

FIDUS INVESTMENT Corp  
Form 497  
January 30, 2018  
Table of Contents

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

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 JANUARY 30, 2018**

**PRELIMINARY PROSPECTUS SUPPLEMENT**

**(To Prospectus dated April 19, 2017)**

\$

**% Notes due 2023**

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 2023, which we refer to as the Notes. The Notes will mature on , 2023. We will pay interest on the Notes on February 1, May 1, August 1 and November 1 of each year, beginning May 1, 2018. We may redeem the Notes in whole or in part at any time or from time to time on or after , 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. 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 \$50.0 million outstanding as of January 29, 2018. The Notes will be structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries since the Notes are obligations exclusively of Fidus Investment Corporation and not of any of our subsidiaries. As of January 29, 2018, our subsidiaries had total indebtedness outstanding of \$247.8 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 \$12.1 million as of September 30, 2017. 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.

**Table of Contents**

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 `FDUSL`. 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.f dus.com](http://www.f dus.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](http://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-17 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.**

	<b>Per Note</b>	<b>Total</b>
Public offering price	\$	\$
Underwriting discount (sales load and commissions)	\$	\$
Proceeds, before expenses, to us <sup>(1)</sup>	\$	\$

(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 \_\_\_\_\_, 2018.

*Sole Bookrunner*

**Keefe, Bruyette & Woods,**

*A Stifel Company*

*Co-Leads*

**Janney Montgomery Scott      Oppenheimer & Co.**

*Co-Managers*

**B. Riley FBR    BB&T Capital Markets    Ladenburg Thalmann    ING**

**The date of this prospectus supplement is January \_\_\_\_\_, 2018**

**Table of Contents**

**TABLE OF CONTENTS**

**Prospectus Supplement**

	<b>Page</b>
<u>About this Prospectus Supplement</u>	S-iii
<u>Prospectus Supplement Summary</u>	S-1
<u>Specific Terms of the Notes and the Offering</u>	S-10
<u>Supplementary Risk Factors</u>	S-17
<u>Special Note Regarding Forward-Looking Statements</u>	S-22
<u>Use of Proceeds</u>	S-24
<u>Capitalization</u>	S-25
<u>Ratio of Earnings to Fixed Charges</u>	S-26
<u>Selected Consolidated Financial Data</u>	S-27
<u>Selected Quarterly Financial Data</u>	S-29
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	S-30
<u>Description of the Notes</u>	S-50
<u>Certain U.S. Federal Income Tax Considerations</u>	S-63
<u>Underwriting</u>	S-69
<u>Legal Matters</u>	S-74
<u>Independent Registered Public Accounting Firm</u>	S-74
<u>Available Information</u>	S-74
<u>Index to Financial Information</u>	SF-1

**Prospectus**

<u>Prospectus Summary</u>	1
<u>Fees and Expenses</u>	10
<u>Risk Factors</u>	13
<u>Special Note Regarding Forward-Looking Statements</u>	41
<u>Use of Proceeds</u>	43
<u>Ratio of Earnings to Fixed Charges</u>	44
<u>Price Range of Common Stock and Distributions</u>	45
<u>Selected Consolidated Financial Data</u>	47
<u>Selected Quarterly Financial Data</u>	49
<u>Management's Discussion and Analysis of Financial Information and Results of Operations</u>	50
<u>Senior Securities</u>	70
<u>The Company</u>	71
<u>Portfolio Companies</u>	81
<u>Management</u>	88
<u>Management and Other Agreements</u>	98
<u>Certain Relationships and Related Transactions</u>	105
<u>Control Persons and Principal Stockholders</u>	108

**Table of Contents**

	<b>Page</b>
<u>Sales of Common Stock Below Net Asset Value</u>	109
<u>Dividend Reinvestment Plan</u>	114
<u>Material U.S. Federal Income Tax Considerations</u>	116
<u>Description of Our Capital Stock</u>	126
<u>Description of Our Preferred Stock</u>	133
<u>Description of Our Subscription Rights</u>	135
<u>Description of Our Debt Securities</u>	137
<u>Description of Our Warrants</u>	151
<u>Regulation</u>	153
<u>Plan of Distribution</u>	159
<u>Custodian, Transfer and Dividend Paying Agent and Registrar</u>	161
<u>Brokerage Allocation and Other Practices</u>	161
<u>Legal Matters</u>	162
<u>Independent Registered Public Accounting Firm</u>	162
<u>Available Information</u>	162
<u>Privacy Notice</u>	149
<u>Index to Financial Statements</u>	F-1

Table of Contents

**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.**

---

**Table of Contents**

**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, 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 finance investments by the Funds and 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.

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



S-1

## **Table of Contents**

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 September 30, 2017, the fair value of our investment portfolio totaled \$560.9 million and consisted of 58 active portfolio companies and five portfolio companies that have sold their underlying operations. The weighted average yield on our debt investments as of September 30, 2017 was 13.3%. 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 for debt investments at cost as of September 30, 2017, including the accretion of original issue discount and loan origination fees, but excluding investments on non-accrual status, if any. There can be no assurance that the weighted average yield will remain at its current level.

## **Market Opportunity**

We believe that the limited amount of capital available to lower middle-market companies, coupled with the desire of these companies for flexible and partnership-oriented sources of capital, creates an attractive investment environment for us. From our perspective, lower middle-market companies have faced difficulty raising debt capital in both the capital markets and private markets. 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; and

Benefiting from lower cost of capital through our SBIC subsidiaries.

**Investment Criteria/Guidelines**

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

S-2

## **Table of Contents**

*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



---

**Table of Contents**

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 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, which also serves as our administrator, 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

## **Table of Contents**

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 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. Under the Administration Agreement, Fidus Investment Advisors, LLC also provides managerial assistance on our behalf to those portfolio companies that have accepted our offer to provide such assistance.

## **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;

pending legislation may allow us to incur additional leverage;

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

S-5



**Table of Contents**

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;

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;

## **Table of Contents**

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-17 of this prospectus supplement and **Risk Factors** beginning on page 12 of the accompanying prospectus for additional factors you should carefully consider before deciding to invest in the Notes.

## **Recent Developments**

On October 17, 2017, we exited our debt and equity investments in Brook & Whittle Limited. We received payment in full on our subordinated notes. We sold our equity investments for a realized gain of approximately \$1.0 million.

On October 30, 2017, our board of directors declared a regular quarterly dividend of \$0.39 per share which was paid on December 27, 2017 to stockholders of record as of December 20, 2017. In addition, on October 30, 2017, our board of directors declared a special dividend of \$0.04 per share which was paid on December 27, 2017 to stockholders of record as of December 20, 2017.

On November 10, 2017, we restructured our equity investments in FDS Avionics Corp. (dba Flight Display Systems). As part of the restructuring, we cancelled our common and preferred equity investments, and as a result we recognized a loss of approximately \$2.4 million. Concurrently, we made a \$0.7 million investment in new common equity interests of FDS Avionics Corp. (dba Flight Display Systems).

On November 30, 2017, we invested \$2.5 million in subordinated term loans and common equity of Consolidated Infrastructure Group Holdings, LP, a premier provider of infrastructure services and solutions.

On November 30, 2017, we invested \$9.6 million in subordinated term loans and common equity and made a commitment for up to \$4.0 million of additional subordinated term loans of Mesa Line Services, LLC, a leading provider of outsourced electric utility infrastructure services in the Southwest region of the United States.

On December 1, 2017, we exited our debt and equity investments in Malabar International. We received payment in full on our subordinated notes. We sold our preferred equity investment for a realized gain of approximately \$6.8 million.

On December 8, 2017, we invested \$15.3 million in subordinated term loans and common equity of The Kyjen Company, LLC (dba Outward Hound), a manufacturer and distributor of innovative dog and cat toys, games, gear, collars, and feeders.

S-7

## **Table of Contents**

On December 19, 2017, we invested \$21.5 million in subordinated term loans and common equity of Gurobi Optimization, LLC, a leading commercial provider of optimization software for use in prescriptive analytics applications.

On December 29, 2017, we entered into an amendment to our Credit Facility, which, among other things, extended the maturity date from June 16, 2018 to June 16, 2019.

On January 3, 2018, we invested \$19.5 million in subordinated term loans and common equity of AVC Investors, LLC (dba Auveco), a provider of fasteners and autobody hardware to the automotive aftermarket and general industrial markets.

On January 5, 2018, we exited our debt investment in United Biologics, LLC. We received payment in full of \$8.9 million on our subordinated loan.

On January 8, 2018, we invested \$11.0 million in subordinated term loans and common equity of Spendmend LLC, a leading provider of spend visibility & audit recovery services to the healthcare industry.

On January 25, 2018, we exited our debt investment in Comprehensive Logistics Co., Inc. We received payment in full of \$16.4 million on our subordinated note, which includes a prepayment penalty.

Since September 30, 2017, we have borrowed a total of \$50.0 million under our Credit Facility, which is the total amount of indebtedness outstanding under our Credit Facility as of January 29, 2018. 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, we will have \$        of indebtedness outstanding under our Credit Facility.

## ***Preliminary Estimate of Fourth Quarter 2017 Results***

Set forth below are certain preliminary estimates of our financial condition and results of operations for the three months ended December 31, 2017. 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, 2017. 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, 2017 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 \$0.30 and \$0.32 for the three months ended December 31, 2017.

As of the date of this prospectus supplement, we estimate that the range of our adjusted net investment income<sup>(1)</sup> per share was between \$0.34 and \$0.36 for the three months ended December 31, 2017.

S-8

**Table of Contents**

As of the date of this prospectus supplement, we estimate that the range of our net asset value per share was between \$16.02 to \$16.07 as of December 31, 2017.

	<b>(Per share)</b>	
	<b>Three months ended</b>	
	<b>December 31, 2017</b>	
	<b>(unaudited)</b>	
	<b>Low</b>	<b>High</b>
	<b>Estimate</b>	<b>Estimate</b>
Net investment income	\$ 0.30	\$ 0.32
Capital gains incentive fee expense	0.04	0.04
Adjusted net investment income(1)	\$ 0.34	\$ 0.36

- (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, 2017.

**Table of Contents****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-50 of this prospectus supplement and the more general description of the Notes in the section titled Description of Our Debt Securities beginning on page 123 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.

<b>Issuer</b>	Fidus Investment Corporation
<b>Title of the securities</b>	% Notes due 2023
<b>Initial aggregate principal amount being offered</b>	\$
<b>Over-Allotment Option</b>	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.
<b>Initial public offering price</b>	% of the aggregate principal amount
<b>Principal payable at maturity</b>	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.
<b>Type of note</b>	Fixed rate note
<b>Listing</b>	We intend to list the Notes on The Nasdaq Global Select Market within 30 days of the original issue date under the trading symbol FDUSL .
<b>Interest rate</b>	% per year



**Day count basis** 360-day year of twelve 30-day months

**Original issue date** , 2018

**Stated maturity date** , 2023

**Date interest starts accruing** , 2018

S-10

**Table of Contents**

<b>Interest payment dates</b>	Every February 1, May 1, August 1 and November 1, commencing May 1, 2018. 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.
<b>Interest periods</b>	The initial interest period will be the period from and including _____, 2018, 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.
<b>Regular record dates for interest</b>	Every January 15, April 15, July 15 and October 15, commencing April 15, 2018.
<b>Specified currency</b>	U.S. Dollars
<b>Place of payment</b>	The City of New York and/or such other places that may be specified in the indenture or a notice to holders.
<b>Ranking of notes</b>	<p>The Notes will be our direct unsecured obligations and will rank:</p> <p><i>pari passu</i> with our other outstanding and future unsecured unsubordinated indebtedness;</p> <p>senior to any of our future indebtedness that expressly provides it is subordinated to the Notes;</p> <p>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 \$50.0 million was outstanding as of January 29, 2018; and</p> <p>structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, which, as of January 29, 2018, had total indebtedness outstanding of \$247.8 million.</p>

**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.

S-11

**Table of Contents**

**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 \_\_\_\_\_ 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.

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.

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

S-12

**Table of Contents**

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.

**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 Section 61(a)(1) of the 1940 Act 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% after such borrowings. See Supplementary Risk Factors Risks Related to the Notes Pending legislation may 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) Section 61(a)(1) of the 1940 Act or any successor provisions and after giving effect to any exemptive relief granted to us by the

S-13

---

**Table of Contents**

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)(1) 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% 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)(1) 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 Section 61(a)(1) of the 1940 Act 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](#) [Pending legislation may 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





**Table of Contents**

applicable Generally Accepted Accounting Principles in the United States of America, or U.S. GAAP.

**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.

S-15

**Table of Contents**

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 January 29, 2018, we had \$50.0 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.

**Table of Contents**

**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 January 29, 2018, we had \$50.0 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 January 29, 2018, our subsidiaries had total indebtedness outstanding of \$247.8 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.

---

**Table of Contents****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 Section 61(a)(1) of the 1940 Act 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% after such borrowings. See Pending legislation may 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) Section 61(a)(1) of the 1940 Act 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 Section 61(a)(1) 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; 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 Section 61(a)(1) of the 1940 Act 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)(1) 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% 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. 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



**Table of Contents**

deemed a senior security of us. See Pending legislation may 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 FDUSL . 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

S-19

## **Table of Contents**

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 January 29, 2018, we had approximately \$50.0 million of indebtedness outstanding under the Credit Facility. Any default under the agreements governing our indebtedness, including a default under our Credit Facility or other indebtedness to which we may be a party that is not waived by the required lenders, 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, in the instruments governing our indebtedness (including the Credit Facility), we could be in default under the terms of the agreements governing such indebtedness, including the Notes. 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 debt 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.

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 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 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 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.

### **Recent tax legislation could have a negative effect on holders of the Notes or us.**

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



## **Table of Contents**

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 the Notes. 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 the Notes.

**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 \_\_\_\_\_, 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.

**Pending legislation may allow us to incur additional leverage.**

As a BDC, under the 1940 Act we generally are not permitted to incur indebtedness unless immediately after any 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 recently passed by the U.S. House of Representatives Financial Services Committee, if it becomes law, would modify this section of the 1940 Act and increase the amount of debt that BDCs may incur by modifying the asset coverage percentage from 200.0% to 150.0%. As a result, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in us may increase. Furthermore, such legislation, if it becomes law, may affect the covenants applicable to the Notes and your rights as a holder thereof.

**Table of Contents**

**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, could, believes, seeks, estimates, would, should, targets, projects and variations of these words and similar expressions are 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 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;

S-22

**Table of Contents**

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 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-17 of this prospectus supplement and **Risk Factors** beginning on page 12 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.

**Table of Contents**

**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 January 29, 2018, we had \$50.0 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, 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.

An affiliate of ING Financial Markets LLC, an underwriter in this offering, is the administrative agent and lender under our Credit Facility. We intend to use the net proceeds of this offering to repay outstanding indebtedness under the Credit Facility. The collateral under the Credit Facility will not be released as a result of such repayment. As such, the affiliate of ING Financial Markets LLC will receive a portion of the net proceeds of this offering. Nonetheless, in accordance with Rule 5121 of the Financial Industry Regulatory Authority, Inc., or FINRA, the appointment of a qualified independent underwriter is not necessary in connection with this offering because we, the issuer of the securities in this offering, are a BDC.



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

The following table sets forth our capitalization as of September 30, 2017:

on an actual basis as of September 30, 2017; 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 an assumed 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 total borrowings of \$50.0 million under the Company's Credit Facility subsequent to September 30, 2017 and outstanding as of January 29, 2018 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.

	<b>As of September 30, 2017</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>(in thousands)</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 46,868	\$
Investments, at fair value	560,909	560,909
Other assets	7,076	7,076
<b>Total assets</b>	<b>\$ 614,853</b>	<b>\$</b>
<b>LIABILITIES</b>		
SBA debentures, net of deferred financing costs	\$ 211,823	\$ 211,823
Credit Facility, net of deferred financing costs <sup>(1)</sup>	(246)	
Notes offered hereby, net of deferred financing costs		
Other liabilities	12,108	12,108
<b>Total liabilities</b>	<b>223,685</b>	
<b>NET ASSETS</b>		
Common stock, \$0.001 par value (100,000,000 shares authorized, 24,492,880 shares issued and outstanding)	24	24
Additional paid-in capital	372,998	372,998
Undistributed net investment income	8,556	8,556
Accumulated net realized (loss) on investments, net of taxes and distributions	(9,221)	(9,221)

Accumulated net unrealized appreciation on investments	18,811	18,811
<b>Total net assets</b>	391,168	391,168
<b>Total liabilities and net assets</b>	\$ 614,853	\$
<b>Net asset value per common share</b>	\$ 15.97	\$ 15.97

(1) Since September 30, 2017, we have borrowed a total of \$50.0 million under our Credit Facility, which is the total amount of indebtedness outstanding under our Credit Facility as of January 29, 2018. 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, we will have \$ of indebtedness outstanding under our Credit Facility.

S-25

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

For the years ended December 31, 2012, 2013, 2014, 2015 and 2016, and for the nine months ended September 30, 2017, the ratio of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	For the years ended December 31,					For the nine months ended September 30,
	2012	2013	2014	2015	2016	2017
Earnings to Fixed Charges(1)	4.02	4.95	3.65	3.79	4.98	5.45

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 3.75, 8.08, 1.88, 4.86, 2.25 and 6.13 for the years ended December 31, 2012, 2013, 2014, 2015 and 2016, and the nine months ended September 30, 2017, respectively.

Excluding net realized and unrealized gains or losses, the earnings to fixed charges ratio would be 3.44, 3.76, 4.15, 3.85, 3.55 and 4.48 for the years ended December 31, 2012, 2013, 2014, 2015 and 2016, and the nine months ended September 30, 2017, respectively.

**Table of Contents****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, 2016, 2015, 2014, 2013 and 2012, 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, 2017 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, 2017 are not necessarily indicative of the results that may be expected for the year ended December 31, 2017. 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.

	<b>Nine Months Ended September 30, 2017 (Unaudited)</b>	<b>Years Ended December 31,</b>				
		<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
		<b>(Dollars in Thousands, Except Per Share Numbers)</b>				
<b>Statement of operations data:</b>						
Total investment income	\$ 51,547	\$ 60,229	\$ 54,269	\$ 46,116	\$ 41,792	\$ 33,849
Interest and financing expenses	7,476	10,594	9,428	7,507	7,076	6,422
Base management fee	7,202	8,254	7,545	5,899	5,261	4,237
Incentive fee	7,870	10,369	6,481	4,857	6,792	4,839
All other expenses	2,980	3,986	3,932	4,189	3,121	2,660
Net investment income before income taxes	26,019	27,026	26,883	23,664	19,542	15,691
Income tax provision	29	425	390	383	246	4
Net investment income	25,990	26,601	26,493	23,281	19,296	15,687
Net realized gains (losses) on investments	12,349	(13,835)	9,531	(17,029)	30,588	1,975
Net change in unrealized (depreciation) appreciation on investments	(5,133)	29,009	(10,086)	13,250	(22,188)	1,749
Income tax (provision) benefit on realized gains on investments	(1,662)	(205)	39	(17)	(493)	
Net increase in net assets resulting from operations	\$ 31,544	\$ 41,570	\$ 25,977	\$ 19,485	\$ 27,203	\$ 19,411

**Per share data:**

Net asset value (at end of period)	\$ 15.97	\$ 15.76	\$ 15.17	\$ 15.16	\$ 15.35	\$ 15.32
Net investment income	\$ 1.12	\$ 1.45	\$ 1.64	\$ 1.62	\$ 1.43	\$ 1.54
Net gain (loss) on investments	\$ 0.24	\$ 0.82	\$ (0.04)	\$ (0.26)	\$ 0.58	\$ 0.37
Net increase in net assets resulting from operations	\$ 1.36	\$ 2.27	\$ 1.60	\$ 1.36	\$ 2.01	\$ 1.91
Dividends	\$ 1.17	\$ 1.60	\$ 1.60	\$ 1.72	\$ 1.94	\$ 1.46

**Other data:**

Weighted average annual yield on debt investments <sup>(1)</sup>	13.3%	13.1%	13.3%	13.4%	14.5%	15.3%
Number of portfolio companies at period end	63	57	53	42	37	30
Expense ratios (as percentage of average net assets):						
Operating expenses	4.9%	7.8%	7.3%	6.7%	7.2%	7.4%
Interest expense	2.0%	3.7%	3.8%	3.4%	3.4%	4.1%

S-27

**Table of Contents**

(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.

	As of September 30, 2017 (Unaudited)		As of December 31, 2015 2014 2013 2012 (Dollars in Thousands)			
	2016	2015	2014	2013	2012	
<b>Statement of assets and liabilities data:</b>						
Total investments, at fair value	\$ 560,909	\$ 524,454	\$ 443,269	\$ 396,355	\$ 306,981	\$ 274,249
Total assets	614,853	586,742	480,668	431,020	364,110	330,435
Borrowings	216,300	224,000	229,000	183,500	144,500	144,500
Total net assets	391,168	353,785	247,362	243,263	211,125	183,091

S-28

**Table of Contents****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, 2017 (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.

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

	<b>March 31, 2016</b>	<b>June 30, 2016</b>	<b>September 30, 2016</b>	<b>December 31, 2016</b>
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

	<b>March 31, 2015</b>	<b>June 30, 2015</b>	<b>September 30, 2015</b>	<b>December 31, 2015</b>
Total investment income	\$ 12,838	\$ 12,799	\$ 13,557	\$ 15,075
Net investment income	6,229	6,039	7,050	7,175
Net increase in net assets from operations	6,409	6,246	5,487	7,835
Net investment income per share	0.39	0.37	0.43	0.44
Net increase in net assets from operations per share	0.40	0.39	0.34	0.48
Net asset value per share at end of period	15.18	15.18	15.12	15.17

---

**Table of Contents**

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

**Overview**

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

FIC was formed as a Maryland corporation on February 14, 2011, and operates as an externally managed BDC under the 1940 Act. FIC completed its IPO in June 2011. In addition, FIC has elected to be treated as a RIC under Subchapter M of the Code.

FIC may make investments directly or through its two wholly owned investment company subsidiaries, Fund I and Fund II. Fidus Investment GP, LLC, the general partner of the Funds, is also a wholly owned subsidiary of FIC. The Funds are licensed by the SBA as SBICs. The Funds utilize the proceeds of the issuance of SBA-guaranteed debentures to finance investments by the Funds and 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. Based on the current capitalization of the Funds, as of January 29, 2018, we have approximately \$10.5 million of remaining borrowing capacity under the SBIC Debenture Program and intend to utilize such capacity by June 30, 2018.

*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 payment-in-kind, 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, original issue discount and market discount or premium, if any, are capitalized, and we accrete or amortize such amounts into interest income. We record prepayment premiums on loans as fee income. Interest and dividend income is recorded on the accrual basis to the extent that we expect to collect such amounts. 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





**Table of Contents**

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;

S-31

**Table of Contents**

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, 2017, we invested \$155.6 million in debt and equity investments, including 10 new portfolio companies. These investments consisted of subordinated notes (\$132.5 million, or 85.2%), senior secured loans (\$12.4 million, or 8.0%), equity securities (\$9.8 million, or 6.3%) and warrant securities (\$0.9 million, or 0.5%). During the nine months ended September 30, 2017 we received proceeds from sales or repayments, including principal, return of capital dividends and net realized gains (losses), of \$132.7 million.

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

As of September 30, 2017, the fair value of our investment portfolio totaled \$560.9 million and consisted of 58 active portfolio companies and five portfolio companies that have sold their underlying operations. As of September 30, 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 \$18.8 million as of September 30, 2017. As of September 30, 2017, our average active portfolio company investment at amortized cost was \$9.3 million, which excluded investments in the five portfolio companies that 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 \$24.0 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 excluded investments in the four portfolio companies that sold their underlying operations.

S-32

**Table of Contents**

The weighted average yield on debt investments as of September 30, 2017 and December 31, 2016 was 13.3% 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 fees and expenses. The weighted average yields were computed using the effective interest rates for debt investments at cost as of September 30, 2017 and December 31, 2016, respectively, including the accretion of original issue discount and loan origination fees, but excluding investments on non-accrual status, if any.

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

	Fair Value				Cost			
	September 30, 2017		December 31, 2016		September 30, 2017		December 31, 2016	
Subordinated notes	\$ 437.6	78.0%	\$ 363.6	69.4%	\$ 447.8	82.6%	\$ 364.5	72.9%
Senior secured loans	27.9	5.0	79.8	15.2	31.5	5.8	83.4	16.7
Equity	79.1	14.1	70.9	13.5	54.6	10.1	45.2	9.0
Warrants	16.3	2.9	10.2	1.9	8.0	1.5	7.2	1.4
Royalty rights					0.2		0.2	
Total	\$ 560.9	100.0%	\$ 524.5	100.0%	\$ 542.1	100.0%	\$ 500.5	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, 2017		December 31, 2016		September 30, 2017		December 31, 2016	
Midwest	\$ 163.4	29.1%	\$ 166.4	31.6%	\$ 154.1	28.3%	\$ 153.5	30.7%
Southeast	133.0	23.7	122.6	23.4	141.8	26.2	130.1	26.0
Northeast	118.1	21.1	98.5	18.8	114.4	21.1	94.5	18.9
West	50.7	9.0	73.7	14.1	35.6	6.6	63.7	12.7
Southwest	95.7	17.1	63.3	12.1	96.2	17.8	58.7	11.7
Total	\$ 560.9	100.0%	\$ 524.5	100.0%	\$ 542.1	100.0%	\$ 500.5	100.0%

**Table of Contents**

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, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Healthcare Services	10.6%	8.0%	10.0%	8.5%
Healthcare Products	8.5	11.1	7.5	9.3
Transportation services	7.5	8.9	7.8	8.4
Information Technology Services	7.4	4.5	7.6	4.8
Aerospace & Defense Manufacturing	7.2	11.7	6.5	11.1
Component Manufacturing	7.2	3.5	7.5	3.7
Specialty Distribution	6.6	5.0	6.6	5.0
Business Services	6.5	7.1	7.3	7.9
Vending Equipment Manufacturing	6.1	3.7	6.2	3.9
Building Products Manufacturing	5.7	5.7	6.0	5.6
Industrial Cleaning & Coatings	4.6	2.4	4.9	2.7
Oil & Gas Services	3.5	2.8	2.8	2.9
Retail	2.9	1.7	3.1	1.5
Utility Equipment Manufacturing	2.9	3.5	3.0	3.7
Promotional Products	2.8	2.4	2.8	2.4
Capital Equipment Manufacturing	2.7	2.9	2.8	3.0
Printing Services	2.2	2.1	2.1	2.2
Oil & Gas Distribution	1.1	1.1	1.1	1.2
Apparel Distribution	1.0	1.1	1.1	1.2
Restaurants	0.8	1.5	1.8	1.9
Laundry Services	0.7	1.4	0.7	1.3
Consumer Products	0.6	2.6	0.1	2.2
Electronic Components Supplier	0.5	0.4	0.3	0.3
Packaging	0.2	3.3	0.1	3.5
Specialty Chemicals	0.2	1.6	0.3	1.8
Safety Products Manufacturing	0.0	0.0	0.0	0.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**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

S-34



**Table of Contents**

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

Investment Rating 2 is used for investments that involve a level of risk similar to the risk at the time of origination. The portfolio company is performing substantially within our expectations and the risk factors are neutral or favorable. Each new portfolio investment enters our portfolio with Investment Rating 2.

Investment Rating 3 is used for investments performing below expectations and indicates the investment's risk has increased somewhat since origination. The portfolio company requires closer monitoring, but we expect a full return of principal and collection of all interest and/or dividends.

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

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

The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value and cost as of September 30, 2017 and December 31, 2016 (dollars in millions):

Investment Rating	Fair Value				Cost			
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
1	\$ 93.3	16.5%	\$ 91.7	17.5%	\$ 59.0	10.9%	\$ 59.0	11.8%
2	396.3	70.7	371.5	70.9	387.2	71.4	366.7	73.3
3	44.9	8.0	38.9	7.4	50.1	9.2	44.5	8.9
4	22.2	4.0	22.1	4.2	34.5	6.4	28.2	5.6
5	4.2	0.8	0.3	0.3	11.3	2.1	2.1	0.4
Total	\$ 560.9	100.0%	\$ 524.5	100.0%	\$ 542.1	100.0%	\$ 500.5	100.0%

Based on our investment rating system, the weighted average rating of our portfolio as of September 30, 2017 and December 31, 2016 was 2.0 and 2.0, respectively, on a fair value basis and 2.2 and 2.1, respectively, on a cost basis.

*Non-Accrual*

As of September 30, 2017, we had investments in one portfolio company on non-accrual status, which had an aggregate cost and fair value of \$9.3 million and \$4.2 million, respectively. As of December 31, 2016, we had no investments on non-accrual status.

For the three and nine months ended September 30, 2017, we recognized unrealized depreciation on non-accrual investments of \$1.9 million and \$3.3 million, respectively. For the three and nine months ended September 30, 2016, we recognized unrealized depreciation on non-accrual investments of \$2.1 million and \$6.5 million, respectively.

S-35

**Table of Contents**

**Discussion and Analysis of Results of Operations**

*Comparison of three months ended September 30, 2017 and September 30, 2016*

*Investment Income*

For the three months ended September 30, 2017, total investment income was \$18.0 million, an increase of \$3.6 million, or 25.0%, over the \$14.4 million of total investment income for the three months ended September 30, 2016. The increase was attributable to a \$4.2 million increase in interest income resulting from higher average debt investment balances outstanding during the three months ended September 30, 2017 as compared to the same period in 2016, partially offset by a \$(0.5) million decrease in dividend income due to decreased levels of distributions received from equity investments during the three months ended September 30, 2017 as compared to the same period in 2016, and a \$(0.1) million decrease in fee income resulting from fewer prepayments and amendments and related fees during the three months ended September 30, 2017 as compared to the same period in 2016.

*Expenses*

For the three months ended September 30 2017, total expenses, including income tax provision, were \$8.8 million, an increase of \$1.1 million or 14.3%, from the \$7.7 million of total expenses, including income tax provision, for the three months ended September 30, 2016. Interest and financing expenses for the three months ended September 30, 2017 were \$2.5 million, a decrease of \$(0.1) million, or 3.8%, from the \$2.6 million of interest and financing expenses for the same period in 2016. The base management fee increased \$0.4 million, or 19.0%, to \$2.5 million for the three months ended September 30, 2017 due to higher average total assets during the three months ended September 30, 2017 as compared to the same period in 2016. The incentive fee for the three months ended September 30, 2017 was \$3.0 million, a \$0.9 million, or 42.9%, increase from the \$2.1 million incentive fee for the three months ended September 30, 2016, which is comprised of an increase in the income incentive fee of \$0.7 million and an increase in the capital gains incentive fee of \$0.2 million during the three months ended September 30, 2017, as compared to the same period in 2016.

The administrative service fee, professional fees and other general and administrative expenses totaled \$0.8 million for both the three months ended September 30, 2017 and 2016.

*Net Investment Income*

Net investment income for the three months ended September 30, 2017 was \$9.2 million, an increase of \$2.5 million, or 37.3%, compared to net investment income of \$6.7 million during the three months ended September 30, 2016, as a result of the \$3.6 million increase in total investment income, partially offset by a \$1.1 million increase in total expenses, including income tax provision.

**Table of Contents***Net Increase in Net Assets Resulting From Operations*

For the three months ended September 30, 2017, the total net realized gain on investments was \$6.3 million. Significant realized gains for the three months ended September 30, 2017 are summarized below:

<b>Portfolio Company</b>	<b>Realization Event</b>	<b>Net Realized Gain (Loss) (in millions)</b>
Lightning Diversion Systems, LLC	Exit of portfolio company	\$ 4.0
EBL, LLC (EbLens)	Sale of portfolio company	2.2
Other		0.1
Total		\$ 6.3

For the three months ended September 30, 2016, the total net realized (loss) on investments was \$(6.0) million. Significant realized gains and (losses) for the three months ended September 30, 2016 are summarized below:

<b>Portfolio Company</b>	<b>Realization Event</b>	<b>Net Realized Gain (Loss) (in millions)</b>
National Truck Protection Co., Inc.	Exit of portfolio company	\$ 1.0
Carlson Systems Holdings, Inc.	Distribution related to sale of operations	4.0
Paramount Building Solutions, LLC	Exit of portfolio company	(12.0)
Lightning Diversion Systems, LLC	Distribution	1.0
Total		\$ (6.0)

During the three months ended September 30, 2017, we recorded a net change in unrealized depreciation on investments of \$(3.1) million attributable to (i) the reversal of net unrealized appreciation of \$(5.5) million related to the exit, sale or restructuring of investments, resulting in unrealized depreciation, (ii) net unrealized depreciation of \$(5.1) million on debt investments and (iii) net unrealized appreciation of \$7.5 million on equity investments. During the three months ended September 30, 2016, we recorded a net change in unrealized appreciation on investments of \$7.8 million attributable to (i) the reversal of net unrealized depreciation of \$11.0 million related to the exit or sale of investments, resulting in unrealized appreciation, (ii) net unrealized depreciation of \$(1.7) million on debt investments and (iii) net unrealized depreciation of \$(1.5) million on equity investments.

During the three months ended September 30, 2017, we recorded \$0.3 million of income tax provision from realized gains on investments. During the three months ended September 30, 2016, we did not record any income tax provision from realized gains on investments.

As a result of these events, our net increase in net assets resulting from operations during the three months ended September 30, 2017 was \$12.1 million, an increase of \$3.5 million, or 40.7%, compared to a net increase in net assets

resulting from operations of \$8.6 million during the three months ended September 30, 2016.

S-37

---

**Table of Contents***Comparison of nine months ended September 30, 2017 and September 30, 2016**Investment Income*

For the nine months ended September 30, 2017, total investment income was \$51.5 million, an increase of \$8.5 million, or 19.8%, over the \$43.0 million of total investment income for the nine months ended September 30, 2016. The increase was attributable to a \$7.8 million increase in interest income resulting from higher average debt investment balances outstanding during the nine months ended September 30, 2017 as compared to the same period in 2016, a \$0.9 million increase in fee income resulting from increased debt origination fees and amendments and related fees during the nine months ended September 30, 2017 as compared to the same period in 2016, and partially offset by a \$(0.2) million decrease in dividend income due to decreased levels of distributions received from equity investments during the nine months ended September 30, 2017 as compared to the same period in 2016.

*Expenses*

For the nine months ended September 30 2017, total expenses, including income tax provision, were \$25.5 million, an increase of \$1.3 million or 5.4%, over the \$24.2 million of total expenses, including income tax provision, for the nine months ended September 30, 2016. Interest and financing expenses for the nine months ended September 30, 2017 were \$7.5 million, a decrease of \$(0.4) million, or 5.1%, from the \$7.9 million of interest and financing expenses for the same period in 2016. The base management fee increased \$1.2 million, or 20.0%, to \$7.2 million for the nine months ended September 30, 2017 due to higher average total assets during the nine months ended September 30, 2017 as compared to the same period in 2016. The incentive fee for the nine months ended September 30, 2017 was \$7.9 million, a \$0.7 million, or 9.7%, increase from the \$7.2 million incentive fee for the nine months ended September 30, 2016, which is comprised of an increase in the income incentive fee of \$1.6 million and partially offset by a decrease in the capital gains incentive fee of \$(0.9) million during the nine months ended September 30, 2017, as compared to the same period in 2016. The administrative service fee, professional fees and other general and administrative expenses totaled \$2.9 million and \$3.0 million for the nine months ended September 30, 2017 and 2016, respectively.

*Net Investment Income*

Net investment income for the nine months ended September 30, 2017 was \$26.0 million, an increase of \$7.2 million, or 38.3%, compared to net investment income of \$18.8 million during the nine months ended September 30, 2016, as a result of the \$8.5 million increase in total investment income compared to only a \$1.3 million increase in total expenses, including income tax provision.

**Table of Contents***Net Increase in Net Assets Resulting From Operations*

For the nine months ended September 30, 2017, the total net realized gain on investments was \$12.4 million. Significant realized gains and (losses) for the nine months ended September 30, 2017 are summarized below:

<b>Portfolio Company</b>	<b>Realization Event</b>	<b>Net Realized Gain (Loss) (in millions)</b>
Worldwide Express Operations, LLC	Sale of portfolio company	\$ 6.4
Lightning Diversion Systems, LLC	Exit of portfolio company	4.0
EBL, LLC (EbLens)	Sale of portfolio company	2.2
Anatrace Products, LLC	Sale of portfolio company	0.9
Carlson Systems Holdings, Inc.	Escrow distribution	0.1
Other		0.1
FTH Acquisition Corp. VII	Exit of portfolio company	(1.3)
Total		\$ 12.4

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

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

During the nine months ended September 30, 2017, we recorded a net change in unrealized depreciation on investments of \$(5.2) million attributable to (i) the reversal of net unrealized appreciation of \$(10.1) million related to the exit, sale or restructuring of investments, resulting in unrealized depreciation, (ii) net unrealized depreciation of \$(8.8) million on debt investments and (iii) net unrealized appreciation of \$13.7 million on equity investments. During the nine months ended September 30, 2016, we recorded a net change in unrealized appreciation on investments of \$16.1 million attributable to (i) the reversal of net unrealized depreciation on investments of \$12.1 million related to the exit or sale of investments, resulting in unrealized appreciation, (ii) net unrealized depreciation of \$(7.5) million on debt investments and (iii) net unrealized appreciation of \$11.5 million on equity investments.

Edgar Filing: FIDUS INVESTMENT Corp - Form 497

During the nine months ended September 30, 2017 and 2016, we recorded \$1.7 million and \$0.2 million, respectively, of income tax provision from realized gains on investments.

As a result of these events, our net increase in net assets resulting from operations during the nine months ended September 30, 2017 was \$31.5 million, an increase of \$2.6 million, or 9.0%,

S-39



---

**Table of Contents**

compared to a net increase in net assets resulting from operations of \$28.9 million during the nine months ended September 30, 2016.

*Liquidity and Capital Resources*

As of September 30, 2017, we had \$46.9 million in cash and cash equivalents and our net assets totaled \$391.2 million. We believe that our current cash and cash equivalents on hand, our continued access to SBA-guaranteed debentures, our Credit Facility and our anticipated cash flows from operations will provide adequate capital resources with which to operate and finance our investment business and make distributions to our stockholders for at least the next 12 months. We intend to generate additional cash primarily from the future offerings of securities (including the ATM Program) and future borrowings, as well as cash flows from operations, including income earned from investments in our portfolio companies. On both a short-term and long-term basis, our primary use of funds will be investments in portfolio companies and cash distributions to our stockholders. During the nine months ended September 30, 2017, we repaid \$41.7 million of SBA debentures which would have matured during the period March 1, 2018 through March 1, 2019. Our remaining outstanding SBA debentures continue to mature in 2019 and subsequent years through 2027, which will require repayment on or before the respective maturity dates.

*Cash Flows*

For the nine months ended September 30, 2017, we experienced a net decrease in cash and cash equivalents in the amount of \$10.2 million. During that period, we used \$7.2 million of cash for operating activities, which included the funding of \$155.6 million of investments, which were offset by proceeds received from sales and repayments of investments of \$132.7 million. During the same period, we received net proceeds from secondary offerings of shares of our common stock off of our effective shelf registration statement of \$32.3 million and proceeds from the issuances of SBA debentures of \$34.0 million, which were partially offset by net repayment of SBA debentures of \$41.7 million, cash dividends paid to stockholders of \$26.5 million and the payment of deferred financing costs of \$1.1 million. For the nine months ended September 30, 2016, we experienced a net increase in cash and cash equivalents in the amount of \$10.5 million. During that period, we received \$3.0 million of cash from operating activities, which included proceeds received from sales and repayments of investments of \$91.9 million, which were offset by the funding of \$104.4 million of investments. During the same period, we received net proceeds from a secondary offering of shares of our common stock off of our effective shelf registration statement of \$43.7 million and proceeds from the issuances of SBA debenture of \$0.5 million, which were partially offset by net repayment of borrowings under the Credit Facility of \$15.5 million and cash dividends paid to stockholders of \$20.6 million.

*Capital Resources*

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

The Funds are licensed SBICs, and have the ability to issue debentures guaranteed by the SBA at favorable interest rates. Under the Small Business Investment Act and the SBA rules applicable to SBICs, an SBIC can have outstanding at any time debentures guaranteed by the SBA in an amount up to twice its regulatory capital. The SBA regulations currently limit the amount that is available to be borrowed by any SBIC and guaranteed by the SBA to 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. SBA debentures have fixed interest rates that approximate prevailing 10-year Treasury Note rates plus a



## Table of Contents

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, 2017, Fund I had \$108.3 million of outstanding SBA debentures and cannot issue additional SBA debentures. As of September 30, 2017, Fund II had \$108.0 million of outstanding SBA debentures. As of September 30, 2017, Fund II had the capacity to issue up to an additional \$42.0 million of SBA debentures. Subject to SBA regulatory requirements and approval, as of January 29, 2018, we may access up to \$91.7 million of additional SBA debentures under the SBIC Debenture Program. For more information on the SBA debentures, please see Note 6 to our consolidated financial statements.

In June 2014, we entered into the Credit Facility to provide additional funding for our investment and operational activities. The Credit Facility, which matures on June 16, 2019, has a commitment of \$50.0 million and an accordion feature that allows for an increase in the total commitments up to \$75.0 million, subject to certain customary conditions. The Credit Facility is secured 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, 2017, we were in compliance with all covenants of the Credit Facility and there were no borrowings outstanding under the Credit Facility.

As of September 30, 2017, the weighted average interest rate for all SBA debentures and borrowings outstanding under the Credit Facility was 3.6%.

As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200.0%. This requirement limits the amount that we may borrow. We have received exemptive relief from the SEC to allow us to exclude any indebtedness guaranteed by the SBA and issued by the Funds from the 200.0% asset coverage requirements, which, in turn, will enable us to fund more investments with debt capital.

As a BDC, we are generally not permitted to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if our board of directors, including Independent Directors, determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale.



## **Table of Contents**

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 our stockholders a similar proposal at our 2018 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 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 each such sale.

### *Stock repurchase plan*

We have an open market stock repurchase program (the Program ) under which we may acquire up to \$5.0 million of our outstanding common stock. Under the Program, we may, but are not obligated to, repurchase outstanding common stock in the open market from time to time provided that we comply with the prohibitions under our insider trading policies and the requirements of Rule 10b-18 of the Exchange Act, including certain price, market value and timing constraints. The timing, manner, price and amount of any share repurchases will be determined by our management, in its discretion, based upon the evaluation of economic and market conditions, stock price, capital availability, applicable legal and regulatory requirements and other corporate considerations. On October 30, 2017, our board of directors extended the Program through December 31, 2018, or until the approved dollar amount has been used to repurchase shares. The Program does not require us to repurchase any specific number of shares and the Company cannot assure that any shares will be repurchased under the Program. The Program may be suspended, extended, modified or discontinued at any time. We did not make any repurchases of common stock during the nine months ended September 30, 2017 or 2016.

## **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 been used had a readily available market value existed for such investments, and the difference could be material.



**Table of Contents**

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 14 and 13 of our portfolio company investments representing 28.4% and 30.5% of the total portfolio investments at fair value (exclusive of new portfolio company investments made during the three months ended September 30, 2017 and December 31, 2016, respectively) as of September 30, 2017 and December 31, 2016, 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.

S-43



## **Table of Contents**

For our debt investments, including senior secured loans and subordinated notes, the primary valuation technique used to estimate the fair value is the discounted cash flow method. However, if there is deterioration in credit quality or a debt investment is in workout status, we may consider other methods in determining the fair value, including the value attributable to the debt investment from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis. Our discounted cash flow models estimate a range of fair values by applying an appropriate discount rate to the future cash flow streams of our debt investments, based on future interest and principal payments as set forth in the associated loan agreements. We prepare a weighted average cost of capital for use in the discounted cash flow model for each investment, based on factors including, but not limited to: current pricing and credit metrics for similar proposed or executed investment transactions of private companies; the portfolio company's historical financial results and outlook; and the portfolio company's current leverage and credit quality as compared to leverage and credit quality as of the date the investment was made. We may also consider the following factors when determining the fair value of debt investments: the portfolio company's ability to make future scheduled payments; prepayment penalties and other fees; estimated remaining life; the nature and realizable value of any collateral securing such debt investment; and changes in the interest rate environment and the credit markets that generally may affect the price at which similar investments may be made. We estimate the remaining life of our debt investments to generally be the legal maturity date of the instrument, as we generally intend to hold loans to maturity. However, if we have information available to us that the loan is expected to be repaid in the near term, we would use an estimated remaining life based on the expected repayment date.

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

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

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

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



---

**Table of Contents***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 when the relevant tax forms are received from the portfolio company.

*Payment-in-kind interest.* Certain of our investments contain a PIK income provision. The PIK income, computed at the contractual rate specified in the applicable investment agreement, is added to the principal balance of the investment, rather than being paid in cash, and recorded as interest or dividend income, as applicable, on the consolidated statements of operations. Generally, PIK can be paid-in-kind or all in cash. We stop accruing PIK income when there is reasonable doubt that PIK income will be collected. PIK income is included in our taxable income and, therefore, affects the amount we are required to pay to our stockholders in the form of dividends in order to maintain our tax treatment as a RIC and to avoid paying corporate federal income tax, even though we have not yet collected the cash.

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

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

*Fee income.* All transaction fees earned in connection with our investments are recognized as fee income. Such fees typically include fees for services, including structuring and advisory services, provided to portfolio companies. We recognize income from fees for providing such structuring and advisory services when the services are rendered or the transactions are completed. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as fee income when earned.

S-45

## **Table of Contents**

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 Financial Accounting Standards Board 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. We completed our evaluation of the impact of this ASU and concluded that 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 the ASU is not material to our consolidated financial position or disclosures.

In October 2016, the SEC adopted new rules and amended rules to Regulation S-X (collectively, the Reporting Rules ) intended to modernize the reporting and disclosures of information by BDCs. The adopted amendments to Regulation S-X include an update to the disclosures for investments in and advances to affiliates, presentation changes to the statement of operations and schedule of investments, and the requirement to include a standardized schedule containing detailed information about derivative investments (among other changes). The amendments to Regulation S-X are effective for reporting periods ending after August 1, 2017. We adopted the Reporting Rules effective August 1, 2017. The amendments do not have a material effect on our consolidated financial position or disclosures.

**Table of Contents****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 \$4.6 million and \$6.6 million as of September 30, 2017 and December 31, 2016, respectively. Such outstanding commitments are summarized in the following table:

Portfolio Company Investment	September 30, 2017		December 31, 2016	
	Total Commitment	Unfunded Commitment	Total Commitment	Unfunded Commitment
FAR Research Inc. Revolving Loan	\$	\$	\$ 1.8	\$ 1.6
Inflexxion, Inc. Revolving Loan	0.5	0.2	0.5	0.4
inthinc Technology Solutions, Inc. Subordinated Note			5.0	1.0
Lightning Diversion Systems, LLC Revolving Loan			0.2	0.2
Oaktree Medical Centre, P.C. Revolving Loan	2.5		2.5	
Rhino Assembly Company, LLC Delayed Draw Commitment	1.5	1.5		
Safety Products Group, LLC Common Equity	2.9	2.9	2.9	2.9
SES Investors, LLC Revolving Loan			1.5	0.5
<b>Total</b>	<b>\$ 7.4</b>	<b>\$ 4.6</b>	<b>\$ 14.4</b>	<b>\$ 6.6</b>

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

**Related Party Transactions**

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

We have entered into the Investment Advisory Agreement with Fidus Investment Advisors, LLC to manage our day-to-day operating and investing activities. We pay our investment advisor a fee for its services under the Investment Advisory Agreement consisting of two components a base management fee and an incentive fee. See Note 5 to our consolidated financial statements.

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



## **Table of Contents**

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

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 240A-1 under the 1940 Act and in accordance with Rule 17j-1(c). We, and Fund I, have also adopted a code of business conduct that is applicable to all officers, directors and employees of Fidus and our investment advisor. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

## **Recent Developments**

On October 17, 2017, we exited our debt and equity investments in Brook & Whittle Limited. We received payment in full on our subordinated notes. We sold our equity investments for a realized gain of approximately \$1.0 million.

On October 30, 2017, our board of directors declared a regular quarterly dividend of \$0.39 per share which was paid on December 27, 2017 to stockholders of record as of December 20, 2017. In





**Table of Contents**

addition, on October 30, 2017, our board of directors declared a special dividend of \$0.04 per share which was paid on December 27, 2017 to stockholders of record as of December 20, 2017.

**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, 2017 and December 31, 2016, three and one debt investments, respectively, bore interest at a variable rate, which represented \$26.1 million and \$8.2 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, 2017 and December 31, 2016 were to remain constant, a hypothetical 100 basis point change in interest rates would not have a material effect on our level of interest income from debt investments. Our pooled SBA debentures bear interest at fixed rates. Our Credit Facility bears interest, subject to our election, on a per annum basis equal to (i) the alternate base rate plus 2.5% or (ii) the applicable LIBOR, which varies depending on the period of the borrowing under the Credit Facility, plus 3.5%. The alternate base rate is equal to the greater of (i) prime rate, (ii) the federal funds rate plus 0.5% or (iii) the three-month LIBOR plus 1.0%.

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

**Table of Contents****DESCRIPTION OF THE NOTES**

The Notes will be issued under a base indenture and a first supplemental indenture thereto, to be entered into between us and U.S. Bank National Association, as trustee. We refer to the indenture and the first 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 first 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 , 2023. 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 1, May 1, August 1 and November 1, beginning on May 1, 2018, and the regular record dates for interest payments will be every January 15, April 15, July 15 and October 15, commencing April 15, 2018. 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 , 2018, 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.

---

## **Table of Contents**

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 Section 61(a)(1) of the 1940 Act 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% after such borrowings. See [Supplementary Risk Factors Risks Related to the Notes](#) Pending legislation may 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) Section 61(a)(1) of the 1940 Act 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)(1) 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% 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)(1) 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 Section 61(a)(1) of the 1940 Act 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](#) Pending legislation may 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 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.

S-51

## **Table of Contents**

### **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 , 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 depository or its nominee, unless special termination situations arise. As a result of these arrangements, the depository, 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.

### **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



## **Table of Contents**

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 depository as in effect from time to time. Under those policies, we will make payments directly to the depository, 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 depository 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.

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;



S-53

**Table of Contents**

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;

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

S-54

## **Table of Contents**

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.

### **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;

S-55

**Table of Contents**

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.

S-56

**Table of Contents**

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

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.

S-57

## **Table of Contents**

### *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.

### *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;

S-58

## **Table of Contents**

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.

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.

S-59

## **Table of Contents**

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;

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; and

structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including the Funds.

### **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.

S-60

**Table of Contents**

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 Standard & Poor's Ratings Services' highest rating: AAA. The DTC Rules applicable to its participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://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.



**Table of Contents**

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.

---

**Table of Contents****CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following summary describes certain U.S. federal income tax consequences applicable to an investment in the Notes. This summary does not purport to be a complete description of the income 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 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, 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 only addresses U.S. federal income tax consequences, and does not address other U.S. federal tax consequences, including, for example, estate or gift tax consequences. This summary also does not address any U.S. state or local or non-U.S. tax consequences. 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;



## **Table of Contents**

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

S-64

---

**Table of Contents**

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 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.

S-65

## **Table of Contents**

### *Disposition of the Notes*

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 or other 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.



S-66

---

**Table of Contents**

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*

Legislation commonly referred to as the Foreign Account Tax Compliance Act, or 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 and, after December 31, 2018, 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 proceeds from the sale of the Notes. Under certain circumstances, a beneficial owner might be eligible for a refund or credit of such taxes.

**Table of Contents**

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.***

S-68

**Table of Contents****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 \_\_\_\_\_, 2018 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:

<b>Underwriter</b>	<b>Principal Amount of Notes</b>
Keefe, Bruyette & Woods, Inc.	
Janney Montgomery Scott LLC	
Oppenheimer & Co. Inc.	
B. Riley FBR, Inc.	
BB&T Capital Markets, a division of BB&T Securities LLC	
Ladenburg Thalmann & Co. Inc.	
ING Financial Markets LLC	

**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 \_\_\_\_\_, 2018. The representative has advised us that the underwriters do not intend to confirm any sales to any accounts over which they exercise discretionary authority.



**Table of Contents**

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.

	<b>Per Note</b>	<b>Without Over-allotment</b>	<b>Total With Full Over-allotment</b>
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 **FDUSL**. We offer no assurances that an active trading market for the Notes will develop and continue after the offering.

**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,

S-70

## **Table of Contents**

covering transactions and stabilizing transactions, which may have the effect of stabilizing or 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.

An affiliate of ING Financial Markets LLC, an underwriter in this offering, is the administrative agent and lender under our Credit Facility. We intend to use the net proceeds of



S-71

## **Table of Contents**

this offering to repay outstanding indebtedness under the Credit Facility. The collateral under the Credit Facility will not be released as a result of such repayment. As such, the affiliate of ING Financial Markets LLC will receive a portion of the net proceeds of this offering. Nonetheless, in accordance with Rule 5121 of FINRA, the appointment of a qualified independent underwriter is not necessary in connection with this offering because we, the issuer of the securities in this offering, are a BDC.

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.

S-72

**Table of Contents**

**Alternative Settlement Cycle**

We expect that delivery of the Notes will be made against payment therefor on or about \_\_\_\_\_, 2018, 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.

S-73

**Table of Contents**

**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. You may inspect and copy these reports, proxy statements and other information, as well as