IBH Holdings, LLC (fka Inflexxion, Inc.)	Business Services						
Common Equity (150,000 units)							0%
inthinc Technology Solutions, Inc. (n)	Information Technology Services						
Royalty Rights			4/24/2020		185		0%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2018

(in thousands, except shares)

Portfolio Company [(a)(b)] Investment Type [(c)]	Industry	Rate [(d)] Cash/PIK	Maturity	Principal Amount	Cost	Fair Value [(e)]	Percent of Net Assets
K2 Industrial Services, Inc.	Industrial Cleaning & Coatings						
Second Lien Debt [(p)]		11.75%/5.25%	4/25/2022	10,454	10,423	6,851	
Second Lien Debt [(p)]		11.75%/10.25%	4/25/2022	2,261	2,255		
Common Equity (1,673 shares)					1,268		
					13,946	6,851	2%
The Kyjen Company, LLC (dba Outward Hound)	Consumer Products						
Second Lien Debt [(k)]		12.00%/0.00%	6/8/2024	14,500	14,436	13,532	
Common Equity (750 shares) [(j)]					750	703	
					15,186	14,235	4%
LNG Indy, LLC (dba Kinetrex Energy)	Oil & Gas Distribution						
Second Lien Debt [(k)]		11.50%/0.00%	9/28/2021	5,000	4,985	5,000	
Common Equity (1,000 units)					1,000	1,626	
					5,985	6,626	2%
Marco Group International OpCo, LLC	Industrial Cleaning & Coatings						
Second Lien Debt		10.50%/0.75%	1/21/2023	12,110	12,063	12,110	
Common Equity (750,000 units) [(h)(j)]					750	758	
					12,813	12,868	3%
Mesa Line Services, LLC	Utilities: Services						

Second Lien Debt (j)		10.50%/0.50%	5/31/2023	9,162	9,110	9,162	
Delayed Draw Commitment ($4,000 commitment) (i)(j)		10.50%/1.00%	5/31/2019		(6)		
Common Equity (500 shares) (j)					500	660	
					9,604	9,822	2%
Midwest Transit Equipment, Inc.	Transportation services						
Subordinated Debt (j)		13.00%/0.00%	6/23/2022	12,005	11,403	12,605	
Warrant (14,384 shares) (j)(m)					361	293	
Warrant (9.59% of Junior Subordinated Notes) (j)(q)					381	427	
					12,145	13,325	3%
New Era Technology, Inc.	Information Technology Services						
Common Equity (197,369 shares) (j)					750	852	0%
NGT Acquisition Holdings, LLC *(dba Techniks Industries)*	Component Manufacturing						
Subordinated Debt		12.50%/2.00%	3/21/2022	11,167	11,127	10,346	
Common Equity (378 units) (j)					500	182	
					11,627	10,528	3%
Oaktree Medical Centre, P.C. *(dba Pain Management Associates)*	Healthcare Services						
First Lien Debt (j)(u)		14.50%/0.00%	1/1/2018	571	649	684	
First Lien Debt (j)(u)		10.00%/12.00%	1/1/2018	7,507	8,094	8,528	
Revolving Loan (j)(u)		14.50%/0.00%	1/1/2018	2,500	2,700	2,988	
					11,443	12,200	3%
OMC Investors, LLC *(dba Ohio Medical Corporation)*	Healthcare Products						
Second Lien Debt		12.00%/0.00%	7/15/2021	$ 10,000	$ 9,949	$ 8,763	
Common Equity (5,000 units)					500	149	
					10,449	8,912	2%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2018

(in thousands, except shares)

Portfolio Company [a][b] Investment Type [c]	Industry	Rate [d] Cash/PIK	Maturity	Principal Amount	Cost	Fair Value [e]	Percent of Net Assets
Palmetto Moon, LLC	Retail						
First Lien Debt		11.50%/2.50%	10/31/2021	5,527	5,502	5,527	
Common Equity (499 units) [j]					494	247	
					5,996	5,774	1%
Plymouth Rock Energy, LLC	Business Services						
Second Lien Debt [k]		12.00%/0.00%	6/30/2019	7,018	7,018	7,018	2%
Power Grid Components, Inc.	Specialty Distribution						
Second Lien Debt [k]		11.00%/1.00%	5/20/2023	11,253	11,203	11,203	
Preferred Equity (392 shares) [j]					392	392	
Common Equity (9,695 shares) [j]					358	358	
					11,953	11,953	3%
Pugh Lubricants, LLC	Specialty Distribution						
Second Lien Debt [k]		12.25%/0.00%	5/10/2022	18,581	18,518	18,581	
Common Equity (6,125 units) [h][j]					612	939	
					19,130	19,520	5%
Restaurant Finance Co, LLC	Restaurants						
Second Lien Debt [k][p]		15.00%/4.00%	7/31/2020	9,342	9,314	2,236	1%
Revenue Management Solutions, LLC	Information Technology Services						
Subordinated Debt [k]		11.50%/1.00%	7/4/2022	8,905	8,846	9,084	
Common Equity (2,250,000 shares)					2,250	3,619	
					11,096	12,703	3%

Rhino Assembly Company, LLC	Specialty Distribution						
Second Lien Debt [k]		12.00%/1.00%	2/11/2023	7,501	7,467	7,501	
Delayed Draw Commitment ($1,042 commitment) [i][j]		12.00%/1.00%	5/17/2022				
Preferred Equity (7,500 units) [j][s]					750	1,097	
					8,217	8,598	2%
Road Safety Services, Inc.	Business Services						
Second Lien Debt		11.25%/1.50%	3/18/2024	10,030	9,982	9,982	
Common Equity (655 units)					621	621	
					10,603	10,603	3%
Rohrer Corporation	Packaging						
Common Equity (400 shares)					780	842	0%
SES Investors, LLC *(dba SES Foam)*	Building Products Manufacturing						
Second Lien Debt		13.00%/0.00%	12/29/2020	4,095	4,066	2,785	
Common Equity (6,000 units) [h][j]					600		
					4,666	2,785	1%
Simplex Manufacturing Co.	Aerospace & Defense Manufacturing						
Subordinated Debt		14.00%/0.00%	7/31/2019	4,050	4,050	4,050	
Warrant (29 shares) [m]					1,155	2,593	
					5,205	6,643	2%
SimplyWell, Inc.	Healthcare Services						
Second Lien Debt		12.00%/1.25%	2/23/2021	10,141	10,107	10,141	
Preferred Equity (309,142 shares)					500	545	
					10,607	10,686	3%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2018

(in thousands, except shares)

Portfolio Company [a][b] **Investment Type** [c]	**Industry**	**Rate** [d] **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value** [e]	**Percent of Net Assets**
Software Technology, LLC	Information Technology Services						
Subordinated Debt [k]		11.00%/0.00%	6/23/2023	10,000	9,962	10,000	
Common Equity (12 shares)					1,291	1,283	
					11,253	11,283	3%
SpendMend, LLC	Business Services						
Second Lien Debt [k]		11.00%/1.00%	7/8/2023	10,375	10,326	10,375	
Common Equity (1,000,000 units)					1,000	1,255	
					11,326	11,630	3%
The Wolf Organization, LLC	Building Products Manufacturing						
Common Equity (175 shares)					1,445	5,192	1%
Thermoforming Technology Group LLC (dba Brown Machine Group)	Capital Equipment Manufacturing						
Second Lien Debt [k]		12.50%/0.00%	9/14/2021	$ 23,200	$ 23,127	$ 23,370	
Common Equity (3,760 units) [h][j]					230	813	
					23,357	24,183	6%
Tile Redi, LLC	Building Products Manufacturing						
First Lien Debt [j][r]		12.34%/0.00%	6/16/2022	10,194	10,117	10,054	3%
Toledo Molding & Die, Inc.	Component Manufacturing						
Second Lien Debt [j]		10.50%/0.00%	12/18/2018	10,000	9,992	10,000	2%
TransGo, LLC	Component Manufacturing						

Second Lien Debt		13.25%/0.00%	8/28/2022	9,500	9,466	9,500	
Common Equity (1,000 units)					998	893	
					10,464	10,393	3%
The Tranzonic Companies	Specialty Distribution						
Subordinated Debt (j)		10.00%/1.50%	3/27/2025	5,643	5,591	5,140	
Preferred Equity (5,000 units) (j)					500	424	
Common Equity (1 units) (j)							
					6,091	5,564	1%
UBEO, LLC	Business Services						
Subordinated Debt (j)		11.00%/0.00%	10/3/2024	7,100	7,034	7,034	
Common Equity (Units) (705,000 units) (j)					705	705	
					7,739	7,739	2%
United Biologics, LLC	Healthcare Services						
Preferred Equity (98,377 units) (h)(j)					1,008	90	
Warrant (57,469 units) (m)					566	62	
					1,574	152	0%
US GreenFiber, LLC	Building Products Manufacturing						
Second Lien Debt (k)		12.00%/2.00%	3/1/2019	14,363	14,359	12,182	
Common Equity (2,522 units) (h)(j)					586		
					14,945	12,182	3%
US Pack Logistics LLC	Transportation services						
Second Lien Debt (k)		12.00%/1.75%	3/28/2023	7,379	7,361	7,380	
Common Equity (5,833 units) (h)(j)					555	824	
Preferred Equity (9,458 units) (h)(j)					927	1,026	
					8,843	9,230	2%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2018

(in thousands, except shares)

Portfolio Company [(a)(b)] **Investment Type** [(c)]	**Industry**	**Rate** [(d)] **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value** [(e)]	**Percent of Net Assets**
Vanguard Dealer Services, L.L.C.	Business Services						
Common Equity (6,000 units)					154	820	
Common Equity (2,380 units) [(j)]					327	325	
					481	1,145	0%
Virginia Tile Company, LLC	Specialty Distribution						
Second Lien Debt [(k)]		12.25%/0.00%	4/7/2022	12,000	11,977	12,000	
Common Equity (17 units)					342	1,603	
					12,319	13,603	3%
Worldwide Express Operations, LLC	Transportation services						
Second Lien Debt [(j)(o)]		11.10%/0.00%	2/3/2025	10,000	9,881	10,000	
Common Equity (4,000 units) [(h)(j)]					4,000	4,617	
					13,881	14,617	4%
Total Non-control/Non-affiliate Investments					$ 539,184	$ 529,983	132%
Total Investments					$ 619,773	$ 668,503	166%

(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, 2018. Generally, payment-in-kind interest can be paid-in-kind or all in cash.

(e) The Company s investment portfolio is comprised entirely of debt and equity securities of privately held companies for which quoted prices falling within the categories of Level 1 and Level 2 inputs are not available. Therefore, the Company values all of its portfolio investments at fair value, as determined in good faith by the board of directors, using significant unobservable Level 3 inputs.

(f) The investment bears cash interest at a variable rate that is determined by reference to one-month LIBOR, which is reset monthly. The cash interest rate is set as one-month LIBOR + 11.50% and is subject to a 12.50% interest rate floor. The Company has provided the interest rate in effect as of September 30, 2018.

(g) Income producing. Maturity date, if any, represents mandatory redemption date.

(h) Investment is held by a wholly-owned subsidiary of the Company, other than the Funds.

(i) The disclosed commitment represents the unfunded amount as of September 30, 2018. The Company is earning 0.50% interest on the unfunded balance of the commitment. The interest rate disclosed represents the rate which will be earned if the commitment is funded.

(j) 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).

(k) 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).

(l) 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.

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2018

(in thousands, except shares)

(m) Warrants entitle the Company to purchase a predetermined number of shares or units of common equity, and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date, if any.

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

(o) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR, which is reset quarterly. The interest rate is set as three-month LIBOR + 8.75% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of September 30, 2018.

(p) Investment was on non-accrual status as of September 30, 2018, meaning the Company has ceased recognizing interest income on the investment.

(q) Warrant entitles the Company to purchase 9.59% of the outstanding principal of Junior Subordinated Notes prior to exercise, and is non-income producing.

(r) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR, which is reset quarterly. The interest rate is set as three-month LIBOR + 10.00% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of September 30, 2018.

(s) A portion of the investment is held by a wholly-owned subsidiary of the Company, other than the Funds.

(t) 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.

(u) The debt investment continues to pay interest, including the default rate, while the portfolio company pursues refinancing options.

(v) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR. The interest rate is set as three-month LIBOR + 5.00% and is subject to a 2.00% LIBOR interest rate floor. In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.54% on its last out tranche of the portfolio company s senior term debt, which was previously syndicated into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(w) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR, which is reset quarterly. The interest rate is set as three-month LIBOR + 7.00% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of September 30, 2018.

See Notes to Consolidated Financial Statements (unaudited).

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments

December 31, 2017

(in thousands, except shares)

Portfolio Company [a][b] Investment Type [c]	Industry	Rate [d] Cash/PIK	Maturity	Principal Amount	Cost	Fair Value [e]	Percent of Net Assets
Control Investments [t]							
FDS Avionics Corp. (dba Flight Display Systems)	Aerospace & Defense Manufacturing						
Second Lien Debt		4.00%/11.00%	4/1/2020	$ 5,556	$ 5,546	$ 4,348	
Common Equity (7,478 shares) [j]					748	375	
					6,294	4,723	1%
Total Control Investments					$ 6,294	$ 4,723	1%
Affiliate Investments [l]							
Apex Microtechnology, Inc.	Electronic Components Supplier						
Warrant (2,293 shares) [m]					$ 220	$ 543	
Common Equity (11,690 shares)					1,169	2,857	
					1,389	3,400	1%
FAR Research Inc.	Specialty Chemicals						
Common Equity (1,396 units)					1,396	1,447	0%
Fiber Materials, Inc.	Aerospace & Defense Manufacturing						
Second Lien Debt		12.00%/1.00%	5/30/2022	$ 4,044	4,028	4,044	
Common Equity (10 units)					1,000	1,838	
					5,028	5,882	1%
Inflexxion, Inc.	Business Services						

First Lien Debt		5.00%/5.00%	12/16/2019	4,478	4,468	2,647	
Revolving Loan (j)		5.00%/5.00%	12/16/2019	275	273	163	
Preferred Equity (252,046 units)					252		
Preferred Equity (308,987 units)					309		
Preferred Equity (1,400 units)					1,400		
Preferred Equity (550,000 units)					200		
					6,902	2,810	1%
Medsurant Holdings, LLC	Healthcare Services						
Second Lien Debt		12.25%/0.75%	6/30/2020	8,824	8,776	8,824	
Preferred Equity (126,662 units) (h)					1,346	2,753	
Warrant (505,176 units) (h)(m)					4,516	10,048	
					14,638	21,625	5%
Microbiology Research Associates, Inc.	Healthcare Services						
Subordinated Debt		11.00%/1.50%	3/13/2022	8,667	8,649	8,667	
Common Equity (1,625,731 units) (j)					1,939	3,788	
					10,588	12,455	3%
Mirage Trailers LLC	Utility Equipment Manufacturing						
Second Lien Debt (k)(f)		12.88%/1.50%	11/25/2020	6,017	5,964	6,017	
Common Equity (2,500,000 shares) (g)					2,340	2,939	
					8,304	8,956	2%
Pfanstiehl, Inc.	Healthcare Products						
Subordinated Debt		10.50%/0.00%	9/29/2021	6,208	6,193	6,208	
Common Equity (8,500 units) (j)					850	9,070	
					7,043	15,278	4%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2017

(in thousands, except shares)

io Company [a][b] ment Type [c]	Industry	Rate [d] Cash/PIK	Maturity	Principal Amount	Cost	Fair Value [e]
y, Ltd.	Oil & Gas Services					
Lien Debt [k]		0.00%/10.00%	1/24/2020	9,300	9,286	9,300
n Equity Class A-2 (42,500 units) [k]					3,000	15,621
n Equity Class B (1,000 units) [k]					3,000	3,000
					15,286	27,921
ssembly Company, LLC	Specialty Distribution					
Lien Debt		12.00%/1.00%	2/11/2023	3,514	3,498	3,498
l Draw Commitment ($1,500 commitment) [i][j]		12.00%/1.00%	5/17/2022			
d Equity (7,500 units) [j][s]					750	750
					4,248	4,248
Products Group, LLC [n]	Safety Products Manufacturing					
d Equity (749 units) [h][j]					$	$ 12
n Equity (676 units) ($2,852 commitment) [h][j]						
						12
l Holding LLC (ward Advanced Materials)	Aerospace & Defense Manufacturing					
Lien Debt		12.00%/3.25%	5/12/2021	$ 7,382	7,360	7,382
n Equity (1,000,000 units)					1,000	500
					8,360	7,882
h Radiator Products, Inc.	Utility Equipment Manufacturing					
Lien Debt [j]		14.25%/0.00%	5/31/2018	6,994	6,992	6,694
n Equity (6,875 shares) [j]					688	13
					7,680	6,707
Vide Packaging, LLC	Consumer Products					
n Equity (1,517,573 units) [h][j]					499	4,388

ffiliate Investments					$ 91,361	$ 123,011
ntrol/Non-affiliate Investments						
Food Services, LLC	Vending Equipment Manufacturing					
Lien Debt (k)		10.00%/3.00%	5/30/2022	$ 28,983	$ 28,846	$ 28,984
n Equity (7,885 units) (h)(j)					800	635
					29,646	29,619
00 Group, Inc.	Healthcare Products					
nated Debt (k)		11.50%/0.00%	5/26/2020	13,000	12,973	13,000
n Equity (1,250,000 units) (j)					1,249	1,425
					14,222	14,425
ll & Gregory, LLC	Laundry Services					
nated Debt		0.00%/12.00%	5/31/2022	3,035	3,035	3,035
n Equity (500,000 units) (h)					500	625
(242,121 units) (h)(m)					242	268
					3,777	3,928
ard Box LLC						
thony s Coal Fired Pizza)	Restaurants					
n Equity (521,021 units) (j)					520	85

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2017

(in thousands, except shares)

Portfolio Company [a][b] Investment Type [c]	Industry	Rate [d] Cash/PIK	Maturity	Principal Amount	Cost	Fair Value [e]	Percent of Net Assets
Cavallo Bus Lines Holdings, LLC	Transportation services						
Second Lien Debt		12.75%/0.00%	4/26/2021	7,395	7,370	6,572	2%
Comprehensive Logistics Co., Inc.	Business Services						
Subordinated Debt [k]		11.50%/4.50%	11/22/2021	15,775	15,716	15,775	4%
Consolidated Infrastructure Group Holdings, LP	Business Services						
Second Lien Debt		11.25%/1.50%	11/30/2022	2,002	1,993	1,993	
Common Equity (298 shares)					500	500	
					2,493	2,493	1%
ControlScan, Inc.	Information Technology Services						
Subordinated Debt [j]		11.00%/0.00%	1/28/2023	6,750	6,719	6,719	
Common Equity (3,704 shares) [j]					4	4	
Preferred Equity (100 shares) [j]					996	996	
					7,719	7,719	2%
EBL, LLC (EbLens)	Retail						
Second Lien Debt [j]		12.00%/1.00%	1/13/2023	9,294	9,210	9,210	
Common Equity (75,000 units) [j]					750	750	
					9,960	9,960	3%
Gurobi Optimization, LLC	Information Technology Services						
Subordinated Debt [k]		11.00%/0.00%	6/19/2023	$ 20,000	$ 19,901	$ 19,901	
					1,500	1,500	

Common Equity (5 shares)							
					21,401	21,401	5%
Hilco Plastics Holdings, LLC							
(dba Hilco Technologies)	Component Manufacturing						
Subordinated Debt		11.50%/4.00%	7/15/2022	8,228	8,198	7,207	
Common Equity (72,507 units) (h)(j)					500	163	
					8,698	7,370	2%
Hub Acquisition Sub, LLC							
(dba Hub Pen)	Promotional products						
Second Lien Debt (k)		12.25%/0.00%	9/23/2021	16,750	16,685	16,750	
Common Equity (7,500 units)					276	902	
					16,961	17,652	4%
Ice House America, LLC	Vending Equipment Manufacturing						
Second Lien Debt (j)		12.00%/3.00%	1/1/2020	4,367	4,269	4,367	
Warrant (1,957,895 units) (h)(j)(m)					215	234	
					4,484	4,601	1%
inthinc Technology Solutions, Inc. (n)	Information Technology Services						
Royalty Rights			4/24/2020		185		0%
IOS Acquisitions, Inc. (n)	Oil & Gas Services						
Common Equity (2,152 units) (j)					103	17	0%
Jacob Ash Holdings, Inc.	Apparel Distribution						
Second Lien Debt (k)		17.00%/0.00%	6/30/2018	4,000	3,999	4,000	
Subordinated Debt		13.00%/0.00%	6/30/2018	510	509	510	
Preferred Equity (66,138 shares) (g)		0.00%/15.00%	6/30/2018		1,238	1,152	
Warrant (63,492 shares) (m)					67		
					5,813	5,662	1%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2017

(in thousands, except shares)

Portfolio Company [a][b] Investment Type [c]	Industry	Rate [d] Cash/PIK	Maturity	Principal Amount	Cost	Fair Value [e]	Percent of Net Assets
K2 Industrial Services, Inc.	Industrial Cleaning & Coatings						
Second Lien Debt		11.75%/2.50%	4/25/2022	10,304	10,270	10,304	
Second Lien Debt		11.75%/7.25%	4/25/2022	2,181	2,174	2,181	
Common Equity (1,673 shares)					1,268	457	
					13,712	12,942	3%
The Kyjen Company, LLC (dba Outward Hound)	Consumer Products						
Second Lien Debt [k]		12.00%/0.00%	6/8/2024	14,500	14,428	14,428	
Common Equity (750 shares) [j]					750	750	
					15,178	15,178	4%
LNG Indy, LLC (dba Kinetrex Energy)	Oil & Gas Distribution						
Second Lien Debt [k]		11.50%/0.00%	9/28/2021	5,000	4,980	5,000	
Common Equity (1,000 units)					1,000	1,137	
					5,980	6,137	2%
Marco Group International OpCo, LLC	Industrial Cleaning & Coatings						
Second Lien Debt		10.50%/0.75%	1/21/2023	12,041	11,986	11,986	
Common Equity (750,000 shares) [h][j]					750	750	
					12,736	12,736	3%
Mesa Line Services, LLC	Utilities: Services						
Second Lien Debt [j]		10.50%/1.00%	5/31/2023	9,108	9,048	9,048	
		10.50%/1.00%	5/31/2019		(13)		

Delayed Draw Commitment ($4,000 commitment) (i)(j)							
Common Equity (500 shares) (j)					500	500	
					9,535	9,548	2%
Midwest Transit Equipment, Inc.	Transportation services						
Subordinated Debt (j)		13.00%/0.00%	6/23/2022	$ 12,005	$ 11,286	$ 12,005	
Warrant (14,384 shares) (j)(m)					361	80	
Warrant (9.59% of Junior Subordinated Notes) (j)(q)					381	405	
					12,028	12,490	3%
New Era Technology, Inc.	Information Technology Services						
Second Lien Debt (j)		11.00%/1.50%	9/3/2022	11,646	11,598	11,646	
Common Equity (197,369 shares) (j)					750	828	
					12,348	12,474	3%
NGT Acquisition Holdings, LLC *(dba Techniks Industries)*	Component Manufacturing						
Subordinated Debt		12.50%/0.00%	3/21/2022	11,000	10,952	11,000	
Common Equity (378 units) (j)					500	470	
					11,452	11,470	3%
Oaktree Medical Centre, P.C. *(dba Pain Management Associates)*	Healthcare Services						
First Lien Debt (j)		11.50%/0.00%	1/1/2018	571	648	631	
First Lien Debt (j)		7.00%/12.00%	1/1/2018	6,849	7,437	6,438	
Revolving Loan (j)		11.50%/0.00%	1/1/2018	2,500	2,835	2,743	
					10,920	9,812	2%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2017

(in thousands, except shares)

Portfolio Company [a][b] Investment Type [c]	Industry	Rate [d] Cash/PIK	Maturity	Principal Amount	Cost	Fair Value [e]	Percent of Net Assets
OMC Investors, LLC (dba Ohio Medical Corporation)	Healthcare Products						
Second Lien Debt		12.00%/0.00%	7/15/2021	10,000	9,936	8,438	
Common Equity (5,000 shares)					500	214	
					10,436	8,652	2%
Palmetto Moon, LLC	Retail						
First Lien Debt		11.50%/1.00%	10/31/2021	6,187	6,158	6,187	
Common Equity (499 units) [j]					499	286	
					6,657	6,473	2%
Plymouth Rock Energy, LLC	Business Services						
Second Lien Debt [k]		11.00%/0.00%	6/30/2019	5,545	5,545	5,545	1%
Pugh Lubricants, LLC	Specialty Distribution						
Second Lien Debt [k]		12.25%/0.00%	5/10/2022	18,581	18,505	18,581	
Common Equity (6,125 units) [h][j]					612	931	
					19,117	19,512	5%
Restaurant Finance Co, LLC	Restaurants						
Second Lien Debt [k][p]		15.00%/4.00%	7/31/2020	9,342	9,314	2,046	1%
Revenue Management Solutions, LLC	Information Technology Services						
Subordinated Debt [k]		11.50%/1.00%	7/4/2022	8,838	8,766	8,838	
Subordinated Debt [j]		7.00%/6.50%	7/4/2022	817	806	817	
Common Equity (2,250,000 units)					2,250	2,571	

					11,822	12,226	3%
Rohrer Corporation	Packaging						
Common Equity (389 shares)					750	878	0%
SES Investors, LLC (dba SES Foam)	Building Products Manufacturing						
Second Lien Debt		13.00%/0.00%	12/29/2020	4,095	4,056	3,229	
Common Equity (6,000 units) (h)(j)					600		
					4,656	3,229	1%
Simplex Manufacturing Co.	Aerospace & Defense Manufacturing						
Subordinated Debt		14.00%/0.00%	11/1/2018	$ 4,050	$ 4,050	$ 4,050	
Warrant (29 shares) (m)					1,155	3,240	
					5,205	7,290	2%
SimplyWell, Inc.	Healthcare Services						
Second Lien Debt		12.00%/1.25%	2/23/2021	10,046	10,001	10,001	
Preferred Equity (309,142 shares)					500	500	
					10,501	10,501	3%
Six Month Smiles Holdings, Inc.	Healthcare Products						
Second Lien Debt (j)(p)		0.00%/14.50%	7/31/2020	9,395	9,377	5,041	1%
Software Technology, LLC	Information Technology Services						
Subordinated Debt (k)		11.00%/0.00%	6/23/2023	8,750	8,712	8,749	
Common Equity (11 units)					1,125	1,183	
					9,837	9,932	3%
The Wolf Organization, LLC	Building Products Manufacturing						
Common Equity (175 shares)					1,445	4,223	1%
Thermoforming Technology Group LLC (dba Brown Machine Group)	Capital Equipment Manufacturing						
Second Lien Debt (k)		12.50%/0.00%	9/14/2021	19,700	19,626	19,700	
Common Equity (3,500 units) (h)(j)					169	360	
					19,795	20,060	5%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2017

(in thousands, except shares)

Portfolio Company [(a)(b)] Investment Type [(c)]	Industry	Rate [(d)] Cash/PIK	Maturity	Principal Amount	Cost	Fair Value [(e)]	Percent of Net Assets
Tile Redi, LLC	Building Products Manufacturing						
First Lien Debt [(j)(r)]		11.34%/0.00%	6/16/2022	10,194	10,102	10,102	3%
Toledo Molding & Die, Inc.	Component Manufacturing						
Second Lien Debt [(j)]		10.50%/0.00%	12/18/2018	10,000	9,964	10,000	3%
TransGo, LLC	Component Manufacturing						
Second Lien Debt		13.25%/0.00%	8/28/2022	9,500	9,460	9,500	
Common Equity (1,000 units)					1,000	847	
					10,460	10,347	3%
United Biologics, LLC	Healthcare Services						
Second Lien Debt		12.00%/2.00%	4/30/2018	8,876	8,866	8,876	
Preferred Equity (98,377 units) [(h)(j)]					1,069	879	
Warrant (57,469 units) [(m)]					566	234	
					10,501	9,989	3%
US GreenFiber, LLC	Building Products Manufacturing						
Second Lien Debt [(k)]		12.00%/2.00%	3/1/2019	14,147	14,131	13,014	
Common Equity (2,522 units) [(h)(j)]					586		
					14,717	13,014	3%
US Pack Logistics LLC	Transportation services						
Second Lien Debt [(k)]		12.00%/1.75%	3/28/2023	7,282	7,257	7,282	
					583	1,078	

Common Equity (5,833 units) (h)(j)							
Preferred Equity (9,458 units) (h)(j)					945	966	
					8,785	9,326	2%
Vanguard Dealer Services, L.L.C.	Business Services						
Second Lien Debt		12.25%/0.00%	1/30/2021	11,450	11,416	11,450	
Common Equity (6,000 shares)					600	946	
					12,016	12,396	3%
Virginia Tile Company, LLC	Specialty Distribution						
Second Lien Debt (k)		12.25%/0.00%	4/7/2022	12,000	11,971	12,000	
Common Equity (17 units)					342	1,493	
					12,313	13,493	4%
Worldwide Express Operations, LLC	Transportation services						
Second Lien Debt (j)(o)		10.20%/0.00%	2/3/2025	$ 10,000	$ 9,867	$ 10,000	
Common Equity (4,000 units) (h)(j)					4,000	4,233	
					13,867	14,233	4%
Total Non-control/Non-affiliate Investments					$ 480,139	$ 468,574	121%
Total Investments					$ 577,794	$ 596,308	152%

(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, 2017. Generally, payment-in-kind interest can be paid-in-kind or all in cash.

FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2017

(in thousands, except shares)

(e) The Company s investment portfolio is comprised entirely of debt and equity securities of privately held companies for which quoted prices falling within the categories of Level 1 and Level 2 inputs are not available. Therefore, the Company values all of its portfolio investments at fair value, as determined in good faith by the board of directors, using significant unobservable Level 3 inputs.
(f) The investment bears cash interest at a variable rate that is determined by reference to one-month LIBOR, which is reset monthly. The cash interest rate is set as one-month LIBOR + 11.50% and is subject to a 12.50% interest rate floor. The Company has provided the interest rate in effect as of December 31, 2017.
(g) Income producing. Maturity date, if any, represents mandatory redemption date.
(h) Investment is held by a wholly-owned subsidiary of the Company, other than the Funds.
(i) The disclosed commitment represents the unfunded amount as of December 31, 2017. The Company is earning 0.50% interest on the unfunded balance of the commitment. The interest rate disclosed represents the rate which will be earned if the commitment is funded.
(j) 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).
(k) 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).
(l) 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.
(m) Warrants entitle the Company to purchase a predetermined number of shares or units of common equity, and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date, if any.
(n) Investment in portfolio company that has sold its operations and is in the process of winding down.
(o) The investment bears interest at a variable rate that is determined by reference to six-month LIBOR, which is reset semi-annually. The interest rate is set as six-month LIBOR + 8.75% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of December 31, 2017.
(p) Investment was on non-accrual status as of December 31, 2017, meaning the Company has ceased recognizing interest income on the investment.
(q) Warrant entitles the Company to purchase 9.59% of the outstanding principal of Junior Subordinated Notes prior to exercise, and is non-income producing.
(r) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR, which is reset quarterly. The interest rate is set as three-month LIBOR + 10.00% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of December 31, 2017.
(s) A portion of the investment is held by a wholly-owned subsidiary of the Company, other than the Funds.
(t)

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.

See Notes to Consolidated Financial Statements (unaudited).

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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 (FIC, and together with its subsidiaries, the Company), a Maryland Corporation, operates as an externally managed, closed-end, non-diversified business development company (BDC) under the Investment Company Act of 1940 (1940 Act). FIC completed its initial public offering, or IPO, in June 2011. 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).

The Company provides customized debt and equity financing solutions to lower middle-market companies, and may make investments directly or through its two wholly-owned investment company subsidiaries, Fidus Mezzanine Capital, L.P. (Fund I) and Fidus Mezzanine Capital II, L.P. (Fund II) (collectively Fund I and Fund II are referred to as the Funds). The Funds are licensed by the U.S. Small Business Administration (the SBA) as small business investment companies (SBIC). 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.

We believe that utilizing both FIC and the Funds as investment vehicles provides us with access to a broader array of investment opportunities. Given our access to lower cost capital through the SBA s SBIC debenture program, we expect that the majority of our investments will continue to be made through the Funds until the Funds reach their borrowing limit under the program. For three or more SBICs under common control, the maximum amount of outstanding SBA debentures cannot exceed $350,000.

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.

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).

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, 2017.

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

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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.

Investment risks: The Company s investments are subject to a variety of risks. These risks may include, but are not limited to the following:

Market risk In contrast to investment-grade bonds (the market prices of which change primarily as a reaction to changes in interest rates), the market prices of high-yield bonds (which are also affected by changes in interest rates) are influenced much more by credit factors and financial results of the issuer as well as general economic factors that influence the financial markets as a whole. The portfolio companies in which the Company invests may be unseasoned, unprofitable and/or have little established operating history or earnings. These companies may also lack technical, marketing, financial, and other resources or may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of a manager or management team, as compared to larger, more established entities. The failure of a single product, service or distribution channel, or the loss or the ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Furthermore, these companies may be more vulnerable to competition and to overall economic conditions than larger, more established entities.

Credit risk Credit risk represents the risk that the Company would incur if the counterparties failed to perform pursuant to the terms of their agreements with the Company. Issues of high-yield debt securities in which the Company invests are more likely to default on interest or principal than are issues of investment-grade securities.

Liquidity risk Liquidity risk represents the possibility that the Company may not be able to sell its investments quickly or at a reasonable price (given the lack of an established market).

Interest rate risk Interest rate risk represents the likelihood that a change in interest rates could have an adverse impact on the fair value of an interest-bearing financial instrument.

Prepayment risk Certain of the Company s debt investments allow for prepayment of principal without penalty. Downward changes in market interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the debt investments and making the instrument less likely to be an income producing instrument through the stated maturity date.

Off-Balance sheet risk Some of the Company s financial instruments contain off-balance sheet risk. Generally, these financial instruments represent future commitments to purchase other financial instruments at defined terms at defined future dates. See Note 7 for further details.

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.

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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 offering costs: Deferred equity offering costs include registration expenses related to shelf filings, including expenses related to the launch of the ATM Program. These expenses primarily consist of U.S. 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 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 is accrued daily based on the outstanding principal amount and the contractual terms of the debt. Dividend income is recorded as dividends are declared or at the point an obligation exists for the portfolio company to make a distribution, and is generally recognized when received. Distributions from portfolio companies are evaluated to determine if the distribution is a distribution of earnings or a return of capital.

Distributions of earnings are included in dividend income while a return of capital is recorded as a reduction in the cost basis of the investment. Estimates are adjusted as necessary after the relevant tax forms are received from the portfolio company.

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

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Notes to Consolidated Financial Statements (unaudited)

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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.

Fee income: Transaction fees earned in connection with the Company s investments are recognized as fee income and are generally non-recurring. 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.

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 interest income over the life of the investment.

Warrants: 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.

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

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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 10th 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 company investments 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 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 included in the income tax provision, if any. There were no material uncertain income tax positions at September 30, 2018 and December 31, 2017. The Company s tax returns are generally subject to examination by U.S. federal and most state tax authorities for a period of three years from the date the respective returns are filed, and, accordingly, the Company s 2015 through 2017 tax years remain subject to examination.

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

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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 two 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 and nine months ended September 30, 2018 and 2017, 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 Program: The Company has an open market stock repurchase program (the Stock Repurchase Program) under which the Company may acquire up to $5,000 of its outstanding common stock. Under the Stock Repurchase 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 the Company s 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. On October 30, 2018, the Board extended the Program through December 31, 2019, or until the approved dollar amount has been used to repurchase shares. The Stock Repurchase 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 Stock Repurchase Program. The Stock Repurchase Program may be suspended, extended, modified or discontinued at any time. During the nine months ended September 30, 2018, the Company repurchased 44,821 shares of common stock on the open market for $582. The Company did not make any repurchases of common stock during the nine months ended September 30, 2017. Refer to Note 8 for additional information concerning stock repurchases.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *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. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted the ASU effective January 1, 2018. The majority of the Company s income streams are specifically excluded from the scope of the ASU as they relate to financial instruments that are within the scope of other topics, and in general the impact of adopting the ASU is not material to the Company s consolidated financial position or disclosures.

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In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact this ASU will have on the Company s consolidated financial position or disclosures.

In August 2018, the SEC issued Final Rule Release No. 33-10532, *Disclosure Update and Simplification*, which amends certain SEC disclosure requirements that have become redundant, duplicative, overlapping, outdated, or superseded, in light of other SEC disclosure requirements, U.S. GAAP requirements, or changes in the information environment. As it pertains to the Company, the amendments include certain presentation changes to the net assets section of the consolidated statements of assets and liabilities and the consolidated statements of changes in net assets (among other changes). The amendments are effective for all filings submitted on or after November 5, 2018. The Company will adopt the amendments effective November 5, 2018. The amendments do not have a material effect 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, 2018, the Company had active investments in 65 portfolio companies and residual investments in one portfolio company that has sold its underlying operations. The aggregate fair value of the total portfolio was $668,503 and the weighted average effective yield on the Company s debt investments was 12.6% as of such date. As of September 30, 2018, the Company held equity investments in 90.9% of its portfolio companies and the average fully diluted equity ownership in those portfolio companies was 6.3%.

As of December 31, 2017, the Company had active investments in 60 portfolio companies and residual investments in three portfolio companies that have sold their underlying operations. The aggregate fair value of the total portfolio was $596,308 and the weighted average effective yield on the Company s debt investments was 13.0% as of such date. As of December 31, 2017, the Company held equity investments in 87.3% of its portfolio companies and the average fully diluted equity ownership in those portfolio companies was 7.7%.

The weighted average yield of the Company s debt investments is not the same as a return on investment for its stockholders but, rather, relates to a portion of the Company s investment portfolio and is calculated before the payment of all of the Company s and its subsidiaries fees and expenses. The weighted average yields were computed using the effective interest rates for debt investments at cost as of September 30, 2018 and December 31, 2017, including accretion of OID 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, 2018 and 2017 totaled $144,614 and $155,577, 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, 2018 and 2017 totaled $92,052 and $132,724, respectively.

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

	Fair Value				Cost			
	September 30, 2018		December 31, 2017		September 30, 2018		December 31, 2017	
Second Lien Debt	$ 386,401	57.8%	$ 341,279	57.3%	$ 406,735	65.6%	$ 357,585	62.0%
Subordinated Debt	102,893	15.4	126,481	21.2	102,913	16.6	126,465	21.9
First Lien Debt	46,403	6.9	28,911	4.8	45,684	7.4	31,921	5.5
Equity	116,815	17.5	84,585	14.2	56,815	9.2	53,915	9.3
Warrants	15,991	2.4	15,052	2.5	7,441	1.2	7,723	1.3
Royalty Rights					185		185	
Total	$ 668,503	100.0%	$ 596,308	100.0%	$ 619,773	100.0%	$ 577,794	100.0%

All investments made by the Company as of September 30, 2018 and December 31, 2017 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, 2018		December 31, 2017		September 30, 2018		December 31, 2017	
Midwest	$ 188,625	28.2%	$ 167,967	28.2%	$ 181,748	29.4%	$ 161,809	28.1%
Southeast	178,023	26.6	130,237	21.8	157,021	25.3	130,694	22.6
Northeast	76,852	11.5	107,814	18.1	69,472	11.2	105,267	18.2
West	63,345	9.5	63,396	10.6	53,915	8.7	53,970	9.3
Southwest	161,658	24.2	126,894	21.3	157,617	25.4	126,054	21.8
Total	$ 668,503	100.0%	$ 596,308	100.0%	$ 619,773	100.0%	$ 577,794	100.0%

The following table shows portfolio composition by type and by geographic region at fair value as a percentage of net assets.

By Type	September 30, 2018	December 31, 2017	By Geographic Region	September 30, 2018	December 31, 2017
Second Lien Debt	96.2%	86.7%	Midwest	47.0%	42.7%
Subordinated Debt	25.6	32.2	Southeast	44.3	33.1
First Lien Debt	11.6	7.4	Northeast	19.1	27.4
Equity	29.1	21.5	West	15.8	16.1
Warrants	4.0	3.8	Southwest	40.3	32.3
Royalty Rights					
Total	166.5%	151.6%	Total	166.5%	151.6%

As of September 30, 2018 and December 31, 2017, the Company had no portfolio company investments that represented more than 10% of the total investment portfolio on a fair value or cost basis.

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As of September 30, 2018 and December 31, 2017, the Company had debt investments in two portfolio companies on non-accrual status, respectively:

	September 30, 2018		December 31, 2017	
Portfolio Company	**Fair Value**	**Cost**	**Fair Value**	**Cost**
K2 Industrial Services, Inc.	$ 6,851	$ 12,678	$ (2)	$ (2)
Restaurant Finance Co, LLC	2,236	9,314	2,046	9,314
Six Month Smiles Holdings, Inc.	(1)	(1)	5,041	9,377
Total	$ 9,087	$ 21,992	$ 7,087	$ 18,691

(1) Portfolio company was no longer held at period end.
(2) Portfolio company debt investments were not on non-accrual status at period end.

Consolidated Schedule of Investments In and Advances To Affiliates

The table below represents the fair value of control and affiliate investments as of December 31, 2017 and any additions and reductions made to such investments during the nine months ended September 30, 2018, the ending fair value as of September 30, 2018, and the total investment income earned on such investments during the period.

						Nine Months Ended September 30, 2018					
Portfolio Company (1)	**September 30, 2018 Principal Amount Debt Investments**	**December 31, 2017 Fair Value**	**Gross Additions** (2)	**Gross Reductions** (3)	**September 30, 2018 Fair Value**	**Net Realized Gains (Losses)** (1)	**Net Change in Unrealized Appreciation (Depreciation)**	**Interest Income**	**Payment-in-kind Interest Income**	**Dividend Income**	**Fee Income**
Control Investments											
FDS Avionics Corp. (dba Flight Display Systems)	$ 6,243	$ 4,723	$ 689	$ (94)	$ 5,318	$	$ (94)	$ 181	$ 486	$	$
Total Control Investments	$ 6,243	$ 4,723	$ 689	$ (94)	$ 5,318	$	$ (94)	$ 181	$ 486	$	$

Affiliate Investments											
Apex Microtechnology, Inc.	$	$ 3,400	$ 3,774	$	$ 7,174	$	$ 3,774	$	$	$ 647	$
FAR Research Inc.		1,447	1,868		3,315		1,868				
Fiber Materials, Inc.	4,044	5,882	406		6,288		403	371			
Inflexxion, Inc.		2,810	4,163	(6,973)		(6,454)	4,093	115	59		
Medsurant Holdings, LLC	8,823	21,625	1,252	(1)	22,876		1,238	885			
Microbiology Research Associates, Inc.	8,765	12,455	102	(1,903)	10,654		(1,903)	719	98		
Mirage Trailers LLC	6,085	8,956	409	(167)	9,198		324	627	69	(13)	
Pfanstiehl, Inc.	6,208	15,278	4,893		20,171		4,890	490		275	
Pinnergy, Ltd.	4,000	27,921	16,716	(5,519)	39,118		16,493	362	219		(4)
Rhino Assembly Company, LLC (5)		4,248	501	(4,749)				323	25	44	7
Safety Products Group, LLC		12		(12)		21	(12)				
Steward Holding LLC (dba Steward Advanced Materials)	7,525	7,882	733		8,615		585	672	143		
Trantech Radiator Products, Inc.	5,994	6,707	86	(1,000)	5,793		83	704			20
World Wide Packaging, LLC		4,388		(4,388)		6,962	(3,890)				
Total Affiliate Investments	$ 51,444	$ 123,011	$ 34,903	$ (24,712)	$ 133,202	$ 529	$ 27,946	$ 5,268	$ 613	$ 953	$ 23

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(1) The investment type, industry, ownership detail for equity investments, and if the investment is income producing is disclosed in the consolidated schedule of investments.
(2) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments, accrued PIK interest and PIK dividend income, and accretion of OID and origination fees. Gross additions also include net unrealized appreciation recognized during the period.
(3) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales. Gross reductions also include net unrealized (depreciation) recognized during the period.
(4) The schedule does not reflect realized gains or losses on escrow receivables for investments which were previously exited and were not held during the period presented. Gains and losses on escrow receivables are classified in the consolidated statements of operations according to the control classification at the time the investment was exited.
(5) Portfolio company was transferred to Non-control/Non-affiliate investments from Affiliate investments during the nine months ended September 30, 2018.

Note 4. Fair Value Measurements

Investments

The Board has established and documented processes and methodologies for determining the fair values of portfolio company investments on a recurring basis in accordance with ASC Topic 820 and consistent with the requirements of the 1940 Act. Fair value is the price, determined at the measurement date, that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available or reliable, valuation techniques described below are applied. Under ASC Topic 820, portfolio investments recorded at fair value in the consolidated financial statements are classified within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value, as defined below:

Level 1 Inputs are unadjusted, quoted prices in active markets for identical assets as of the measurement date.

Level 2 Inputs include quoted prices for similar assets in active markets, or that are quoted prices for identical or similar assets in markets that are not active and inputs that are observable, either directly or indirectly, for substantially the full term, if applicable, of the investment.

Level 3 Inputs include those that are both unobservable and significant to the overall fair value measurement.

An investment s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company s investment portfolio is comprised entirely of debt and equity securities of privately held companies for which quoted prices falling within the categories of Level 1 and Level 2 inputs are not available. Therefore, the Company values all of its portfolio investments at fair value, as determined in good faith by the Board, using Level 3 inputs. The degree of judgment exercised by the Board in determining fair value is greatest for investments classified as Level 3 inputs. Due to the inherent uncertainty of determining the fair values of investments that do not have readily available market values, the Board s estimate of fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and those differences may be material. In addition, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the

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amounts ultimately realized on these investments to be materially different than the valuations currently assigned.

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

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

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

- the Board 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, the Company may determine that it is not cost-effective, and as a result it is not in the Company s stockholders best interest, to request the independent appraisal of certain portfolio company investments. Such instances include, but are not limited to, situations where the Company determines that the fair value of the portfolio company investment is relatively insignificant to the fair value of the total portfolio. The Board consulted with the independent valuation firm(s) in arriving at the Company s determination of fair value for 15 and 18 of its portfolio company investments representing 22.4% and 32.0% of the total portfolio investments at fair value (exclusive of new portfolio company investments made during the three months ended September 30, 2018 and December 31, 2017, respectively) as of September 30, 2018 and December 31, 2017, respectively.

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

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

In making the good faith determination of the value of portfolio investments, the Board starts 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 the Board, the Company performs detailed valuations of its 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, the Company typically uses 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 the Company derives a single estimate of enterprise value. Under the income approach, the Company typically prepares and analyzes 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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The Company evaluates investments in portfolio companies using the most recent portfolio company financial statements and forecasts. The Company also consults 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 the Company s debt investments 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, the Company 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. The Company s discounted cash flow models estimate a range of fair values by applying an appropriate discount rate to the future cash flow streams of its debt investments, based on future interest and principal payments as set forth in the associated loan agreements. The Company prepares 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. The Company 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. The Company estimates the remaining life of its debt investments to generally be the legal maturity date of the instrument, as the Company generally intends to hold its loans to maturity. However, if the Company has information available to it that the loan is expected to be repaid in the near term, it would use an estimated remaining life based on the expected repayment date.

For the Company s equity investments, including equity and warrants, the Company generally uses 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, the Company analyzes 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, the Company considers the Company s ability to influence the capital structure of the portfolio company, as well as the timing of a potential exit.

The Company may also utilize an income approach when estimating the fair value of its 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. The Company typically prepares and analyzes discounted cash flow models based on projections of the future free cash flows (or earnings) of the portfolio company. The Company considers 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 the Company s royalty rights are calculated based on projected future cash flows and the specific provisions contained in the pertinent agreements. The determination of the fair value of such royalty rights is not a significant component of the Company s valuation process.

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The Company reviews the fair value hierarchy classifications on a quarterly basis. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur. There were no transfers among Levels 1, 2, and 3 during the nine months ended September 30, 2018 and 2017.

The following tables present a reconciliation of the beginning and ending balances for fair valued investments measured using significant unobservable inputs (Level 3) for the nine months ended September 30, 2018 and 2017:

	Second Lien Debt	Subordinated Debt	First Lien Debt	Equity	Warrants	Royalty Rights	Total
Balance, December 31, 2016	$ 272,987	$ 114,460	$ 55,957	$ 70,849	$ 10,201	$	$ 524,454
Net realized gains (losses) on investments	(377)			12,726			12,349
Net change in unrealized appreciation (depreciation) on investments	(7,510)	(125)	(1,517)	(1,180)	5,199		(5,133)
Purchase of investments	92,263	41,758	10,894	9,806	856		155,577
Proceeds from sales and repayments of investments	(45,557)	(41,202)	(32,676)	(13,289)			(132,724)
Interest and dividend income paid-in-kind	3,403	1,425	817	139			5,784
Proceeds from loan origination fees	(556)	(249)	(102)				(907)
Accretion of loan origination fees	310	271	594	4			1,179
Accretion of original issue discount	186	141		3			330
Transfers between classifications	5,971		(5,971)				
Balance, September 30, 2017	$ 321,120	$ 116,479	$ 27,996	$ 79,058	$ 16,256	$	$ 560,909
Balance, December 31, 2017	$ 341,279	$ 126,481	$ 28,911	$ 84,585	$ 15,052	$	$ 596,308
	(16,252)		(4,293)	5,362	29		(15,154)

Net realized gains (losses) on investments							
Net change in unrealized appreciation (depreciation) on investments	(2,568)	(1,494)	3,727	29,329	1,222		30,216
Purchase of investments	104,005	13,950	18,700	7,959			144,614
Proceeds from sales and repayments of investments	(49,868)	(30,102)	(1,256)	(10,514)	(312)		(92,052)
Interest and dividend income paid-in-kind	2,983	738	803	86			4,610
Proceeds from loan origination fees	(524)	(133)	(214)				(871)
Accretion of loan origination fees	427	167	25	5			624
Accretion of original issue discount	96	109		3			208
Transfers between classifications	6,823	(6,823)					
Balance, September 30, 2018	$ 386,401	$ 102,893	$ 46,403	$ 116,815	$ 15,991	$	$ 668,503

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Net change in unrealized appreciation of $9,125 and $23,971 for the three and nine months ended September 30, 2018, respectively, was attributable to Level 3 investments held at September 30, 2018. Net change in unrealized appreciation of $2,364 and $3,085 for the three and nine months ended September 30, 2017, respectively, was attributable to Level 3 investments held at September 30, 2017.

The following tables summarize the significant unobservable inputs by valuation technique used to determine the fair value of the Company s Level 3 debt and equity investments as of September 30, 2018 and December 31, 2017. The tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the Company s determination of fair values.

	Fair Value at September 30, 2018	Valuation Techniques	Unobservable Inputs	Range (weighted average)
Debt investments:				
Second Lien Debt	$ 374,529	Discounted cash flow	Weighted average cost of capital	10.9% - 30.0% (13.5%)
	9,087	Enterprise value	EBITDA multiples	5.3x - 7.3x (6.8x)
	2,785	Enterprise value	Revenue multiples	0.2x - 0.2x (0.2x)
Subordinated Debt	102,893	Discounted cash flow	Weighted average cost of capital	10.9% - 15.1% (12.8%)
First Lien Debt	46,403	Discounted cash flow	Weighted average cost of capital	11.5% - 24.0% (14.6%)
Equity investments:				
Equity	116,815	Enterprise value	EBITDA multiples	4.0x - 16.3x (7.4x)
Warrants	15,991	Enterprise value	EBITDA multiples	4.0x - 10.0x (8.0x)
Royalty Rights		Discounted cash flow	Weighted average cost of capital	N/A

	Fair Value at December 31, 2017	Valuation Techniques	Unobservable Inputs	Range (weighted average)
Debt investments:				
Second Lien Debt	$ 332,539	Discounted cash flow	Weighted average cost of capital	10.6% - 44.7% (14.6%)
	8,740	Enterprise value	EBITDA multiples	2.2x - 6.0x (5.1x)
	126,481	Discounted cash flow	Weighted average cost of capital	10.9% - 20.8% (13.6%)

Subordinated Debt				
First Lien Debt	16,289	Discounted cash flow	Weighted average cost of capital	11.8% - 13.1% (12.3%)
	9,812	Enterprise value	EBITDA multiples	5.5x - 5.5x (5.5x)
	2,810	Enterprise value	Revenue multiples	0.5x - 0.5x (0.5x)
Equity investments:				
Equity	84,585	Enterprise value	EBITDA multiples	4.0x - 17.3x (7.8x)
Warrants	15,052	Enterprise value	EBITDA multiples	4.0x - 9.5x (7.7x)
Royalty Rights		Discounted cash flow	Weighted average cost of capital	N/A

The significant unobservable input used in determining the fair value under the discounted cash flow technique is the weighted average cost of capital of each security. Significant increases (or decreases) in this input would likely result in significantly lower (or higher) fair value estimates.

The significant unobservable inputs used in determining fair value under the enterprise value technique are revenue and EBITDA multiples, as well as asset coverage. Significant increases (or decreases) in these inputs could result in significantly higher (or lower) fair value estimates.

Other Financial Assets and Liabilities

ASC Topic 820 requires disclosure of the fair value of financial instruments for which it is practical to estimate such value. The Company believes that the carrying amounts of its other financial instruments such as cash and cash equivalents, interest receivable and accounts payable and other liabilities approximate the fair value of such items due to the short maturity of such instruments. The Company s borrowings under the Credit

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Facility (as defined in Note 6), SBA debentures, and Public Notes (as defined in Note 6) are recorded at their respective carrying values. The fair value of borrowings under the Credit Facility, if valued under ASC Topic 820, are based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model. As of September 30, 2018 and December 31, 2017, the fair value of the Company s borrowings under the Credit Facility is estimated to be $37,000 and $11,500, respectively, which is the same as the Company s carrying value of the borrowings. As of September 30, 2018 and December 31, 2017, the fair value of the Company s SBA debentures, if valued under ASC Topic 820 using Level 3 inputs, is estimated to be $214,500 and $231,300, respectively, which is the same as the Company s carrying value of the debentures. The fair value of SBA debentures is estimated by discounting remaining payments using current market rates for similar instruments and considering such factors as the legal maturity date and the ability of market participants to prepay the debentures. The Public Notes, if valued under ASC Topic 820, would be valued using available market quotes, which is a Level 1 input. As of September 30, 2018, the fair value of the Public Notes is estimated to be $51,462, as compared to the carrying value of $50,000.

Note 5. Related Party Transactions

Investment Advisory Agreement: The Company has entered into an Investment Advisory Agreement with the Investment Advisor. On June 7, 2018, the Board approved the renewal of the Investment Advisory Agreement through June 20, 2019. Pursuant to the Investment Advisory Agreement and subject to the overall supervision of the Board, the Investment Advisor provides investment advisory services to the Company. For providing these services, the Investment Advisor receives a fee, 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% based on the average value of total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts) at the end of the two most recently completed calendar quarters. The base management fee is payable quarterly in arrears. The base management fee under the Investment Advisory Agreement was $2,932 and $8,438, for the three and nine months ended September 30, 2018, respectively, and $2,486 and $7,202 for the three and nine months ended September 30, 2017, respectively. As of September 30, 2018 and December 31, 2017, the base management fee payable was $2,932 and $2,586, respectively; such amounts are reported in the management and incentive fees payable due to affiliate line on the consolidated statements of assets and liabilities.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears based on the Company s pre-incentive fee net investment income for the quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement (defined below) and any interest expense and dividends paid on any outstanding preferred stock, but excluding the incentive fee and excise taxes on realized gains). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as market discount, debt instruments with PIK income, preferred stock with PIK dividends and zero-coupon securities), accrued income the Company has not yet received in cash. The Investment

Advisor is not under any obligation to reimburse the Company for any part of the incentive fee it receives that was based on accrued interest that the Company never collects.

Pre-incentive fee net investment income does not include any realized capital gains, taxes associated with such realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of

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the structure of the incentive fee, it is possible that the Company may pay an incentive fee in a quarter where the Company incurs a loss. For example, if the Company generates pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, the Company will pay the applicable incentive fee even if the Company has incurred a loss in that quarter due to a net loss on investments.

Pre-incentive fee net investment income, expressed as a rate of return on the value of the Company s weighted average net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed hurdle rate of 2.0% per quarter. If market interest rates rise, the Company may be able to invest funds in debt instruments that provide for a higher return, which would increase the Company s pre-incentive fee net investment income and make it easier for the Investment Advisor to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income.

The Company pays the Investment Advisor an incentive fee with respect to pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle rate of 2.0%;

- 100.0% of the Company s 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% in any calendar quarter. This portion of the pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.5%) is referred to as the catch-up provision. The catch-up is meant to provide the Investment Advisor with 20.0% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeds 2.5% in any calendar quarter; and

- 20.0% of the amount of the Company s pre-incentive fee net investment income, if any, that exceeds 2.5% in any calendar quarter.

The sum of the calculations above equals the income incentive fee. The income incentive fee is appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the calendar quarter. The income incentive fee was $2,234 and $6,628, for the three and nine months ended September 30, 2018 , respectively, and $2,435 and $6,759 for the three and nine months ended September 30, 2017, respectively. As of September 30, 2018 and December 31, 2017, the income incentive fee payable was $2,234 and $2,154, respectively; such amounts are reported in the management and incentive fees payable due to affiliate line on the consolidated statements of assets and liabilities.

The second part of the incentive fee is a capital gains incentive fee that is determined and paid in arrears as of the end of each fiscal year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.0% of the net capital gains as of the end of the fiscal year. In determining the capital gains incentive fee to be paid to the Investment Advisor, the Company calculates the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since the Formation Transactions, and the aggregate unrealized capital depreciation as of the date of the calculation, as applicable, with respect to each of the investments in the Company s portfolio. At the end of the applicable year, the amount of capital gains that serves as the basis for the calculation of the capital gains incentive fee to be paid equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less aggregate unrealized capital depreciation, with respect to the Company s portfolio of investments. If this number is positive at the end of such year, then the capital gains incentive fee to be paid for such year equals 20.0% of such amount, less the aggregate amount of any capital gains incentive fees paid in all prior years. As of September 30, 2018 and December 31, 2017, the capital gains incentive fee payable was $0. The aggregate amount of capital gains incentive fees paid from the IPO through September 30, 2018 was $348.

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In addition, the Company accrues, but does not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. If, on a cumulative basis, the sum of net realized gains/(losses) plus net unrealized appreciation/(depreciation) decreases during a period, the Company will reverse any excess capital gains incentive fee previously accrued such that the amount of capital gains incentive fee accrued is no more than 20.0% of the sum of net realized gains/(losses) plus net unrealized appreciation/(depreciation). The capital gains incentive fee accrued (reversed) during the three and nine months ended September 30, 2018 was $1,464 and $2,731, respectively, and $573 and $1,111 for the three and nine months ended September 30, 2017, respectively. As of September 30, 2018 and December 31, 2017, the accrued capital gains incentive fee payable was $9,208 and $6,477, respectively; such amounts are reported in the management and incentive fees payable due to affiliate line on the consolidated statements of assets and liabilities.

The sum of the income incentive fee and the capital gains incentive fee is the incentive fee and is reported in the consolidated statements of operations. Accrued management fees, income incentive fees and capital gains incentive fees are reported in the management and incentive fees payable due to affiliate line in the consolidated statements of assets and liabilities.

Unless terminated earlier as described below, the Investment Advisory Agreement will continue in effect from year to year if approved annually by the Board or by the affirmative vote of the holders of a majority of the Company s outstanding voting securities, and, in either case, if also approved by a majority of the Independent Directors. The Investment Advisory Agreement automatically terminates in the event of its assignment, as defined in the 1940 Act, by the Investment Advisor and may be terminated by either party without penalty upon not less than 60 days written notice to the other. The holders of a majority of the Company s outstanding voting securities may also terminate the Investment Advisory Agreement without penalty.

Administration Agreement: The Company also entered into an administration agreement (the Administration Agreement) with the Investment Advisor. On June 7, 2018, the Board approved the renewal of the Administration Agreement through June 20, 2019. Under the Administration Agreement, the Investment Advisor furnishes the Company with office facilities and equipment, provides clerical, bookkeeping, and record keeping services at such facilities and provides the Company with other administrative services necessary to conduct its day-to-day operations. The Company reimburses the Investment Advisor for the allocable portion of overhead expenses incurred in performing its obligations under the Administration Agreement, including rent and the Company s allocable portion of the cost of its chief financial officer and chief compliance officer and their respective staffs. Under the Administration Agreement, the Investment Advisor also provides managerial assistance to those portfolio companies to which the Company is required to provide such assistance and the Company reimburses the Investment Advisor for fees and expenses incurred with providing such services. In addition, the Company reimburses the Investment Advisor for fees and expenses incurred while performing due diligence on the Company s prospective portfolio companies, including dead deal expenses. Under the Administration Agreement, administrative service expenses for the three and nine months ended September 30, 2018 were $366 and $1,112, respectively, and $318 and $1,009 for the three and nine months ended September 30, 2017. As of September 30, 2018 and December 31, 2017, the accrued administrative service expense was $424 and $567, respectively; such amounts are reported in the administration fee payable and other due to affiliate line on the consolidated statements of assets and liabilities.

Note 6. Debt

Revolving Credit Facility: On June 16, 2014, FIC entered into a senior secured revolving credit agreement (the Credit Facility) with ING Capital LLC (ING), as the administrative agent, collateral agent, and lender. The Credit Facility is secured by certain portfolio investments held by the Company, but portfolio investments

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held by the Funds are not collateral for the Credit Facility. On December 29, 2017, the Company entered into an amendment to the Credit Facility to, among other things, extend the maturity date from June 16, 2018 to June 16, 2019. On June 5, 2018, the Company entered into an incremental commitment agreement, whereby the amount available for borrowing under the Credit Facility was increased from $50,000 to $75,000.

Amounts available to borrow under the Credit Facility are subject to a minimum borrowing/collateral base that applies an advance rate to certain investments held by the Company, excluding investments held by the Funds. The Company is 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 the Company s election, on a per annum basis equal to (i) the alternate base rate plus 2.5% or (ii) the applicable London Interbank Offered Rate, or 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%. The Company pays a commitment fee between 0.5% and 1.0% per annum based on the size of the unused portion of the Credit Facility.

The Company has made customary representations and warranties and is 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, 2018 and December 31, 2017, the Company was in compliance in all material respect with the terms of the Credit Facility.

SBA debentures: The Company uses debenture leverage provided through the SBA to fund a portion of its investment purchases.

Under the SBA debenture program, the SBA commits to purchase debentures issued by SBICs; such debentures have 10-year terms with the entire principal balance due at maturity and are guaranteed by the SBA. Interest on SBA debentures is payable semi-annually on March 1 and September 1. As of December 31, 2017, approved and unused SBA debenture commitments were $27,000. As of September 30, 2018, the Company did not have any remaining approved and unused SBA debenture commitments. The SBA may limit the amount that may be drawn each year under these commitments, and each issuance of leverage is conditioned on the Company s full compliance, as determined by the SBA, with the terms and conditions set forth in the SBIC Act.

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As of September 30, 2018 and December 31, 2017, the Company s issued and outstanding SBA debentures mature as follows:

Pooling Date (1)	Maturity Date	Fixed Interest Rate	September 30, 2018	December 31, 2017
3/25/2009	3/1/2019	5.337%	$	$ 14,750
9/23/2009	9/1/2019	4.950		10,000
3/24/2010	3/1/2020	4.825		13,000
9/22/2010	9/1/2020	3.932	8,500	12,500
3/29/2011	3/1/2021	4.801		1,550
9/21/2011	9/1/2021	3.594	2,750	3,250
3/21/2012	3/1/2022	3.483	3,250	3,250
3/21/2012	3/1/2022	3.051	19,000	19,000
9/19/2012	9/1/2022	2.530	11,000	11,000
9/19/2012	9/1/2022	3.049	11,500	11,500
3/27/2013	3/1/2023	3.155	3,000	3,000
9/24/2014	9/1/2024	3.775	1,000	1,000
3/25/2015	3/1/2025	3.321	5,500	5,500
3/25/2015	3/1/2025	3.277	22,500	22,500
9/23/2015	9/1/2025	3.571	16,700	16,700
3/23/2016	3/1/2026	3.267	1,500	1,500
3/23/2016	3/1/2026	3.249	21,800	21,800
9/21/2016	9/1/2026	2.793	500	500
3/29/2017	3/1/2027	3.587	10,000	10,000
9/20/2017	9/1/2027	3.260	1,000	1,000
9/20/2017	9/1/2027	3.190	33,000	33,000
3/21/2018	3/1/2028	3.859	16,000	15,000
3/21/2018	3/1/2028	3.534	15,500	
9/19/2018	9/1/2028	3.895	9,500	
9/19/2018	9/1/2028	4.220	1,000	
Total outstanding SBA debentures			$ 214,500	$ 231,300

(1) The SBA has two scheduled pooling dates for debentures (in March and in September). Certain debentures funded during the reporting periods may not be pooled until the subsequent pooling date.

Public Notes: On February 2, 2018, the Company closed the public offering of approximately $43,478 in aggregate principal amount of its 5.875% notes due 2023, or the Public Notes. On February 22, 2018, the underwriters exercised their option to purchase an additional $6,522 in aggregate principal of the Public Notes. The total net proceeds to the Company from the Public Notes, including the exercise of the underwriters option, after deducting underwriting discounts of approximately $1,500 and offering expenses of $438, were approximately $48,062.

The Public Notes mature on February 1, 2023 and bear interest at a rate of 5.875%. The Public Notes are unsecured obligations of the Company and rank pari passu with the Company s future unsecured indebtedness; effectively subordinated to all of the existing and future secured indebtedness of the Company; and structurally subordinated to all existing and future indebtedness and other obligations of any subsidiaries, financing vehicles, or similar facilities the Company may form in the future, with respect to claims on the assets of any such subsidiaries, financing vehicles, or similar facilities. The Public Notes may be redeemed in whole or in part at any time or from time to time at the Company s option on or after February 1, 2020. Interest on the Public Notes

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is payable quarterly on February 1, May 1, August 1 and November 1 of each year. The Public Notes are listed on the NASDAQ Global Select Market under the trading symbol FDUSL.

Interest and fees related to the Company s debt for the three and nine months ended September 30, 2018 and 2017 which are included in interest and financing expenses on the consolidated statements of operations, were as follows:

	Three Months Ended September 30, 2018				Three Months Ended September 30, 2017			
	SBA debentures	Credit Facility	Public Notes	Total	SBA debentures	Credit Facility	Public Notes	Total
Stated interest expense	$ 1,796	$ 223	$ 734	$ 2,753	$ 2,031	$ 128	$	$ 2,159
Amortization of deferred financing costs	180	76	97	353	245	87		332
Total interest and financing expenses	$ 1,976	$ 299	$ 831	$ 3,106	$ 2,276	$ 215	$	$ 2,491

	Nine Months Ended September 30, 2018				Nine Months Ended September 30, 2017			
	SBA debentures	Credit Facility	Public Notes	Total	SBA debentures	Credit Facility	Public Notes	Total
Stated interest expense	$ 5,515	$ 605	$ 1,950	$ 8,070	$ 6,129	$ 390	$	$ 6,519
Amortization of deferred financing costs	703	209	252	1,164	696	261		957
Total interest and financing expenses	$ 6,218	$ 814	$ 2,202	$ 9,234	$ 6,825	$ 651	$	$ 7,476
Weighted average stated interest rate, period end	3.355%	5.749%	5.875%	4.067%	3.596%	N/A	N/A	3.596%
Unused commitment fee rate, period end	N/A	0.500%	N/A	0.500%	N/A	1.000%	N/A	1.000%

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Deferred Financing Costs

Deferred financing costs are amortized into interest and financing expenses on the consolidated statements of operations using the effective interest method, over the term of the respective financing instrument. Deferred financing costs related to the Credit Facility, SBA debentures, and Public Notes as of September 30, 2018 and December 31, 2017 were as follows:

	September 30, 2018				December 31, 2017			
	SBA debentures	Credit Facility	Public Notes	Total	SBA debentures	Credit Facility	Public Notes	Total
SBA debenture commitment fees	$ 3,000	$	$	$ 3,000	$ 3,000	$	$	$ 3,000
SBA debenture leverage fees	7,276			7,276	6,621			6,621
Credit Facility upfront fees		1,585		1,585		1,495		1,495
Public Notes underwriting discounts			1,500	1,500				
Public Notes debt issue costs			438	438				
Total deferred financing costs	10,276	1,585	1,938	13,799	9,621	1,495		11,116
Less: accumulated amortization	(5,684)	(1,379)	(252)	(7,315)	(4,981)	(1,170)		(6,151)
Unamortized deferred financing costs	$ 4,592	$ 206	$ 1,686	$ 6,484	$ 4,640	$ 325	$	$ 4,965

Unamortized deferred financing costs are presented as a direct offset to the SBA debentures and Credit Facility liabilities on the consolidated statements of assets and liabilities. The following table summarizes the outstanding debt net of unamortized deferred financing costs as of September 30, 2018 and December 31, 2017:

	September 30, 2018				December 31, 2017			
	SBA debentures	Credit Facility	Public Notes	Total	SBA debentures	Credit Facility	Public Notes	Total
Outstanding debt	$ 214,500	$ 37,000	$ 50,000	$ 301,500	$ 231,300	$ 11,500	$	$ 242,800
Less: unamortized deferred financing costs	(4,592)	(206)	(1,686)	(6,484)	(4,640)	(325)		(4,965)

Debt, net of deferred financing costs	$ 209,908	$ 36,794	$ 48,314	$ 295,016	$ 226,660	$ 11,175	$	$ 237,835

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As of September 30, 2018, the Company s debt liabilities are scheduled to mature as follows[1]:

Year	SBA debentures	Credit Facility	Public Notes	Total
2018	$	$	$	$
2019		37,000		37,000
2020	8,500			8,500
2021	2,750			2,750
2022	44,750			44,750
2023	3,000		50,000	53,000
2024	1,000			1,000
2025	44,700			44,700
2026	23,800			23,800
2027	44,000			44,000
2028	42,000			42,000
Total	$ 214,500	$ 37,000	$ 50,000	$ 301,500

(1) The table above presents scheduled maturities of the Company s outstanding debt liabilities as of a point in time pursuant to the terms of those instruments. The timing of actual repayments of outstanding debt liabilities may not ultimately correspond with the scheduled maturity dates depending on the terms of the underlying instruments and the potential for earlier prepayments.

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Note 7. Commitments and Contingencies

Commitments: The Company had outstanding commitments to portfolio companies to fund various undrawn revolving loans, other credit facilities and capital commitments totaling $10,353 and $8,352 as of September 30, 2018 and December 31, 2017, respectively. Such outstanding commitments are summarized in the following table:

	September 30, 2018		December 31, 2017	
Portfolio Company Investment	**Total Commitment**	**Unfunded Commitment**	**Total Commitment**	**Unfunded Commitment**
American AllWaste LLC (dba WasteWater Transport Services) Delayed Draw Commitment	$ 3,000	$ 2,276	$	$
B&B Roadway and Security Solutions, LLC Common Equity	133	133		
FDS Avionics Corp. (dba Flight Display Systems) - Revolving Loan	250	50		
Mesa Line Services, LLC Delayed Draw Commitment	4,000	4,000	4,000	4,000
Oaktree Medical Centre, P.C. (dba Pain Management Associates) Revolving Loan			2,500	
Rhino Assembly Company, LLC Delayed Draw Commitment	1,500	1,042	1,500	1,500
Safety Products Group, LLC - Common Equity	2,852(1)	2,852(1)	2,852	2,852
Total	$ 11,735	$ 10,353	$ 10,852	$ 8,352

(1) Portfolio company was no longer held at period end. The commitment represents the Company s maximum potential liability related to certain guaranteed obligations stemming from the prior sale of the portfolio company s underlying operations.

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

The commitments are generally subject to the borrowers meeting certain criteria such as compliance with financial and nonfinancial covenants. Since commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Indemnifications: In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide indemnifications under certain circumstances. In addition, in connection with the disposition of an investment in a portfolio company, the Company may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. The Company may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. The Company s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of future obligation under these indemnifications to be remote.

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(in thousands, except shares and per share data)

Legal proceedings: In the normal course of business, the Company may be subject to legal and regulatory proceedings that are generally incidental to its ongoing operations. While the outcome of these legal proceedings cannot be predicted with certainty, the Company does not believe these proceedings will have a material adverse effect on the Company s consolidated financial statements.

Note 8. Common Stock

Public Offerings of Common Stock

The following table summarizes the total shares issued, offering price and net proceeds received in public offerings of the Company s common stock since the IPO:

Offering Date	Number of Shares	Gross Proceeds	Underwriting Fees and Commissions and Offering Costs	Offering Price
September 11, 2012	2,472,500	$ 39,807	$ 1,855	$ 16.10
February 8, 2013	1,725,000	30,361	1,504	17.60
September 30, 2014	2,083,414 (1)	35,418	1,747	17.00
May 27, 2016	2,875,000 (2)	43,755	56 (5)	15.22 (6)
November 29, 2016	3,220,000 (3)	53,446	2,319	16.60 (7)
June 20, 2017	2,012,500 (4)	33,810	1,508	16.80

(1) Includes 83,414 shares purchased by underwriters pursuant to the over-allotment option on October 21, 2014.
(2) Includes 375,000 shares purchased by underwriters pursuant to the over-allotment option on June 10, 2016.
(3) Includes 420,000 shares purchased by underwriters pursuant to the over-allotment option on December 13, 2016.
(4) Includes 262,500 shares purchased by underwriters pursuant to the over-allotment option on June 29, 2017.
(5) Fidus Investment Advisors, LLC agreed to bear up to $169 of the offering costs associated with this offering. Fidus Investment Advisors, LLC has also agreed to bear $1,756, or 100%, of the underwriting fees and commissions in connection with this offering and the exercise of the over-allotment option. All payments made by Fidus Investment Advisors, LLC are not subject to reimbursement by the Company.
(6) Represents the weighted average offering price of shares issued, including the shares issued pursuant to the over-allotment option. Shares were issued on May 27, 2016 at an offering price of $15.27. The offering price of the over-allotment option shares was adjusted for the $0.39 dividend to shareholders of record on June 10, 2016.
(7) Represents the weighted average offering price of shares issued, including the shares issued pursuant to the over-allotment option. Shares were issued on November 29, 2016 at an offering price of $16.65. The offering

price of the over-allotment option shares was adjusted for the $0.43 dividend to shareholders of record on November 30, 2016.

Common Stock ATM Program

On August 21, 2014, the Company entered into an equity distribution agreement with Raymond James & Associates, Inc. and Robert W. Baird & Co. Incorporated through which the Company could sell, by means of at-the-market offerings from time to time, shares of the Company s common stock having an aggregate offering price of up to $50,000 (the ATM Program). There were no issuances of common stock under the ATM program during the last two fiscal years and for the nine months ended September 30, 2018.

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(in thousands, except shares and per share data)

Stock Repurchase Program

As described in Note 2, the Company has Stock Repurchase Program under which the Company may acquire up to $5,000 of its outstanding common stock. During the nine months ended September 30, 2018, the Company repurchased 44,821 shares of common stock on the open market for $582. The Company did not make any repurchases of common stock during the nine months ended September 30, 2017. The Company s NAV per share increased by approximately $0.01 for the nine months ended September 30, 2018 as a result of the share repurchases. The following table summarizes the Company s share repurchases under the Stock Repurchase Program for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,	
Repurchases of Common Stock	**2018**	**2017**
Number of shares repurchased	44,821	
Cost of shares repurchased, including commissions	$ 582	$
Weighted average price per share	$ 12.94	$
Weighted average discount to net asset value at quarter end prior to repurchases	19.4%	N/A

See Note 9 for additional information regarding the issuance of shares under the DRIP.

As of September 30, 2018 and December 31, 2017, the Company had 24,463,119 and 24,507,940 shares of common stock outstanding, respectively.

Note 9. Dividends and Distributions

The Company s dividends and distributions are recorded on the record date. The following table summarizes the dividends paid during the last two fiscal years and for the nine months ended September 30, 2018.

Date Declared	Record Date	Payment Date	Amount Per Share	Total Distribution	Cash Distribution	DRIP Shares Value	DRIP Shares	DRIP Share Issue Price
Fiscal Year Ended December 31, 2016:								
2/16/2016	3/11/2016	3/25/2016	$ 0.39	$ 6,357	$ 6,177	$ 180	11,631	$ 15.49
5/2/2016	6/10/2016	6/24/2016	0.39	7,337	7,143	194	12,722	15.25
8/1/2016	9/9/2016	9/23/2016	0.39	7,488	7,293	195	12,340	15.76
11/1/2016	12/2/2016	12/16/2016	0.39	8,585	8,386	199	12,381	16.08

11/1/2016 (1)	12/2/2016	12/16/2016	0.04	880	860	20	1,270	16.08
			$ 1.60	$ 30,647	$ 29,859	$ 788	50,344	
Fiscal Year Ended December 31, 2017:								
2/14/2017	3/10/2017	3/24/2017	$ 0.39	$ 8,754	$ 8,556	$ 198	11,500	17.17
5/1/2017	6/9/2017	6/23/2017	0.39	8,758	8,582	176	10,548	16.74
7/31/2017	9/8/2017	9/22/2017	0.39	9,548	9,353	195	12,256	15.90
10/30/2017	12/20/2017	12/27/2017	0.39	9,552	9,343	209	13,659	15.30
10/30/2017 (1)	12/20/2017	12/27/2017	0.04	980	959	21	1,401	15.30
			$ 1.60	$ 37,592	$ 36,793	$ 799	49,364	
Nine Months Ended September 30, 2018:								
2/13/2018	3/9/2018	3/23/2018	$ 0.39	$ 9,558	$ 9,558	$ (2)	(2)	
4/30/2018	6/8/2018	6/22/2018	0.39	9,541	9,541	(2)	(2)	
7/30/2018	9/7/2018	9/21/2018	0.39	9,540	9,540	(2)	(2)	
			$ 1.17	$ 28,639	$ 28,639	$		

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(1) Special dividend.

(2) During the nine months ended September 30, 2018, the Company directed the DRIP program plan administrator to repurchase shares on the open market in order to satisfy the DRIP obligation to deliver shares of common stock in lieu of issuing new shares. Accordingly, the Company purchased and reissued shares to satisfy the DRIP obligation as follows:

Period	Number of Shares Purchased and Reissued	Average Price Paid Per Share	Total Amount Paid
January 1, 2018 through March 31, 2018	16,503	$ 12.97	$ 214
April 1, 2018 through June 30, 2018	16,216	14.48	235
July 1, 2018 through September 30, 2018	16,207	14.83	240
Total	48,926	$ 14.09	$ 689

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Note 10. Financial Highlights

The following is a schedule of financial highlights for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30, 2018	2017
Per share data:		
Net asset value at beginning of period	$ 16.05	$ 15.76
Net investment income (1)	0.97	1.12
Net realized gain (loss) on investments, net of tax (provision) (1)	(0.67)	0.46
Net unrealized appreciation (depreciation) on investments (1)	1.23	(0.22)
Total increase from investment operations (1)	1.53	1.36
Accretive (dilutive) effect of share issuances and repurchases	0.01	0.01
Dividends to stockholders	(1.17)	(1.17)
Other (2)	(0.01)	0.01
Net asset value at end of period	$ 16.41	$ 15.97
Market value at end of period	$ 14.62	$ 16.08
Shares outstanding at end of period	24,463,119	24,492,880
Weighted average shares outstanding during the period	24,474,632	23,201,533
Net assets at end of period	$ 401,522	$ 391,168
Average net assets (7)	$ 397,304	$ 372,047
Ratios to average net assets:		
Total expenses (3)(5)(9)	10.2%	9.1%
Net investment income (3)(6)	8.0%	9.3%
Total return (4)	4.0%	9.7%
Portfolio turnover ratio (3)	19.3%	32.5%
Supplemental Data:		
Average debt outstanding (8)	$ 270,075	$ 214,200
Average debt per share (1)	$ 11.03	$ 9.23

(1) Weighted average per share data.
(2) Represents the impact of different share amounts used in calculating per share data as a result of calculating certain per share data based on weighted average shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.
(3) Annualized.
(4) The total return for the nine months ended September 30, 2018 and 2017 equals the change in the market value of the Company s common stock per share during the period plus dividends paid per share during the period, divided by the market value per share at the beginning of the period.
(5) The total expenses to average net assets ratio is calculated using the total expenses caption as presented on the consolidated statements of operations, which includes incentive fee and excludes the income tax provision.
(6) The net investment income to average net assets ratio is calculated using the net investment income caption as presented on the consolidated statements of operations, which includes incentive fee.

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(7) Average net assets is calculated as the average of the net asset balances as of each quarter end during the fiscal year and the prior year end.
(8) Average debt outstanding is calculated as the average of the outstanding debt balances as of each quarter end during the fiscal year and the prior year end.
(9) The following is a schedule of supplemental expense ratios to average net assets:

	Nine Months Ended September 30,	
Ratio to average net assets:	**2018**	**2017**
Expenses other than incentive fee (3)	7.1%	6.3%
Incentive fee (3)	3.1%	2.8%
Total expenses (3)(5)	10.2%	9.1%

Note 11. Subsequent Events

On October 1, 2018, the Company invested $13,700 in a new subordinated debt investment of existing portfolio company, Rohrer Corporation.

On October 1, 2018, the Company exited its debt investment in Toledo Molding & Die, Inc. The Company received payment in full of $10,000 on its second lien debt.

On October 4, 2018, the Company exited its debt investment in Midwest Transit Equipment, Inc. The Company received payment in full of $12,606 on its subordinated debt, which includes a prepayment penalty.

On October 4, 2018, the Company exited its debt investment in Thermoforming Technology Group LLC (dba Brown Machine Group). The Company received payment in full of $23,370 on its second lien debt, which includes a prepayment penalty. The Company also received a distribution on its equity investment resulting in a realized gain of approximately $743.

On October 19, 2018, the Company executed an amendment and incremental commitment agreement to the Credit Facility, whereby the amount available for borrowing under the Credit Facility was increased from $75,000 to $90,000, with allowance for future increases in the commitments up to $100,000.

On October 23, 2018, the Company invested $7,500 in first lien debt and common equity of Alzheimer s Research and Treatment Center, LLC, a leading clinical trial site services provider with a focus on trials targeting the treatment and prevention of Alzheimer s Disease.

On October 26, 2018, the Company received a distribution on its equity investment in FAR Research Inc., resulting in a realized gain of approximately $3,310.

On October 30, 2018, the Board declared a regular quarterly dividend of $0.39 per share payable on December 21, 2018 to stockholders of record as of December 7, 2018. In addition, the Board declared a special dividend of $0.04 per share payable on December 21, 2018 to stockholders of record as of December 7, 2018.

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PROSPECTUS

$300,000,000

Common Stock

Preferred Stock

Subscription Rights

Debt Securities

Warrants

We may offer, from time to time, in one or more offerings or series, together or separately, up to $300,000,000 of our common stock, preferred stock, subscription rights, debt securities, or warrants representing rights to purchase shares of our common stock, preferred stock, or debt securities, which we refer to collectively as the securities. We may sell our common stock through underwriters or dealers, at-the-market to or through a market maker into an existing trading market or otherwise directly to one or more purchasers or through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

We may offer shares of common stock at a discount to net asset value per share in certain circumstances. On June 15, 2017, our common 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 15, 2018 or the date of our 2018 Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our 2018 Annual Meeting of Stockholders. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. See Risk Factors on page 12 and Sales of Common Stock Below Net Asset Value on page 101 of this prospectus for more information.

Our stockholders specified that the cumulative number of shares sold in each offering during the one-year period ending on the earlier of June 15, 2018 or the date of our 2018 Annual Meeting of Stockholders may not exceed 25.0% of our outstanding common stock immediately prior to such sale. In addition, we cannot issue shares of our common stock below net asset value unless our board of directors determines that it would be in our and our stockholders best interests to do so. Shares of closed-end investment companies such as us frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade above, at or below net asset value. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our common stock.

We provide customized debt and equity financing solutions to lower middle-market companies located throughout the United States. We are 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. 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 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 generally invest in securities that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as high yield or junk, have speculative characteristics with respect to our capacity to pay interest and repay principal.

Our common stock is listed on the Nasdaq Global Select Market under the symbol FDUS. On February 27, 2018, the last reported sale price of our common stock on the Nasdaq Global Select Market was $12.95 per share and our net asset value on December 31, 2017 was $16.05 per share.

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

Investing in our securities is speculative and involves numerous risks, and you could lose your entire investment if any of the risks occur. Among these risks is the risk associated with leverage and dilution. For more information regarding these risks, please see Risk Factors beginning on page 13.

Please read this prospectus and the accompanying prospectus supplement, if any, before investing, and keep it for future reference. It concisely sets forth important information about us that a prospective investor ought to 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 or any prospectus supplement. 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 prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 2, 2018

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read the entire prospectus and any prospectus supplement carefully, including Risk Factors, 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.

Fidus Investment Corporation (FIC), a Maryland Corporation, operates as an externally managed BDC under the 1940 Act. FIC completed its initial public offering, or IPO, in June 2011. In addition, FIC has elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). As of December 31, 2017, our shares were listed on the NASDAQ Global Select Market under the symbol FDUS.

FIC may make investments directly or through its two wholly-owned investment company subsidiaries, Fidus Mezzanine Capital, L.P. (Fund I) and Fidus Mezzanine Capital II, L.P. (Fund II)(collectively Fund I and Fund II are referred to as the Funds). Fidus Investment GP, LLC, the general partner of the Funds, is also a wholly owned subsidiary of FIC. The Funds are licensed by the U.S. Small Business Administration (the SBA) as small business investment companies (SBICs). The Funds utilize the proceeds of the issuance of SBA-guaranteed debentures to enhance returns to our stockholders. We believe that utilizing both FIC and the Funds as investment vehicles provides us with access to a broader array of investment opportunities. Given our access to lower cost capital through the SBA s SBIC debenture program, we expect that the majority of our investments will continue to be made through the Funds until the Funds reach their borrowing limit under the program. For three or more SBICs under common control, the maximum amount of outstanding SBA debentures cannot exceed $350.0 million.

Unless otherwise noted in this prospectus, the terms we, us, our, the Company, Fidus and FIC refer to Fidus Investment Corporation and its consolidated subsidiaries.

As used in this prospectus, the term our investment advisor refers to Fidus Investment Advisors, 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 $30.0 million per portfolio company.

As of December 31, 2017, we had debt and equity investments in 63 portfolio companies with an aggregate fair value of $596.3 million. The weighted average yield on our debt investments as of December 31, 2017 was

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13.0%. The weighted average yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our fees and expenses. The weighted average yield was computed using the effective interest rates as of December 31, 2017, including accretion of original issue discount (OID) and loan origination fees, but excluding investments on non-accrual status, if any. There can be no assurance that the weighted average yield will remain at its current level.

Market Opportunity

We believe that the limited amount of capital available to lower middle-market companies, coupled with the desire of these companies for flexible and partnership-oriented sources of capital, creates an attractive investment environment for us. From our perspective, lower middle-market companies have faced difficulty raising debt capital in both the capital markets and private markets. Given limited sources of capital for lower middle-market companies, we see opportunities for attractive risk-adjusted returns. Furthermore, we believe that, with a large pool of uninvested private equity capital seeking debt capital to complete buy-out transactions and a substantial supply of refinancing opportunities, there is an opportunity to attain appealing risk-adjusted returns on debt and equity investments in our target markets. 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;
- 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.

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 the Company, see Certain Relationships and Related Transactions Investment Advisory Agreement in the accompanying prospectus.

Our relationship with our investment advisor is governed by and dependent on the Investment Advisory Agreement and may be subject to conflicts of interest. We pay our investment advisor a fee for its services under the Investment Advisory Agreement consisting of two components a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.75% of the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts). The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of our pre-incentive fee net investment income for the immediately preceding quarter, subject to a 2.0% preferred

return, or hurdle, and a catch up feature. The second part is determined and payable in arrears as of the end of each fiscal year in an amount equal to 20.0% of our realized capital gains, if any, on a cumulative basis from inception through the end of each fiscal year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any 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. 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.

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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.

Risk Factors

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

- our dependence on key personnel of our investment advisor and our executive officers;
- our ability to maintain or develop referral relationships;
- our use of leverage;
- the availability of additional capital on attractive terms or at all;
- uncertain valuations of our portfolio investments;
- competition for investment opportunities;
- actual and potential conflicts of interests with our investment advisor;
- other potential conflicts of interest;
- SBA regulations affecting our wholly-owned SBIC subsidiaries;
- changes in interest rates;
- the impact of a protracted decline in liquidity of credit markets on our business and portfolio of investments;
- our ability to maintain our status as a RIC and as a BDC;

- the timing, form and amount of any distributions from our portfolio companies;
- changes in laws or regulations applicable to us;
- dilutions risks related to our ability to issue shares below our current net asset value;
- possible resignation of our investment advisor;
- the general economy and its impact on the industries in which we invest;
- risks associated with investing in lower middle-market companies;
- the ability of our investment advisor to identify, invest in and monitor companies that meet our investment criteria; and
- our ability to invest in qualifying assets.

See Risk Factors beginning on page 12 and the other information included in this prospectus, and any prospectus supplement, for additional discussion of factors you should carefully consider before deciding to invest in our securities.

Corporate Information

Our principal executive offices are located at 1603 Orrington Avenue, Suite 1005, Evanston, Illinois 60201, and our telephone number is (847) 859-3940. Our corporate website is located at *http://www.fdus.com*.

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Information on our website is not incorporated into this prospectus or any supplements to this prospectus, and you should not consider information contained on our website to be part of this prospectus or any supplements to this prospectus.

The Offering

We may offer, from time to time, up to $300,000,000 worth of our securities, on terms to be determined at the time of the offering. Our securities may be offered at prices and on terms to be disclosed in one or more prospectus supplements.

We may sell or otherwise issue shares of common stock at a discount to net asset value per share at prices approximating market value less selling expenses upon approval, in certain circumstances, of our board of directors, including a majority of our directors that are not interested persons of the Company, as defined in the 1940 Act. On June 15, 2017, our stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of one year ended on the earlier of June 15, 2018 or the date of our 2018 Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our 2018 Annual Meeting of Stockholders. See Sales of Common Stock Below Net Asset Value in this prospectus and in any accompanying prospectus supplement, if applicable. Sales or other issuances of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share.

Our stockholders did not specify a maximum discount below net asset value at which we are able to sell or otherwise issue our common stock; however, we do not intend to sell or otherwise issue shares of our common stock below net asset value unless our board of directors determines that it would be in our stockholders best interest to do so. The level of net asset value dilution that could result from such an offering is not limited.

Our securities may be offered directly to one or more purchasers by us or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will disclose the terms of the offering, including the name or names of any agents or underwriters involved in the sale of our securities by us, the purchase price, and any fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See Plan of Distribution. We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our securities.

The Nasdaq Global Select Market Symbol	FDUS
Use of proceeds	We intend to use the net proceeds from selling our securities to make investments in lower middle-market companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. See Use of Proceeds.
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

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	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.
Dividend reinvestment plan	We have adopted a dividend reinvestment plan for our common stockholders, which is an opt out dividend reinvestment plan. Under this plan, if we declare a cash distribution, 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. If a stockholder opts out, that stockholder will receive cash distributions. Stockholders who receive distributions in the form of shares of common stock generally are subject to the same U.S. federal income tax consequences as stockholders who elect to receive their distributions in cash; however, since their cash distributions will be reinvested, such stockholders will not receive cash with which to pay any applicable taxes on reinvested distributions. See Dividend Reinvestment Plan.
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.
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.
Sales of common stock below net asset value	Generally, the offering price per share of our common stock, exclusive of any underwriting commissions or discounts, may not be less than the net asset value per share of our common stock at the time we make the offering except (1) in connection with a rights offering to our existing stockholders, (2) with the consent of the majority of our common stockholders and approval of our board of directors, or (3) under such circumstances as the SEC may permit. On June 15, 2017, our common 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 15, 2018 or our 2018 Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our 2018 Annual Meeting of Stockholders. Sales or other issuances by us of our common stock at a discount from our net asset value pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. See Sales of Common Stock Below Net Asset Value in this prospectus and in the prospectus supplement, if applicable.
Leverage	We borrow funds to make additional investments. We use this practice, which is known as leverage, to attempt to increase returns to our stockholders, but it involves significant risks. See Risk Factors, Senior Securities and Regulation Senior Securities. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ at any particular time will depend on our Investment Advisor s investment committee s and our board of directors assessment of market and other factors at the time of any proposed borrowing. In addition, the maximum amount of leverage that three or more SBICs under common control can have outstanding is $350.0 million.
Available Information	We are required to file periodic reports, current reports, proxy statements and other information with the SEC. This information is available on the SEC s Internet

website at *www.sec.gov*. You can also

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inspect any materials we file with the SEC, without charge, at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. We intend to provide much of the same information on our website at *www.fdus.com*. Information contained on our website is not part of this prospectus or any prospectus supplement and should not be relied upon as such.

FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (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)	(4)
Annual expenses (as a percentage of net assets attributable to common stock)(5):	
Base management fee	2.60%(6)
Incentive fees payable under Investment Advisory Agreement	2.37%(7)
Interest payments on borrowed funds	2.43%(8)
Other expenses	1.08%(9)
Total annual expenses	8.48%(10)

(1) In the event that securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.

(2) In the event that we conduct an offering of any of our securities, a corresponding prospectus supplement will disclose the estimated offering expenses because they will be ultimately borne by us.

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

(4) Total stockholder transaction expenses may include a sales load and will be disclosed in a future prospectus supplement, if any.

(5) Net assets attributable to common stock equals average net assets, which is calculated as the average of the net assets balances as of each quarter end during the year ended December 31, 2017 and the prior year end.

(6) 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). This item represents actual base management fees incurred for the year ended December 31, 2017. 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 2.60% reflected in the table is calculated on our net assets (rather than our total assets). See Management and Other Agreements Investment Advisory Agreement.

(7) This item represents actual fees incurred on pre-incentive fee net investment income for the year ended December 31, 2017. As of December 31, 2017, there was no capital gains incentive fee payable.

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.

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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 year ended December 31, 2017, we accrued capital gains incentive fees of $2.1 million in accordance with generally accepted accounting principles.

See Management and Other Agreements Investment Advisory Agreement.

(8) As of December 31, 2017, we had outstanding SBA debentures of $231.3 million, and unfunded commitments from the SBA to purchase up to an additional of $27.0 million SBA debentures; we had $11.5 million of outstanding borrowings under our senior secured revolving credit agreement with certain lenders party thereto and ING Capital, LLC, as administrative agent (the Credit Facility), which has 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 December 31, 2017 with a weighted average interest rate of 3.6%. 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.

(9) 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. 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 year ended December 31, 2017.

(10) Total annual expenses as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the total annual expenses percentage be calculated as a percentage of net assets (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, our total annual expenses would be 5.27% 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
	$ 87	$ 251	$ 404	$ 738

You would pay the following expenses on a $1,000 investment, assuming a 5.0% annual return				
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)	$ 95	$ 272	$ 433	$ 778

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%. Assuming a 5.0% annual return, the incentive fee under the Investment Advisory Agreement would either not be payable or have an insignificant impact on the expense amounts shown above. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all distributions at net asset value, if our board of directors authorizes and we declare a cash dividend, participants in our dividend reinvestment plan who have not otherwise elected to receive cash will receive a number of shares of our common stock, determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

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

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RISK FACTORS

Investing in our securities involves a number of significant risks. You should carefully consider these risk factors, together with all of the other information included in this prospectus, or any prospectus supplement. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business and Structure

We are dependent upon our investment advisor s managing members and our executive officers for our future success. If our investment advisor was to lose any of its managing members or we lose any of our executive officers, our ability to achieve our investment objective could be significantly harmed.

We depend on the investment expertise, skill and network of business contacts of the managing members of our investment advisor, who evaluate, negotiate, structure, execute and monitor our investments. Our future success will depend to a significant extent on the continued service and coordination of the investment professionals of our investment advisor and executive officers. Certain investment professionals and executives may not devote all of their business time to our operations and may have other demands on their time as a result of other activities. The departure of any of these individuals could have a material adverse effect on our ability to achieve our investment objective.

Our business model depends, to a significant extent, upon strong referral relationships with financial institutions, sponsors and investment professionals. Any inability of our investment advisor to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We depend upon the investment professionals of our investment advisor to maintain their relationships with financial institutions, sponsors and investment professionals, and we intend to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If the investment professionals of our investment advisor fail to maintain such relationships, or to develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the investment professionals of our investment advisor have relationships are not obligated to provide us with investment opportunities, and, therefore, we can offer no assurance that these relationships will generate investment opportunities for us in the future.

Our financial condition and results of operation depends on our ability to manage our business effectively.

Our ability to achieve our investment objective and grow depends on our ability to manage our business and deploy our capital effectively. This depends, in turn, on our investment advisor s ability to identify, evaluate and monitor companies that meet our investment criteria. Accomplishing our investment objectives on a cost-effective basis depends upon our investment advisor s execution of our investment process, its ability to provide competent, attentive and efficient services to us and, to a lesser extent, our access to financing on acceptable terms. Our investment advisor has substantial responsibilities under the Investment Advisory Agreement. In addition, our investment advisor s investment professionals may be called upon to provide managerial assistance to our portfolio companies. These activities may distract them or slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

We may suffer credit losses and our investments could be rated below investment grade.

Private debt in the form of mezzanine, senior secured or unitranche loans to corporate and asset-based borrowers is highly speculative and involves a high degree of risk of credit loss, and therefore an investment in our shares of common stock may not be suitable for someone with a low tolerance for risk. These risks are likely to increase during an economic recession.

In addition, investments in our portfolio are typically not rated by any rating agency. We believe that if such investments were rated, the vast majority would be rated below investment grade (which is sometimes referred to as junk) due to speculative characteristics of the issuer s capacity to pay interest and repay principal. Our investments may result in an amount of risk, volatility or potential loss of principal that is greater than that of alternative investments.

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.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in us. The Funds borrow from and issue debt securities to the SBA, and we may borrow from banks and other lenders in the future. The SBA has fixed dollar claims on the Funds assets that are superior to the claims of our stockholders. We may also borrow from banks and other lenders or issue additional senior securities including preferred stock and debt securities in the future. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not used leverage. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make distributions to our stockholders. Leverage is generally considered a speculative investment technique.

Our ability to achieve our investment objectives may depend in part on our ability to achieve additional leverage on favorable terms by borrowing from the SBA, banks or other lenders, and there can be no assurance that such additional leverage can in fact be achieved.

As a BDC, we are generally required to meet a coverage ratio at least equal to 200.0% of total assets to total borrowings and other senior securities, which include all of our borrowings (other than the Funds SBA leverage under the terms of SEC exemptive relief) and any preferred stock we may issue in the future. If this ratio declines below 200.0%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions to our stockholders.

The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

Assumed Return on Our Portfolio

(Net of Expenses)

	(10.0)%	(5.0)%	0.0%	5.0%	10.0%
Corresponding return to common stockholder (1)	(18.7)%	(10.4)%	(2.2)%	6.0%	14.2%

(1) Assumes $646.3 million in total assets, $231.3 million in outstanding SBA debentures, $11.5 million in borrowings under the Credit Facility, and $393.3 million in net assets as of December 31, 2017 and an average cost of funds of 3.6%.

Funding a portion of our investments with preferred stock would magnify the potential for gain or loss and the risks of investing in us in the same way as our other borrowings.

Preferred stock, which is another form of leverage, has the same risks to our common stockholders as borrowings because the distributions with respect to any preferred stock must be cumulative. Payment of such distributions and repayment of the liquidation preference of such preferred stock must take preference over any distributions or other payments to our common stockholders, and preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

Pending legislation may allow us to incur additional leverage.

As a BDC, under the 1940 Act generally we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200.0% (i.e., the amount of debt may not exceed 50.0% of the value of our assets). Legislation introduced to the U.S. House of Representatives, if passed, would modify this section of the 1940 Act and increase the amount of debt that BDCs may incur by modifying the minimum asset coverage ratio from 200.0% to 150.0%. If such legislation were to pass, we would be able to incur additional indebtedness in the future and therefore your risk of an investment in us may increase.

Legislation has been introduced in the U.S. House of Representatives which is intended to revise certain regulations applicable to BDCs. The legislation provides for (i) increasing the amount of funds BDCs may borrow by reducing asset to debt limitations from 2:1 to 3:2, (ii) permitting BDCs to file registration statements with the SEC that incorporate information from already-filed reports by reference, (iii) utilizing other streamlined registration processes afforded to operating companies, and (iv) allowing BDCs to own investment adviser subsidiaries. There are no assurances as to when the legislation will be reintroduced and enacted by Congress, if at all, or, if enacted, what final form the legislation would take.

All of our portfolio investments are recorded at fair value as determined in good faith by our board of directors, and, as a result, there is uncertainty as to the value of our portfolio investments and the valuation process for certain of our portfolio holdings creates a conflict of interest.

All of our portfolio investments take the form of debt and equity securities that are not publicly-traded. The debt and equity securities in which we invest for which market quotations are not readily available are valued at fair value as determined in good faith by our board of directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments:

- a comparison of the portfolio company s securities to comparable publicly-traded securities;

- the enterprise value of a portfolio company;

- the nature and realizable value of any collateral;
- the portfolio company s ability to make payments and its earnings and discounted cash flow;
- the markets in which the portfolio company does business; and
- changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

The fair value of each investment in our portfolio is determined quarterly by our board of directors. Any changes in fair value of portfolio securities from the prior period are recorded in our consolidated statement of operations as net change in unrealized appreciation or depreciation.

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In connection with that determination, investment professionals from our investment advisor prepare portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. In addition, certain members of our board of directors have a pecuniary interest in our investment advisor. The participation of our investment advisor s investment professionals in our valuation process, and the pecuniary interest in our investment advisor by certain members of our board of directors, may result in a conflict of interest as the management fees that we pay our investment advisor are based on our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts).

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 differences could be material. Declines in prices and liquidity in the corporate debt markets may also result in significant net unrealized depreciation in our debt portfolio. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such investments.

We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses.

A number of entities compete with us to make the types of investments that we make. We compete with public and private funds, other BDCs, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some of our competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we offer. We may lose investment opportunities if we do not match our competitors pricing, terms and structure. If we match our competitors pricing, terms and structure, we may experience a decrease in net investment income or an increase in risk of capital loss. A significant part of our competitive advantage stems from the fact that the lower middle-market is underserved by traditional commercial and investment banks, and generally has less access to capital. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms.

Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or the source of income, asset diversification and distribution requirements we must satisfy to maintain our RIC status. The competitive pressures we face may have a material adverse effect on our business, financial condition and results of operations. As a result of this existing and potentially increasing competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we may not be able to identify and make investments that are consistent with our investment objective.

Our management and incentive fee structure may create incentives for our investment advisor that are not fully aligned with the interests of our stockholders and may encourage our investment advisor to make speculative investments.

The management and incentive fees paid to our investment advisor are based on our total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts), and our investor advisor may therefore benefit when we incur debt or use leverage. This fee structure may encourage our investment advisor to cause us to borrow money to finance additional investments. Under certain circumstances, the use of borrowed money may increase the likelihood of default, which would disfavor our stockholders. Our board of directors is charged with protecting our interests by monitoring how our investment advisor addresses these and other conflicts of interests. 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 and must approve renewal of our Advisory Agreement.

The part of the incentive fee payable to our investment advisor that relates to our net investment income is computed and paid on income that includes interest income that has been accrued but not yet received in cash. This fee structure may encourage our investment advisor to favor debt financings that provide for deferred interest, rather than current cash payments of interest. Our investment advisor may have an incentive to invest in deferred interest securities in circumstances where it would not have done so but for the opportunity to continue to earn the incentive fee even when the issuers of the deferred interest securities would not be able to make actual cash payments to us on such securities. This risk could be increased because our investment advisor is not obligated to reimburse us for any incentive fees received even if we subsequently incur losses or never receive in cash the deferred interest that was previously accrued.

The incentive fee is based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, our investment advisor may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

We may be obligated to pay our investment advisor incentive compensation even if we incur a loss and may pay more than 20.0% of our net capital gains because we cannot recover payments made in previous years.

Our investment advisor will be entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our pre-incentive fee net investment income for that quarter above a threshold return for that quarter. Our pre-incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss on our consolidated statement of operations for that quarter. Thus, we may be required to pay our investment advisor incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter. Further, if we pay an incentive fee of 20.0% of our realized capital gains (net of all realized capital losses and unrealized capital depreciation on a cumulative basis) and thereafter experience additional realized capital losses or unrealized capital depreciation, we will not be able to recover any portion of the incentive fee previously paid.

A general increase in interest rates will likely have the effect of making it easier for the investment advisor to receive incentive fees, without necessarily resulting in an increase in our net earnings.

Given the structure of the Investment Advisory Agreement, any general increase in interest rates can be expected to lead to higher interest rates applicable to our debt investments and will likely have the effect of making it easier for the investment advisor to meet the quarterly hurdle rate for payment of income incentive fees under the Investment Advisory Agreement without any additional increase in relative performance on the part of the investment advisor. This may occur without a corresponding increase in distributions to our stockholders. In addition, in view of the catch-up provision applicable to income incentive fees under the Investment Advisory Agreement, the investment advisor could potentially receive a significant portion of the increase in our investment income attributable to such a general increase in interest rates. If that were to occur, our increase in net earnings, if any, would likely be significantly smaller than the relative increase in the Adviser s income incentive fee resulting from such a general increase in interest rates.

We may have potential conflicts of interest related to obligations that our investment advisor may have to other clients.

Currently, the Company, the Funds, Fidus Credit Opportunities, L.P. and Fidus Equity Opportunities Fund, L.P. are the only investment vehicles managed by our investment advisor. The Investment Advisory Agreement does not limit our investment advisor s ability to act as an investment advisor to other funds, including other BDCs, or other investment advisory clients. To the extent our investment advisor acts as an investment advisor to other funds or clients, including Fidus Credit Opportunities, L.P. and Fidus Equity Opportunities Fund, L.P., we may have conflicts of interest with our investment advisor or its other clients that elect to invest in similar types of securities as those in which we invest. Members of our investment advisor s investment committee serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds or other investment vehicles managed by our investment advisor. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of us or our stockholders. Our investment advisor will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with an allocation policy approved by our board of directors.

To the extent our investment advisor forms affiliates, including Fidus Credit Opportunities, L.P. and Fidus Equity Opportunities Fund, L.P., we may co-invest on a concurrent basis with such affiliates, subject to compliance with applicable regulations and regulatory guidance and our allocation procedures. While we may co-invest with investment entities managed by our investment advisor or its affiliates, to the extent permitted by the 1940 Act and the rules and regulations thereunder, the 1940 Act imposes significant limits on co-investment. On January 4, 2017, the SEC granted us relief sought in an exemptive application that expands our ability to co-invest in portfolio companies with certain of our affiliates managed by our investment advisor in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to compliance with certain conditions (the Order). Pursuant to the Order, we are permitted to co-invest with our affiliates if a required majority (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching by us or our stockholders on the part of any person concerned, and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies. We intend to co-invest, subject to the conditions included in the Order.

Our investment advisor or its investment committee may, from time to time, possess material non-public information, limiting our investment discretion.

The investment professionals of our investment advisor may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. In the event that material non-public information is obtained with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us.

We may have conflicts related to other arrangements with our investment advisor.

We entered into a license agreement with Fidus Partners, LLC under which Fidus Partners, LLC granted us a non-exclusive (provided that there is not a change in control of Fidus Partners, LLC), royalty-free license to use the name Fidus. Some of the members of our investment advisor s investment committee and the senior origination professionals of our investment advisor are members of Fidus Partners, LLC. See Management and Other Agreements License Agreement. In addition, we rent office space from our investment advisor and pay to our investment advisor our allocable portion of overhead and other expenses incurred in performing its obligations under the Administration Agreement, such as our allocable portion of the cost of our chief financial officer and chief compliance officer. This creates conflicts of interest that our board of directors must monitor.

The Funds are licensed by the SBA, and, therefore, are subject to SBA regulations.

The Funds are licensed to operate as SBICs and are regulated by the SBA. Under current SBA regulations, a licensed SBIC can provide capital to those entities that have a tangible net worth not exceeding $19.5 million and an average annual net income after U.S. federal income taxes not exceeding $6.5 million for the two most recent fiscal years. In addition, a licensed SBIC must devote 25.0% of its investment activity to those entities that have a tangible net worth not exceeding $6.0 million and an average annual net income after U.S. federal income taxes not exceeding $2.0 million for the two most recent fiscal years. The SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on either the number of employees or the gross sales of the business. The SBA regulations permit licensed SBICs to make long term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in certain prohibited industries. Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA staff to determine its compliance with the relevant SBA regulations. Compliance with these SBA requirements may cause the Funds to forego attractive investment opportunities that are not permitted under the SBA regulations, and may cause the Funds to make investments they otherwise would not make in order to remain in compliance with these regulations.

Failure to comply with the SBA regulations could result in the loss of the SBIC licenses and the resulting inability to participate in the SBA debenture program. The SBA prohibits, without prior SBA approval, a change of control of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. Current SBA regulations provide the SBA with certain rights and remedies if an SBIC violates their terms. A key regulatory metric for SBA is the extent of Capital Impairment, which is the extent of realized (and, in certain circumstances, net unrealized) losses compared with the SBIC s private capital commitments. Interest payments, management fees, organization and other expenses are included in determining realized losses. SBA regulations preclude the full amount of unrealized appreciation from portfolio companies from being considered when calculating Capital Impairment in certain circumstances. Remedies for regulatory violations are graduated in severity depending on the seriousness of Capital Impairment or other regulatory violations. For minor regulatory infractions, the SBA issues a warning. For more serious infractions, the use of SBA debentures may be limited or prohibited, outstanding debentures can be declared to be immediately due and payable, restrictions on distributions and making new investments may be imposed and management fees may be required to be reduced. In severe cases, the SBA may require the removal of a general partner of an SBIC or its officers, directors, managers or partners, or the SBA may obtain appointment of a receiver for the SBIC.

SBA regulations limit the amount of SBA-guaranteed debt that may be borrowed by an SBIC.

The SBA regulations currently limit the amount that is available to be borrowed by any SBIC and guaranteed by the SBA to 300.0% 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. If the Funds borrow the maximum amount from the SBA and thereafter require additional capital, our cost of capital may increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

Moreover, the Funds current status as SBICs does not automatically assure that they will continue to receive funding through the SBA debenture program. Receipt of SBA debenture funding is dependent upon the Funds continuing compliance with SBA regulations and policies and there being funding available. The amount of SBA debenture funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient SBA debenture funding available at the times desired by the Funds.

The debentures issued by the Funds and guaranteed by the SBA have a maturity of ten years and bear interest semi-annually at fixed rates. Certain of the Funds SBA debentures begin to mature in 2019 and will require repayment on or before the respective maturity dates. The Funds will need to generate sufficient cash flow to make required debt payments on such debentures. If the Funds are unable to generate such cash flow, the SBA, as guarantor of the debentures, will have a superior claim to our assets over our stockholders in the event the Funds liquidate or the SBA exercises its remedies under such debentures as the result of a default by the Funds.

The Funds, as SBICs, are limited in their ability to make distributions to us, which could result in us being unable to meet the minimum distribution requirements to maintain our status as a RIC.

In order to maintain our tax treatment as a RIC, we are required to distribute to our stockholders on an annual basis 90.0% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses. For this purpose, our taxable income will include the income of the Funds (and any other entities that are disregarded as separate from us for U.S. federal income tax purposes). The Funds ability to make distributions to us may be limited by the Small Business Investment Act of 1958. As a result, in order to maintain our tax treatment as a RIC, we may be required to make distributions attributable to the Funds income without receiving any corresponding cash distributions with respect to such income. We can make no assurances that the Funds will be able to make, or not be limited in making, distributions to us. If we are unable to satisfy the annual distribution requirements, we may fail to maintain our tax treatment as a RIC, which would result in the imposition of corporate-level U.S. federal income tax on our entire taxable income without regard to any distributions made by us. See We will be subject to corporate-level U.S. federal income tax if we are unable to maintain our tax treatment as a RIC under Subchapter M of the Code.

Changes in interest rates will affect our cost of capital and net investment income.

Most of our debt investments bear interest at fixed rates and the value of these investments could be negatively affected by increases in market interest rates. In addition, to the extent that we borrow additional funds to make investments, an increase in interest rates would make it more expensive for us to use debt to finance our investments. As a result, a significant increase in market interest rates could both reduce the value of our portfolio investments and increase our cost of capital, which would reduce our net investment income. Conversely, a decrease in interest rates may have an adverse impact on our returns by requiring us to seek lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay the debt investments, resulting in the need to redeploy capital at potentially lower rates.

You should also be aware that a rise in market interest rates typically leads to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates may result in an increase of the amount of incentive fees payable to our investment advisor.

Our ability to enter into transactions involving derivatives and financial commitment transactions may be limited.

The SEC has proposed a new rule under the 1940 Act that would govern the use of derivatives (defined to include any swap, security-based swap, futures contract, forward contract, option or any similar instrument) as well as financial commitment transactions (defined to include reverse repurchase agreements, short sale borrowings and any firm or standby commitment agreement or similar agreement) by BDCs. Under the proposed rule, a BDC would be required to comply with one of two alternative portfolio limitations and manage the risks associated with derivatives transactions and financial commitment transactions by segregating certain assets. Furthermore, a BDC that engages in more than a limited amount of derivatives transactions or that uses complex

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derivatives would be required to establish a formalized derivatives risk management program. If the SEC adopts this rule in the form proposed, our ability to enter into transactions involving such instruments may be hindered, which could have an adverse effect on our business, financial condition and results of operations.

Global economic, political and market conditions may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.

The current worldwide financial market situation, as well as various social and political tensions in the United States and around the world, may contribute to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets, and may cause economic uncertainties or deterioration in the United States and worldwide. The U.S. and global capital markets experienced extreme volatility and disruption during the economic downturn that began in mid-2007, and the U.S. economy was in a recession for several consecutive calendar quarters during the same period. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt, which created concerns about the ability of certain nations to continue to service their sovereign debt obligations. Risks resulting from such debt crisis, including any austerity measures taken in exchange for bailout of certain nations, and any future debt crisis in Europe or any similar crisis elsewhere could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in certain countries and the financial condition of financial institutions generally. In June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, which led to disruption and instability in the global markets, and the implications of the United Kingdom s pending withdrawal from the European Union are unclear at present. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In addition, the fiscal and monetary policies of foreign nations, such as Russia and China, may have a severe impact on the worldwide and U.S. financial markets.

The current state of the economy and financial markets of the U.S., United Kingdom, China and other several countries in the European Union increases the likelihood of adverse effects on our financial position and results of operations.

Due to federal budget deficit concerns, S&P downgraded the federal government s credit rating from AAA to AA+ for the first time in history on August 5, 2011. Further, Moody s and Fitch had warned that they may downgrade the federal government s credit rating. Further downgrades or warnings by S&P or other rating agencies, and the U.S. government s credit and deficit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased U.S. government credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our financial performance and the value of our common stock.

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these nations to continue to service their sovereign debt obligations. While the financial stability of many of such countries has improved significantly, risks resulting from any future debt crisis in Europe or any similar crisis could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European financial institutions. In July and August 2015, Greece reached agreements with its international creditors for bailouts that provide aid in exchange for austerity terms that had previously been rejected by Greek voters. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available, or if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected.

In the second quarter of 2015, stock prices in China experienced a significant drop, resulting primarily from continued selloff of shares trading in Chinese markets. In addition, in August 2015, Chinese authorities sharply devalued China s currency. Since then, the Chinese capital markets have continued to experience periods of instability. In June 2016, British voters passed a referendum to exit the European Union leading to heightened volatility in global markets and foreign currencies. These market and economic disruptions have affected, and may in the future affect, the U.S. capital markets, which could adversely affect our business, financial condition or results of operations.

In October 2014, the Federal Reserve announced that it was concluding its bond-buying program, or quantitative easing, which was designed to stimulate the economy and expand the Federal Reserve s holdings of long-term securities, suggesting that key economic indicators, such as the unemployment rate, had showed signs of improvement since the inception of the program. It is unclear what effect, if any, the conclusion of the Federal Reserve s bond-buying program will have on the value of our investments. Additionally, the Federal Reserve raised the Federal Funds Rate in December 2015 and again in December 2016, and has announced its intention to continue to raise the federal funds rate over time. These developments, along with the U.S. government s credit and deficit concerns, the European sovereign debt crisis and the economic slowdown in China, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms.

We may experience fluctuations in our quarterly operating results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

We will be subject to corporate-level U.S. federal income tax if we are unable to maintain our tax treatment as a RIC under Subchapter M of the Code.

We have elected to be treated as a RIC under Subchapter M of the Code; however, no assurance can be given that we will be able to maintain our RIC tax treatment. To maintain our tax treatment as a RIC under Subchapter M of the Code and to avoid the imposition of U.S. federal income taxes on income and gains distributed to our stockholders, we must meet certain requirements, including source-of-income, asset diversification and annual distribution requirements. The source-of-income requirement will be satisfied if we derive at least 90.0% of our gross income for each year from dividends, interest, gains from sale of securities or similar sources. To maintain our tax treatment as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these requirements may result in our losing our RIC tax treatment or our having to dispose of certain investments quickly in order to prevent the loss of RIC tax treatment. Because most of our investments will be in private or thinly traded public companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. The annual distribution requirement applicable to RICs will be satisfied if we distribute at least 90.0% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. In addition, we will be subject to a 4.0% nondeductible federal excise tax to the extent that we do not satisfy certain additional minimum distribution requirements on a calendar-year basis. We will be subject, to the extent we use debt financing, to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making annual distributions necessary to maintain our tax treatment as a RIC. If we are unable to obtain cash from other sources,

we may fail to maintain our tax treatment as a RIC and, thus, may be subject to U.S. federal corporate income tax on our entire taxable income without regard to any distributions made by us. If we fail to maintain our tax treatment as a RIC for any reason and become subject to U.S. corporate income tax, the resulting tax liability could substantially reduce our net assets, the amount of income available for distributions to stockholders and the amount of our distributions and the amount of funds available for new investments. Such a failure could have a material adverse effect on us and our stockholders.

We may not be able to pay you distributions, our distributions may not grow over time, a portion of distributions paid to you may be a return of capital, and investors in our debt securities may not receive all of the interest income to which they are entitled.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by the impact of one or more of the risk factors described in this annual report on Form 10-K. In addition, due to the asset coverage test applicable to us as a BDC, in the future, we may be limited in our ability to make distributions. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of RIC tax treatment, compliance with applicable BDC regulations, SBA regulations, state corporate laws affecting the distribution of corporate assets and such other factors as our board of directors may deem relevant from time to time. We cannot assure you that we will make distributions to our stockholders in the future.

If we issue debt securities in the future, the above-referenced restrictions on distributions may also inhibit our ability to make required interest payments to holders of any such debt securities, which may cause a default under the terms of our then-existing debt agreements. Such a default could materially increase our cost of raising capital, as well as cause us to incur penalties under the terms of our then-existing debt agreements.

When we make quarterly distributions, we will be required to determine the extent to which such distributions are paid out of current and accumulated earnings and profits, recognized capital gain 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.

We may have difficulty paying our required distributions if we recognize income before, or without, receiving cash representing such income.

For U.S. federal income tax purposes, we are required to include in our income certain amounts that we have not yet received in cash, such as OID, which may arise if we receive warrants in connection with the making of a loan or in other circumstances, and contractual payment-in-kind (PIK) interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such OID, or increases in loan balances as a result of contracted PIK arrangements, will be included in our income before we receive any corresponding cash payments. We also may be required to include in our income certain other amounts that we will not receive in cash.

Since in certain cases we may be required to recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute on an annual basis at least 90.0% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to maintain our tax treatment as a RIC. In such a case, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities to satisfy the annual distribution requirements. In such circumstances, if we are unable to obtain such cash from other sources, we may fail to maintain our tax treatment as a RIC and thus be subject to corporate-level U.S. federal income tax. See We will be subject to corporate-level U.S. federal income tax if we are unable to maintain our tax treatment as a RIC under Subchapter M of the Code.

If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. Our investment advisor will not be under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never receive as a result of a default by an entity on the obligation that resulted in the accrual of such income. That part of the incentive fee payable by us that relates to our net investment income will be computed and paid on income that may include interest that has been accrued but not yet received in cash, such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities.

You may have a current tax liability on distributions you elect to reinvest in our common stock but would not receive cash to pay such tax liability.

If you participate in our dividend reinvestment plan, you will be deemed to have received, and for U.S. federal income tax purposes will be taxed on, the amount reinvested in our common stock to the extent the amount reinvested was not a tax-free return of capital. As a result, unless you are a tax-exempt entity, you may have to use funds from other sources to pay your tax liability on the value of our common stock received as a result of the distribution.

Because we expect to distribute substantially all of our net investment income and net realized capital gains to our stockholders, we will need additional capital to finance our growth, and such capital may not be available on favorable terms or at all.

We have elected to be taxed for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. If we continue to meet certain requirements, including source-of-income, asset diversification and distribution requirements, and if we continue to be regulated as a BDC, we will continue to qualify to be taxed as a RIC and therefore will not have to pay U.S. federal corporate income tax on income that we timely distribute to our stockholders, allowing us to substantially reduce or eliminate our corporate-level income tax liability. As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings (other than SBA leverage) and any preferred stock we may issue in the future, of at least 200.0% at the time we issue any debt or preferred stock. This requirement limits the amount of our leverage. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt or issuing preferred stock and require us to raise additional equity at a time when it may be disadvantageous to do so.

While we expect to be able to borrow and to issue additional debt and equity securities, we cannot assure you that debt and equity financing will be available to us on favorable terms, or at all. If additional funds are not available to us, we could be forced to curtail or cease new investment activities, and our net asset value could decline. In addition, as a BDC, we generally are not permitted to issue equity securities priced below net asset value without stockholder approval. At our Annual Stockholders Meeting on June 15, 2017, our stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of one year ending on the earlier of June 15, 2018 or the date of our 2018 Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our 2018 Annual Meeting of Stockholders. The maximum number of shares issuable below net asset value pursuant to the authority granted by our stockholders that could result in such dilution is limited to 25.0% of FIC s then outstanding common stock immediately prior to each such sale. We do not intend to issue shares of our common stock below net asset value unless our board of directors determines that it would be in our stockholders best interests to do so. The level of net asset value dilution that could result from such an offering is not limited.

Illustration: Examples of Dilutive Effect of the Issuance of Shares Below Net Asset Value. The following table illustrates the level of net asset value dilution that would be experienced by a nonparticipating stockholder in three different hypothetical offerings of different sizes and levels of discount from net asset value per share, although it is not possible to predict the level of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below.

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Assume that Company XYZ has 1,000,000 common shares outstanding, $15,000,000 in total assets and $5,000,000 in total liabilities. The current net asset value and net asset value per share are thus $10,000,000 and $10.00, respectively. The table illustrates the dilutive effect on nonparticipating Stockholder A of (1) an offering of 50,000 shares (5.0% of the outstanding shares) at $9.50 per share after offering expenses and commission (a 5.0% discount from net asset value), (2) an offering of 100,000 shares (10.0% of the outstanding shares) at $9.00 per share after offering expenses and commissions (a 10.0% discount from net asset value) and (3) an offering of 200,000 shares (20.0% of the outstanding shares) at $8.00 per share after offering expenses and commissions (a 20.0% discount from net asset value). The acronym NAV stands for net asset value.

In any offering of common stock, we will present the actual dilution to stockholders in tabular form in the prospectus supplement specific to that offering.

	Example 1 5% Offering At 5% Discount		Example 2 10% Offering At 10% Discount		Example 3 20% Offering At 20% Discount		Example 4 25% Offering At 25% Discount		Exam 25% O At 100%
Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change	Following Sale
	$ 10.00		$ 9.47		$ 8.42		$ 7.89		$
	$ 9.50		$ 9.00		$ 8.00		$ 7.50		$
1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,200,000	20.00%	1,250,000	25.00%	1,250,00
$ 10.00	$ 9.98	(0.24)%	$ 9.91	(0.91)%	$ 9.67	(3.33)%	$ 9.50	(5.00)%	$ 8.0
10,000	10,000		10,000		10,000		10,000		10,00
1.0%	0.95%	(4.76)%	0.91%	(9.09)%	0.83%	(16.67)%	0.80%	(20.00)%	0.8
$ 100,000	$ 99,762	(0.24)%	$ 99,091	(0.91)%	$ 96,667	(3.33)%	$ 95,000	(5.00)%	$ 80,00
$ 100,000	$ 100,000		$ 100,000		$ 100,000		$ 100,000		$ 100,00

	$ (238)	$ (909)	$ (3,333)	$ (5,000)	$ (20,00
	$ 9.98	$ 9.91	$ 9.67	$ 9.50	$ 8.0
$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.0
	$ (0.02)	$ (0.09)	$ (0.33)	$ (0.50)	$ (2.0
	(0.24)%	(0.91)%	(3.33)%	(5.00)%	

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

Our board of directors has the authority, except as otherwise provided by the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. Under Maryland law, we also cannot be dissolved without prior stockholder approval except by judicial action. In addition, upon approval of a majority of our stockholders, we may elect to withdraw our status as a BDC. If we, or Fund I, decide to withdraw our election, or if we otherwise fail to maintain our qualification, as a BDC, we may be subject to the substantially greater regulation under the 1940 Act as a closed-end investment company. Compliance with such regulations would significantly decrease our operating flexibility, and could significantly increase our costs of doing business. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results or the value of our common stock. Nevertheless, any such changes could adversely affect our business and impair our ability to make distributions.

Regulations governing our operation as a BDC affect our ability to raise, and the way in which we raise, additional capital which may have a negative effect on our growth.

Our business will require capital to operate and grow. We may acquire such additional capital from the following sources:

Senior Securities. Currently we, through the Funds, issue debt securities guaranteed by the SBA and have access to funds under a revolving credit facility. In the future, we may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities. As a result of issuing senior securities, we will be exposed to additional risks, including, but not limited to, the following:

- Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200.0% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our debt at a time when such sales and/or repayments may be disadvantageous. Further, we will not be permitted to declare or make any distribution to stockholders or repurchase shares until such time as we satisfy this test.

- Any amounts that we use to service our debt or make payments on preferred stock will not be available for distributions to our common stockholders.

- It is likely that any senior securities or other indebtedness we issue will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, some of these securities or other indebtedness may be rated by rating agencies, and in obtaining a rating for such securities and other indebtedness, we may be required to abide by operating and investment guidelines that further restrict operating and financial flexibility.

- We and, indirectly, our stockholders will bear the cost of issuing and servicing such securities and other indebtedness.

- Preferred stock or any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock, including separate voting rights and could delay or prevent a transaction or a change in control to the detriment of the holders of our common stock.

Additional Common Stock. Under the provisions of the 1940 Act, we are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in the best interests of our stockholders, and our stockholders approve such sale. At our Annual Stockholders Meeting on June 15, 2017, our stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of one year ending on the earlier of June 15, 2018 or the date of our 2018 Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our 2018 Annual Meeting of Stockholders. The maximum number of shares issuable below net asset value pursuant to the authority granted by our stockholders that could result in such dilution is limited to 25.0% of FIC s then outstanding common stock immediately prior to each such sale. We do not intend to sell or otherwise issue shares of our common stock below net asset value unless our board of directors determines that it would be in our stockholders best interests to do so. The level of net asset value dilution that could result from such an offering is not limited. In any such case, however, the price at which our common stock is to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act and the regulations and staff interpretations thereunder. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and they may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.

The U.S. Presidential Administration may make substantial changes to financial regulation, as well as fiscal and tax policies that may adversely affect our business.

As a result of the 2016 U.S. election, the Republican Party currently controls both the executive and legislative branches of government, which increases the likelihood that legislation may be adopted that could significantly affect the regulation of U.S. financial markets. Areas subject to potential change, amendment or repeal include the Wall Street Reform and Consumer protection Act of 2010 (Dodd-Frank Act) and the authority of the Federal Reserve and the Financial Stability Oversight Council. The United States may also potentially withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the United States. We cannot predict which, if any, of these actions will be taken or, if taken, their effect on the financial stability of the United States Such actions could have a significant adverse effect on our business, financial condition and results of operations. We cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

Recent tax legislation could have a negative effect on the Company.

On December 22, 2017, tax reform legislation commonly referred to as the Tax Cuts and Jobs Act was signed into law. This legislation makes significant changes to the U.S. federal income tax rules applicable to both individuals and entities, including permanently reducing the U.S. federal corporate income tax rate, reducing the maximum U.S. federal individual income tax rate (effective for taxable years 2018 through 2025), restricting the deductibility of interest expense, and changing the rules regarding the calculation of net operating loss deductions that may be used to offset taxable income. There is uncertainty as to the impact of this legislation on us, the entities in which we invest, or an investment in our securities. You are urged to consult with your tax advisor with respect to the impact of this legislation and the status of any other regulatory or administrative developments and proposals and their potential effect on your investment in our securities.

Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.

We are subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. In addition, any change to the SBA s current debenture program could have a significant impact on our ability to obtain low-cost leverage and, therefore, our competitive advantage over other funds.

Legal, tax and regulatory changes could occur that may adversely affect us. For example, from time to time the market for private equity transactions has been (and is currently being) adversely affected by a decrease in the availability of senior and subordinated financings for transactions, in part in response to credit market disruptions and/or regulatory pressures on providers of financing to reduce or eliminate their exposure to the risks involved in such transactions.

Additionally, any changes to the laws and regulations governing our operations related to permitted investments may cause us to alter our investment strategy in order to meet our investment objectives. Such changes could result in material differences to the strategies and plans set forth in this Annual Report and may shift our investment focus from the areas of expertise of our investment advisor to other types of investments in which our investment advisor may have little or no expertise or experience. Any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

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Our ability to enter into and exit investment transactions with our affiliates will be restricted.

Except in those instances where we have received prior exemptive relief from the SEC, we will be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our Independent Directors. We, our investment advisor, the Funds, and Fidus Credit Opportunities, L.P. received exemptive relief from the SEC under the 1940 Act, which permits us to co-invest with other funds managed by our investment advisor or its affiliates in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. In addition, any person that owns, directly or indirectly, 5.0% or more of our outstanding voting securities is deemed our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our Independent Directors. The 1940 Act also prohibits joint transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our Independent Directors. If a person acquires more than 25.0% of our voting securities, we will be prohibited from buying or selling any security from or to such person, or entering into joint transactions with such person, absent the prior approval of the SEC. These restrictions could limit or prohibit us from making certain attractive investments that we might otherwise make absent such restrictions.

Our investment advisor can resign on 60 days notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

Our investment advisor has the right, under the Investment Advisory Agreement, to resign at any time upon not less than 60 days written notice, whether we have found a replacement or not. If our investment advisor resigns, we may not be able to find a new investment advisor and administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, investment activities are likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our investment advisor and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations.

Our investment advisor can resign from its role as our administrator under the Administration Agreement, and we may not be able to find a suitable replacement, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

Our investment advisor also has the right to resign under the Administration Agreement, whether we have found a replacement or not. If our investment advisor resigns as our administrator, we may not be able to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, administrative activities are likely to suffer if we are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by our investment advisor. Even if we are able to retain a comparable service provider or individuals to perform such services, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations.

Efforts to comply with the Sarbanes-Oxley Act will involve significant expenditures, and non-compliance with the Sarbanes-Oxley Act may adversely affect us and the market price of our common stock.

As a publicly-traded company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act and other rules implemented by the SEC.

Section 404 of the Sarbanes-Oxley Act requires that public companies evaluate and report on their systems of internal control over financial reporting. In addition, our independent registered public accounting firm must report on management s evaluation of those controls. In future periods, we may identify deficiencies in our system of internal controls over financial reporting that may require remediation. There can be no assurances that any such future deficiencies identified may not be material weaknesses that would be required to be reported in future periods.

Internal and external cyber threats, as well as other disasters, could impair our ability to conduct business effectively.

The occurrence of a disaster, such as a cyber-attack against us or against a third-party that has access to our data or networks, a natural catastrophe, an industrial accident, failure of our disaster recovery systems, or consequential employee error, could have an adverse effect on our ability to communicate or conduct business, negatively impacting our operations and financial condition. This adverse effect can become particularly acute if those events affect our electronic data processing, transmission, storage, and retrieval systems, or impact the availability, integrity, or confidentiality of our data.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems, networks, and data, like those of other companies, could be subject to cyber-attacks and unauthorized access, use, alteration, or destruction, such as from physical and electronic break-ins or unauthorized tampering. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary, and other information processed, stored in, and transmitted through our computer systems and networks. Such an attack could cause interruptions or malfunctions in our operations, which could result in financial losses, litigation, regulatory penalties, client dissatisfaction or loss, reputational damage, and increased costs associated with mitigation of damages and remediation.

Third parties with which we do business may also be sources of cybersecurity or other technological risk. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as client, counterparty, employee, and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure, destruction, or other cybersecurity incident that affects our data, resulting in increased costs and other consequences as described above.

Risks Relating to Our Investments

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies are susceptible to economic slowdowns or recessions (including industry specific downturns) and may be unable to repay our debt investments during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions may decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing our investments and harm our operating results.

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A portfolio company s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company s ability to meet its obligations under the loans and debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

Terrorist attacks, acts of war, or natural disasters may affect any market for our common stock, impact the businesses in which we invest and harm our business, operating results and financial condition.

Portfolio investments may be affected by force majeure events *(i.e.,* events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, war, terrorism and labor strikes). Some force majeure events may adversely affect the ability of a party (including a portfolio company or a counterparty to us or a portfolio company) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a portfolio company of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more companies or its assets, could result in a loss to us, including if its investment in such issuer is cancelled, unwound or acquired (which could be without what we consider to be adequate compensation). To the extent we are exposed to investments in portfolio companies that as a group are exposed to such force majeure events, the risks and potential losses to us are enhanced.

Our investments in certain industry sectors, such as the energy sector, may be subject to significant political, economic and capacity risks that may increase the possibility that we lose all or a part of our investment.

The revenues and profitability of certain portfolio companies may be significantly affected by the future prices of and the demand for oil, natural gas liquids and natural gas, which are inherently uncertain. Investments in energy companies may have significant shortfalls in projected cash flow if prices decline from levels projected at the time the investment is made. Various factors beyond our control could affect energy prices, including worldwide supplies, political instability or armed conflicts in oil, natural gas liquids and natural gas producing regions, the price of foreign imports, the level of consumer demand, the price and availability of alternative fuels, capacity constraints and changes in existing government regulation, taxation and price controls. Energy prices have fluctuated greatly during the past, and energy markets continue to be volatile.

Changes in healthcare laws and other regulations applicable to some of our portfolio companies businesses may constrain their ability to offer their products and services.

Changes in healthcare or other laws and regulations applicable to the businesses of some of our portfolio companies may occur that could increase their compliance and other costs of doing business, require significant systems enhancements, or render their products or services less profitable or obsolete, any of which could have a material adverse effect on their results of operations. There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation could have a material effect on the business and operations of some of our portfolio companies.

If our portfolio companies are unable to protect their intellectual property rights, our business and prospects could be harmed, and if portfolio companies are required to devote significant resources to protecting their intellectual property rights, the value of our investment could be reduced.

Our future success and competitive position will depend in part upon the ability of our portfolio companies to obtain, maintain and protect proprietary technology used in their products and services. The intellectual property held by our portfolio companies often represents a substantial portion of the collateral securing our investments and/or constitutes a significant portion of the portfolio companies value and may be available in a downside scenario to repay our loans. Our portfolio companies will rely, in part, on patent, trade secret, and

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trademark law to protect that technology, but competitors may misappropriate their intellectual property, and disputes as to ownership of intellectual property may arise. Portfolio companies may, from time to time, be required to institute litigation to enforce their patents, copyrights, or other intellectual property rights; protect their trade secrets; determine the validity and scope of the proprietary rights of others; or defend against claims of infringement. Such litigation could result in substantial costs and diversion of resources. Similarly, if a portfolio company is found to infringe or misappropriate a third-party s patent or other proprietary rights, it could be required to pay damages to the third party, alter its products or processes, obtain a license from the third-party, and/or cease activities utilizing the proprietary rights, including making or selling products utilizing the proprietary rights. Any of the foregoing events could negatively affect both the portfolio company s ability to service our debt investment and the value of any related debt and equity securities that we own, as well as any collateral securing our investment.

Our investments in portfolio companies may be risky, and we could lose all or part of our investment.

Investing in lower middle-market companies involves a number of significant risks. Among other things, these companies:

- may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of portfolio companies that we may have obtained in connection with our investment;

- may have shorter operating histories, narrower product lines and smaller market shares, which tend to render them more vulnerable to competitors actions and market conditions, as well as general economic downturns, than larger businesses;

- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;

- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and

- generally have less publicly available information about their businesses, operations and financial condition. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and may lose all or part of our investment.

In addition, in the course of providing significant managerial assistance to certain portfolio companies, certain of our management and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of investments in these portfolio companies, our management and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of management time and resources.

The lack of liquidity in our investments may adversely affect our business.

All of our assets may be invested in illiquid securities, and a substantial portion of our investments in leveraged companies will be subject to legal and other restrictions on resale or will otherwise be less liquid than more broadly traded public securities. The illiquidity of these investments may make it difficult for us to sell such investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. However, to maintain the elections to be regulated as a BDC and as a RIC, we may have to dispose of investments if they do not satisfy

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one or more of the applicable criteria under the respective regulatory frameworks. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or our investment advisor have material nonpublic information regarding such portfolio company.

We may not have the funds to make additional investments in our portfolio companies which could impair the value of our portfolio.

After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the exercise of a warrant to purchase common stock. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected yield on the investment. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our level of risk, because we prefer other opportunities or because we are inhibited by compliance with BDC requirements or the desire to maintain our RIC tax treatment. Our ability to make follow-on investments may also be limited by our investment advisor s allocation policy.

Portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We will invest primarily in second lien and subordinated (mezzanine) debt as well as equity issued by lower middle-market companies. The portfolio companies generally have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, such senior debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or could be subject to lender liability claims.

Even though we may have structured certain of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower s business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender s liability claim, including as a result of actions taken in rendering significant managerial assistance.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans we make to portfolio companies are and will be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral secure the portfolio company s obligations under any outstanding senior debt and may secure certain other future debt that

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may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company s remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements entered into with the holders of senior debt. Under an intercreditor agreement, at any time that obligations having the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect to the collateral will be at the direction of the holders of the obligations secured by the first priority liens:

- the ability to cause the commencement of enforcement proceedings against the collateral;
- the ability to control the conduct of such proceedings;
- the approval of amendments to collateral documents;
- releases of liens on the collateral; and
- waivers of past defaults under collateral documents.

We may not have the ability to control or direct such actions, even if our rights are adversely affected.

We may hold the debt securities of leveraged companies that may, due to the significant volatility of such companies, enter into bankruptcy proceedings.

Leveraged companies may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to a liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor s return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor s estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial.

Any unrealized depreciation we experience on our investment portfolio may be an indication of future realized losses, which could reduce our income available for distribution.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at the fair value as determined in good faith by our board of directors. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any unrealized depreciation in our investment portfolio could be an indication of a portfolio company s inability to meet its repayment obligations to us with respect to the affected investments. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods.

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Defaults by our portfolio companies will harm our operating results.

A portfolio company s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger cross-defaults under other agreements and jeopardize the portfolio company s ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, reduced interest and/or loss of principal, with a defaulting portfolio company.

To the extent OID and PIK-interest constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income.

Our investments may include original-issue-discount instruments and contractual PIK-interest arrangements. To the extent OID or PIK-interest constitutes a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

- The higher interest rates of OID and PIK instruments reflect the payment deferral, which results in a higher principal amount at the maturity of the instrument as compared to the original principal amount of the instrument, and increased credit risk associated with these instruments, and OID and PIK instruments generally represent a significantly higher credit risk than coupon loans.

- Even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is supposed to occur at the maturity of the obligation.

- OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. OID and PIK-income may also create uncertainty about the source of our cash distributions.

- To the extent we provide loans with interest-only payments or moderate loan amortization, the majority of the principal payment or amortization of principal may be deferred until loan maturity. Because this debt generally allows the borrower to make a large lump-sum payment of principal at the end of the loan term, there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity.

- For accounting purposes, any cash distributions to stockholders representing OID and PIK-income are not treated as coming from paid-in capital, even though the cash to pay them comes from the offering proceeds. As a result, despite the fact that a distribution representing OID and PIK-income could be paid out of amounts invested by our stockholders, the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital.

In certain cases, we may recognize taxable income before or without receiving corresponding cash payments and, as a result, we may have difficulty meeting the annual distribution requirement necessary to maintain our qualification as a RIC.

We do not expect to control many of our portfolio companies.

We do not expect to control many of our portfolio companies, even though we may have board representation or board observation rights, and the debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of the company s common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity for our investments in private companies in the lower middle-market, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

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We are a non-diversified investment company within the meaning of the 1940 Act; therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market s assessment of the issuer and the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond the asset diversification requirements applicable to RICs, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending future investments in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being repaid, and we could experience significant delays in reinvesting these amounts. In addition, any future investment of such amounts in a new portfolio company may also be at lower yields than the investment that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

We may not realize gains from our equity investments.

Certain investments that we have made in the past and may make in the future include warrants or other equity or equity-related securities. In addition, we may from time to time make non-control, equity investments in portfolio companies. Our goal is to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We often seek puts or similar rights to give us the right to sell our equity securities back to the portfolio company issuer. We may be unable to exercise these put rights for the consideration provided in our investment documents if the issuer is in financial distress. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

If our primary investments are deemed not to be qualifying assets, we could be precluded from investing in our desired manner or deemed to be in violation of the 1940 Act.

In order to maintain our status as a BDC, we may not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least 70.0% of our total assets are qualifying assets. We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to BDCs and be precluded from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or required to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. If we do not maintain our status as a BDC, we would be subject to regulation as a registered closed-end investment company under the 1940 Act. As a registered closed-end investment company, we would be subject to substantially more regulatory restrictions under the 1940 Act, which would significantly decrease our operating flexibility.

The disposition of our investments may result in contingent liabilities.

A significant portion of our investments involve private securities and we expect that a significant portion of our investments will continue to involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. Additionally, customary terms of such sales agreements generally provide adjustments to the initial purchase price determined on the closing date if the portfolio company s net working capital varies from preliminary amounts utilized in determining the initial purchase price; such adjustments could subsequently result in upward or downward revisions to the initial purchase price and impact our amount of realized gain or loss on sale. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to potential liabilities. These arrangements may result in contingent liabilities that ultimately result in funding obligations that we must satisfy through its return of distributions previously made to it.

We may be unable to invest a significant portion of any net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results.

We may be unable to invest the net proceeds of any offering or from exiting an investment or other sources of capital on acceptable terms within the time period that we anticipate or at all. Delays in investing such capital may cause our performance to be worse than that of fully invested BDCs or other lenders or investors pursuing comparable investment strategies.

Depending on market conditions and the amount of the capital involved, it may take us a substantial period of time to invest substantially all the capital in securities meeting our investment objective. During this period, we will invest such capital primarily in short-term securities consistent with our BDC election and our election to be taxed as a RIC, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in longer-term investments in pursuit of our investment objective. Any distributions that we pay during such period may be substantially lower than the distributions that we may be able to pay when our portfolio is fully invested. In addition, until such time as the net proceeds of any offering or from exiting an investment or other sources capital are invested in new investments meeting our investment objective, the market price for our common stock may decline.

Our investment advisor s liability is limited under the Investment Advisory Agreement, and we have agreed to indemnify our investment advisor against certain liabilities, which may lead our investment advisor to act in a riskier manner on our behalf than it would when acting for its own account.

Under the Investment Advisory Agreement, our investment advisor does not assume any responsibility to us other than to render the services called for under that agreement, and it is not responsible for any action of our board of directors in following or declining to follow our investment advisor s advice or recommendations. Under the terms of the Investment Advisory Agreement, our investment advisor and its officers, directors, members, managers, partners, stockholders and employees are not liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary s stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Advisory Agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of our investment advisor s duties under the Investment Advisory Agreement. In addition, we have agreed to indemnify our investment advisor and its officers, directors, members, managers, partners, stockholders and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person s duties under the Investment Advisory Agreement. These protections may lead our investment advisor to act in a riskier manner when acting on our behalf than it would when acting for its own account.

Risks Relating to an Offering of Our Securities

Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount from net asset value. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value. In addition, if our common stock trades below net asset value, we will generally not be able to issue additional common stock at the market price without first obtaining the approval of our stockholders and our Independent Directors. On June 15, 2017 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 15, 2018 or the date of our 2018 Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our 2018 Annual Meeting of Stockholders. Selling or otherwise issuing shares of FIC s common stock below its then current net asset value per share would result in a dilution of FIC s existing common stockholders. The maximum number of shares issuable below net asset value pursuant to the authority granted by our stockholders that could result in such dilution is limited to 25.0% of FIC s then outstanding common stock immediately prior to each such sale. We do not intend to sell or otherwise issue shares of our common stock below net asset value unless our board of directors determines that it would be in our stockholders best interests to do so. The level of net asset value dilution that could result from such an offering is not limited.

Market conditions may increase the risks associated with our business and an investment in us.

The current worldwide financial market situation may contribute to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets and may cause economic uncertainties or deterioration in the U.S. and worldwide. These conditions raised the level of many of the risks described herein and, if repeated or continued, could have an adverse effect on our portfolio companies and on their results of operations, financial conditions, access to credit and capital. The stress in the credit market and upon banks has led other creditors to tighten credit and the terms of credit. In certain cases, senior lenders to our portfolio companies can block payments by our portfolio companies in respect of our loans to such portfolio companies. In turn, these could have adverse effects on our business, financial condition, results of operations, distributions to our stockholders, access to capital, valuation of our assets and our stock price. Notwithstanding recent gains across both the equity and debt markets, these conditions may continue for a prolonged period of time or worsen in the future.

If, in the future, we sell common stock at a discount to our net asset value per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material.

On June 15, 2017, our stockholders approved our ability to sell or otherwise issue shares of our common stock at a discount from net asset value per share, as long as the cumulative number of shares sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale, for a period of one year ending on the earlier of June 15, 2018 or the date of our 2018 Annual Meeting of Stockholders. Our stockholders will be asked to vote on a similar proposal at our 2018 Annual Meeting of Stockholders. If we sell or otherwise issue shares of our common stock at a discount to net asset value, it will pose a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuances or sale. In addition, such issuances or sales may adversely affect the price at which our common stock trades. For additional information and hypothetical examples of these risks, see Sales of Common Stock Below Net Asset Value, and for actual dilution illustrations specific to an offering, see the prospectus supplement pursuant to which such sale is made.

Our net asset value may have changed significantly since our last valuation.

Our board of directors determines the fair value of our portfolio investments on a quarterly basis based on input from our investment advisor, our audit committee and, as to certain of our investments, a third party independent valuation firm. While the board of directors will review our net asset value per share in connection with any offering, it will not always have the benefit of input from the independent valuation firm when it does so. The fair value of various individual investments in our portfolio and/or the aggregate fair value of our investments may change significantly over time. If the fair value of our investment portfolio at December 31, 2017 is less than the fair value at the time of an offering during 2017, then we may record an unrealized loss on our investment portfolio and may report a lower net asset value per share than will be reflected in the Selected Consolidated Financial Data and the financial statements included in the prospectus supplement of that offering. If the fair value of our investment portfolio at December 31, 2017 is greater than the fair value at the time of an offering during 2017, we may record an unrealized gain on our investment portfolio and may report a greater net asset value per share than so reflected in the prospectus supplement of that offering. Upon publication of this information in connection with our announcement of operating results for our fiscal year ended December 31, 2017, the market price of our common stock may fluctuate materially, and may be substantially less than the price per share you pay for our common stock in an offering.

The market price of our securities may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which is not necessarily related to the operating performance of these companies;

- exclusion of our common stock from certain market indices, such as the Russell 2000 Financial Services Index, could reduce the ability of certain institutional investors to own our common stock and could put short term pressure on our common stock;

- changes in regulatory policies or tax guidelines, particularly with respect to RICs, BDCs or SBICs;

loss of RIC or BDC status;

loss of status as an SBIC for the Funds, or any other SBIC subsidiary we may form;

changes or perceived changes in earnings or variations in operating results;

changes or perceived changes in the value of our portfolio of investments;

changes in accounting guidelines governing valuation of our investments;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

departure of our investment advisor s key personnel;

operating performance of companies comparable to us;

general economic trends and other external factors; and

loss of a major funding source.

Investing in our securities may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies may be highly speculative; therefore, an investment in our securities may not be suitable for someone with lower risk tolerance.

Sales of substantial amounts of our common stock may have an adverse effect on the market price of our common stock.

As of February 27, 2018, we had 24,507,940 shares of common stock outstanding. Sales of substantial amounts of our common stock, or the availability of shares for sale, could adversely affect the prevailing market price of our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of equity securities should we desire to do so.

If we issue preferred stock and/or debt securities, the net asset value and market value of our common stock may become more volatile.

We cannot assure you that the issuance of preferred stock and/or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock and/or debt securities would likely cause the net asset value and market value of our common stock to become more volatile. If the distribution rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the distribution rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock and/or debt securities. Any decline in the net asset value of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of our common stock than if we were not leveraged through the issuance of preferred stock and/or debt securities. This decline in net asset value would also tend to cause a greater decline in the market price for our common stock.

There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock and/or debt securities or of a downgrade in the ratings of the preferred stock and/or debt securities or our current investment income might not be sufficient to meet the distribution requirements on the preferred stock or the interest payments on the debt securities. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock and/or debt securities. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock and/or debt securities. Holders of preferred stock and/or debt securities may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

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If we issue auction rate preferred stock and you purchase such auction rate preferred stock, you may not be able to sell your auction rate preferred stock at an auction if the auction fails.

If we issue auction rate preferred stock and you purchase such auction rate preferred stock, you may not be able to sell your auction rate preferred stock at an auction if the auction fails, i.e., if more shares of auction rate preferred stock are offered for sale than there are buyers for those shares. Also, if you place an order (a hold order) at an auction to retain auction rate preferred stock only at a specified rate that exceeds the rate set at the auction, you will not retain your auction rate preferred stock. Additionally, if you place a hold order without specifying a rate below which you would not wish to continue to hold your shares and the auction sets a below-market rate, you will receive a lower rate of return on your shares than any market rate of those securities. Finally, the distribution period of these securities may be changed, subject to certain conditions and with notice to the holders of the auction rate preferred stock, which could also affect the liquidity of your investment.

If you try to sell your auction rate preferred stock between auctions, you may not receive full value on your investment.

If you try to sell your auction rate preferred stock between auctions, you may not be able to sell them for their liquidation preference per share or such amount per share plus accumulated distributions. If we have designated a special distribution period of more than seven days, changes in interest rates could affect the price you would receive if you sold your shares in the secondary market. Broker-dealers that maintain a secondary trading market for the auction rate preferred stock are not required to maintain this market, and we will not be required to redeem auction rate preferred stock if either an auction or an attempted secondary market sale fails because of a lack of buyers. The auction rate preferred stock will likely not be registered on a stock exchange. If you sell your auction rate preferred stock to a broker-dealer between auctions, you may receive less than the price you paid for them, especially when market interest rates have risen since the last auction or during a special distribution period. Due to recent market disruption most auction-rate preferred stock have been unable to hold successful auctions and holders of such shares have suffered reduced liquidity, including the inability to sell such shares in a secondary market.

The trading market or market value of our debt securities or any convertible debt securities, if issued to the public, may be volatile.

Our debt securities or any convertible debt securities, if issued to the public, may or may not have an established trading market. We cannot assure investors that a trading market for our debt securities or any convertible debt securities, if issued to the public, would develop or be maintained if developed. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities or any convertible debt securities. These factors include, but are not limited to, the following:

- the time remaining to the maturity of these debt securities;
- the outstanding principal amount of debt securities with terms identical to these debt securities;
- the general economic environment;

- the supply of debt securities trading in the secondary market, if any;
- the redemption, repayment or convertible features, if any, of these debt securities;
- the level, direction and volatility of market interest rates generally; and
- market rates of interest higher or lower than rates borne by the debt securities.

There also may be a limited number of buyers for our debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities. Our debt securities may include convertible features that cause them to more closely bear risks associated with an investment in our common stock.

Our credit ratings, if any, may not reflect all risks of an investment in our debt securities or any convertible debt securities.

Our credit ratings, if any, will be an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of any publicly issued debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed herein about the market value of, or trading market for, any publicly issued debt securities.

Terms relating to redemption may materially adversely affect the return on any debt securities.

If we issue any debt securities or any convertible debt securities that are redeemable at our option, we may choose to redeem the debt securities at times when prevailing interest rates are lower than the interest rate paid on the debt securities. In addition, if the debt securities are subject to mandatory redemption, we may be required to redeem the debt securities at times when prevailing interest rates are lower than the interest rate paid on the debt securities. In this circumstance, a holder of our debt securities may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the debt securities being redeemed.

The issuance of subscription rights, warrants or convertible debt that are exchangeable for our common stock, will cause your interest in us to be diluted as a result of any such rights, warrants or convertible debt offering.

Stockholders who do not fully exercise rights, warrants or convertible debt issued to them in any offering of subscription rights, warrants or convertible debt to purchase our common stock should expect that they will, at the completion of the offering, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights, warrants or convertible debt. We cannot state precisely the amount of any such dilution in share ownership because we do not know what proportion of the common stock would be purchased as a result of any such offering.

In addition, if the subscription price, warrant price or convertible debt price is less than our net asset value per share of common stock at the time of such offering, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offering. The amount of any such decrease in net asset value is not predictable because it is not known at this time what the subscription price, warrant price, convertible debt price or net asset value per share will be on the expiration date of such offering or what proportion of our common stock will be purchased as a result of any such offering. The risk of dilution is greater if there are multiple rights offerings. However, our board of directors will make a good faith determination that any offering of subscription rights, warrants or convertible debt would result in a net benefit to existing stockholders.

Future offerings of debt securities, which would be senior to our common stock upon liquidation, or equity securities, which could dilute our existing stockholders and may be senior to our common stock for the purposes of distributions, may harm the value of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred stock or common stock, subject to the restrictions of the 1940 Act. Upon a liquidation of our company, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings by us may dilute the holdings of our existing stockholders or reduce the value of our common stock, or both. Any preferred stock we may issue would have a preference on distributions that could limit our ability to make distributions to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us. In addition, proceeds from a sale of common stock will likely be used to increase our total assets or to pay down our borrowings, among other uses. This would increase our asset coverage ratio and permit us to incur additional leverage under rules pertaining to BDCs by increasing our borrowings or issuing senior securities such as preferred stock or additional debt securities.

Provisions of the Maryland General Corporation Law and our charter and bylaws could deter takeover attempts and have an adverse effect on the price of our common stock.

The Maryland General Corporation Law contains provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. In addition, our board of directors may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock. Our charter and bylaws contain provisions that limit liability and provide for indemnification of our directors and officers. These provisions and others also may have the effect of deterring hostile takeovers or delaying changes in control or management. We are generally prohibited from engaging in mergers and other business combinations with stockholders that beneficially own 10.0% or more of the voting power of our outstanding voting stock, or with their affiliates, for five years after the most recent date on which such stockholders became the beneficial owners of 10.0% or more of the voting power of our outstanding voting stock and thereafter unless our directors and stockholders approve the business combination in the prescribed manner. See Description of Our Capital Stock Business Combinations. Maryland law may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our charter authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series and to cause the issuance of additional shares of our stock, including preferred stock. In addition, we have adopted a classified board of directors. A classified board may render a change in control of us or removal of our incumbent management more difficult. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

Our business and operation could be negatively affected if we become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been brought against that company. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing in the BDC space recently. While we are currently not subject to any securities litigation or shareholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of securities litigation or shareholder activism. Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert management s and our board of directors attention and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist shareholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and shareholder activism.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains 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, continue, believes, seeks, estimates, targets, projects and variations of these words and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained in this report 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 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;

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- 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 Risk Factors contained in this prospectus 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 this 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 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

Unless otherwise specified in any prospectus supplement accompanying this prospectus, we intend to use the net proceeds from the sale of our securities to invest in lower middle-market companies in accordance with our investment objective and strategies, to repay the outstanding indebtedness under our Credit Facility, if any, and for working capital and general corporate purposes. We will also pay operating expenses, including management, incentive and administrative fees, and may pay other expenses, from the net proceeds of any offering. We plan to raise new equity when we have attractive investment opportunities available. Pending such use, we will invest the net proceeds of any offering primarily in short-term securities consistent with our BDC election and our election to be taxed as a RIC. See Regulation Temporary Investments for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

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. 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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RATIO OF EARNINGS TO FIXED CHARGES

For the years ended December 31, 2013, 2014, 2015, 2016 and 2017, the ratio of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	For the year ended December 31,				
	2013	**2014**	**2015**	**2016**	**2017**
Earnings to Fixed Charges(1)	4.95	3.65	3.79	4.98	5.69

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in net assets resulting from operations plus (or minus) tax provision (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and financing expenses.

(1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

Excluding net unrealized gains or losses, the earnings to fixed charges ratio would be 8.08, 1.88, 4.86, 2.25 and 6.24 for the years ended December 31, 2013, 2014, 2015, 2016 and 2017, respectively.

Excluding net realized and unrealized gains or losses, the earnings to fixed charges ratio would be 3.76, 4.15, 3.85, 3.55 and 4.43 for the years ended December 2013, 2014, 2015, 2016 and 2017, respectively.

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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 was included in the Nasdaq Global Select Market. 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, and the cash distributions per share that we have declared on our common stock for each fiscal quarter during the last two most recently completed fiscal years.

Period	NAV (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, 2017						
First Quarter	$ 15.80	$ 17.57	$ 15.88	11.2%	0.5%	$ 0.39
Second Quarter	15.87	18.06	16.37	13.8	3.2	0.39
Third Quarter	15.97	17.04	15.80	6.7	(1.1)	0.39
Fourth Quarter	16.05	16.83	15.18	4.9	(5.4)	0.43
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	15.76	17.07	14.62	8.3	(7.2)	0.43

(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.

Shares of BDCs may trade at a market price that is less than the net asset value of those shares. The possibilities that our shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. It is not possible to predict whether any common stock offered pursuant to this prospectus supplement will trade at, above, or below net asset value.

We intend to continue to pay quarterly distributions to our stockholders. Our quarterly distributions, if any, are determined by our board of directors. We have elected to be taxed as a RIC under Subchapter M of the Code. As long as we qualify for tax treatment 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.

There were no deemed distributions during the years 2017, 2016 or 2015.

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.

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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.

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

We may make distributions that are payable in cash or shares of our common stock at the election of each stockholder. In accordance with Treasury regulations and published guidance issued by the Internal Revenue Service, a publicly offered RIC may treat distributions of its own stock as counting towards its RIC distribution requirements if each stockholder may elect to receive his, her, or its entire distribution in either cash or stock of the RIC. This published guidance applies even if the aggregate amount of cash available to be distributed to all stockholders is no more than 20% of the aggregate declared distribution. Under the published guidance, if too many stockholders elect to receive their distributions in cash, the cash available for distribution must be allocated among the shareholders electing to receive cash (with the balance of the distribution paid in stock). If we decide to make any distributions that are payable in part in shares of our stock, U.S. stockholders receiving such distributions generally will be required to include the full amount of the distribution (whether received in cash, shares of our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits. As a result, a U.S. stockholder may be required to pay tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. federal tax with respect to such distributions, including in respect of all or a portion of such distributions that are payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on such distributions, it may put downward pressure on the trading price of shares of our stock.

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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 FIC and its subsidiaries, including the Funds, as of and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, is derived from the consolidated financial statements that have been audited by RSM US LLP, an independent registered public accounting firm. This financial data should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this prospectus and with Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands, Except Per Share Data)				
Statement of operations data:					
Total investment income	$ 68,615	$ 60,229	$ 54,269	$ 46,116	$ 41,792
Interest and financing expenses	9,893	10,594	9,428	7,507	7,076
Base management fee	9,788	8,254	7,545	5,899	5,261
Incentive fee	10,968	10,369	6,481	4,857	6,792
All other expenses	4,069	3,986	3,932	4,189	3,121
Net investment income before income taxes	33,897	27,026	26,883	23,664	19,542
Income tax provision	220	425	390	383	246
Net investment income	33,677	26,601	26,493	23,281	19,296
Net realized gains (losses) on investments	17,904	(13,835)	9,531	(17,029)	30,588
Net change in unrealized appreciation (depreciation) on investments	(5,426)	29,009	(10,086)	13,250	(22,188)
Income tax (provision) benefit on realized gains on investments	(2,204)	(205)	39	(17)	(493)
Net increase in net assets resulting from operations	$ 43,951	$ 41,570	$ 25,977	$ 19,485	$ 27,203
Per share data:					
Net asset value (at end of period)	$ 16.05	$ 15.76	$ 15.17	$ 15.16	$ 15.35
Net investment income	$ 1.43	$ 1.45	$ 1.64	$ 1.62	$ 1.43
Net gain (loss) on investments	$ 0.44	$ 0.82	$ (0.04)	$ (0.26)	$ 0.58
Net increase in net assets resulting from operations	$ 1.87	$ 2.27	$ 1.60	$ 1.36	$ 2.01
Dividends	$ 1.60	$ 1.60	$ 1.60	$ 1.72	$ 1.94
Other data:					
Weighted average annual yield on debt investments(1)	13.0%	13.1%	13.3%	13.4%	14.5%
Number of portfolio companies at year end	63	57	53	42	37
Expense ratios (as percentage of average net assets):					

Operating expenses	6.6%	7.8%	7.3%	6.7%	7.2%
Interest expense	2.6%	3.7%	3.8%	3.4%	3.4%

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(1) 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 debt investments on non-accrual status, if any. The weighted average yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our and our subsidiaries fees and expenses.

	As of December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
	(Dollars in Thousands)				
Statement of assets and liabilities data:					
Total investments, at fair value	$ 596,308	$ 524,454	$ 443,269	$ 396,355	$ 306,981
Total assets	646,263	586,742	485,540	435,587	367,262
Borrowings	242,800	224,000	229,000	183,500	144,500
Total net assets	393,273	353,785	247,362	243,263	211,125

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SELECTED QUARTERLY FINANCIAL DATA

The following tables set forth certain quarterly financial information for each of the eight quarters ending with the quarter ended December 31, 2017. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the past fiscal year or for any future quarter.

	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Total investment income	$ 16,228	$ 17,271	$ 18,048	$ 17,068
Net investment income	7,859	8,942	9,189	7,687
Net increase in net assets from operations	9,532	9,957	12,055	12,407
Net investment income per share	0.35	0.39	0.38	0.31
Net increase in net assets from operations per share	0.42	0.44	0.49	0.51
Net asset value per share at end of period	15.80	15.87	15.97	16.05

	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Total investment income	$ 14,691	$ 13,832	$ 14,431	$ 17,275
Net investment income	7,082	4,943	6,735	7,841
Net increase in net assets from operations	7,540	12,793	8,594	12,643
Net investment income per share	0.43	0.29	0.35	0.39
Net increase in net assets from operations per share	0.46	0.74	0.45	0.62
Net asset value per share at end of period	15.25	15.52	15.58	15.76

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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.

On June 20, 2011, FIC acquired all of the limited partnership interests of Fund I and membership interests of Fidus Mezzanine Capital GP, LLC, its general partner, resulting in Fund I becoming our wholly-owned SBIC subsidiary. Immediately following the acquisition, we and Fund I elected to be treated as business development companies, or 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 and Fund II are collectively referred to as the Funds.

Fund I received its SBIC license on October 22, 2007 and Fund II received its SBIC license on May 28, 2013. We plan to continue to operate the Funds as SBICs, subject to SBA approval, and to utilize the proceeds of the sale of SBA-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, as of December 31, 2017, we have approximately $27.0 million of remaining borrowing capacity under the SBIC Debenture Program and intend to fully utilize such capacity over the ensuing six months.

Revenues: We generate revenue in the form of interest and fee 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, which may include prepayment penalties. 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. Debt investment origination fees, OID 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. Debt investments 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 is accrued daily based on the outstanding principal amount and the contractual terms of the debt. Dividend income is recorded as dividends are declared or at the point an obligation exists for the portfolio company to make a distribution, and is generally recognized when received. Distributions of earnings from portfolio companies are evaluated to determine if the distribution is a distribution of earnings or a return of capital. Distributions of earnings are included in dividend income while a return of capital is recorded as a reduction in the cost basis of the investment. Estimates are adjusted as necessary when the relevant tax forms are received from the portfolio company.

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

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

- organization;
- calculating our net asset value (including the cost and expenses of any independent valuation firm);
- fees and expenses incurred by our investment advisor under the Investment Advisory Agreement or payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments, including dead deal costs;
- 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 year ended December 31, 2017, we invested $214.7 million in debt and equity investments, including 14 new portfolio companies. These investments consisted of second lien debt ($127.2 million, or 59.2%), subordinated debt ($61.7 million, or 28.8%), first lien debt ($10.9 million, or 5.1%), equity securities ($14.0 million, or 6.5%) and warrant securities ($0.9 million, or 0.4%). During the year ended December 31, 2017 we received proceeds from sales or repayments, including principal, return of capital dividends and net realized gains (losses), of $163.7 million.

During the year ended December 31, 2016, we invested $197.8 million in debt and equity investments, including 13 new portfolio companies. These investments consisted of second lien debt ($99.3 million, or 50.2%), subordinated debt ($55.0 million, or 27.8%), first lien debt ($26.6 million, or 13.4%), equity securities ($16.6 million, or 8.4%) and warrant securities ($0.3 million, or 0.2%). During the year ended December 31, 2016, we received proceeds from sales or repayments, including principal, return of capital dividends and net realized gains (losses), of $137.5 million.

As of December 31, 2017, the fair value of our investment portfolio totaled $596.3 million and consisted of 60 active portfolio companies and three portfolio companies that have sold their underlying operations. As of December 31, 2017, three debt investments bore interest at a variable rate, which represented $26.1 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 $18.5 million as of December 31, 2017. As of December 31, 2017, our average active portfolio company investment at amortized cost was $9.6 million, which excludes investments in the three portfolio companies that have sold their underlying operations.

As of December 31, 2016, the fair value of our investment portfolio totaled $524.5 million and consisted of 53 active portfolio companies and four portfolio companies that have sold their underlying operations. As of December 31, 2016, one debt investment bore interest at a variable rate, which represented $8.2 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 $23.9 million as of December 31, 2016. As of December 31, 2016, our average active portfolio company investment at amortized cost was $9.4 million, which excludes investments in the four portfolio companies that have sold their underlying operations.

The weighted average yield on debt investments as of December 31, 2017 and 2016 was 13.0% and 13.1%, respectively. The weighted average yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our and our subsidiaries fees and expenses. The weighted average yields were computed using the effective interest rates for debt investments at cost as of both December 31, 2017 and 2016, including the accretion of OID and loan origination fees, but excluding investments on non-accrual status, if any. The

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following table shows the portfolio composition by investment type at fair value and cost and as a percentage of total investments (dollars in millions):

	Fair Value				Cost			
	December 31, 2017		December 31, 2016		December 31, 2017		December 31, 2016	
Second Lien Debt	$ 341.3	57.3%	$ 273.0	52.1%	$ 357.6	62.0%	$ 276.0	55.2%
Subordinated Debt	126.5	21.2	114.4	21.8	126.5	21.9	114.0	22.8
First Lien Debt	28.8	4.8	56.0	10.7	31.9	5.5	57.9	11.6
Equity	84.6	14.2	70.9	13.5	53.9	9.3	45.2	9.0
Warrants	15.1	2.5	10.2	1.9	7.7	1.3	7.2	1.4
Royalty rights					0.2		0.2	
Total	$ 596.3	100.0%	$ 524.5	100.0%	$ 577.8	100.0%	$ 500.5	100.0%