FIDUS INVESTMENT Corp
Form 497
June 22, 2011
PROSPECTUS

Filed Pursuant to Rule 497
Registration Statement Nos. 333-172550 and 333-175051

4,670,000 Shares
FIDUS INVESTMENT CORPORATION
Common Stock

We provide customized mezzanine debt and equity financing solutions to lower middle-market companies located throughout the United States. Upon completion of this offering, we will be an externally managed, closed-end, non-diversified management investment company that will elect to be regulated as a business development company under the Investment Company Act of 1940, as amended. Our investment objective is to provide attractive risk-adjusted returns by generating both current income from our debt investments and capital appreciation from our equity related investments. Our strategy includes partnering with business owners, management teams and financial sponsors by providing customized financing for change of ownership transactions, recapitalizations, strategic acquisitions, business expansion and other growth initiatives.

This is an initial public offering of our shares of common stock. All of the shares of common stock offered by this prospectus are being sold by us. Our common stock has been approved for quotation on The Nasdaq Global Market under the symbol FDUS.

Our shares of common stock have no history of public trading. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, the risk of loss for purchasers in this offering will likely increase. Based on the initial public offering price of $15.00 per share, purchasers in this offering will experience immediate dilution of approximately $0.54 per share. See Dilution for more information.

In the formation transactions described in this prospectus, we will acquire 100.0% of the limited partnership interests of Fidus Mezzanine Capital, L.P., a Delaware limited partnership licensed as a small business investment company by the United States Small Business Administration. We will also acquire 100.0% of the membership interests in Fidus Mezzanine Capital, GP, LLC, the general partner of Fidus Mezzanine Capital, L.P. See Summary Formation Transactions for more information.

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

Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of the material risks of investing in our common stock, including the risk of leverage, in Risk Factors beginning on page 19 of this prospectus.

This prospectus contains important information you should know before investing in our common stock. Please read it before you invest and keep it for future reference. Upon completion of this offering, we will file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission (the SEC). This information will be available free of charge by contacting us at 1603 Orrington Avenue, Suite 820, Evanston, Illinois 60201, Attention: Investor Relations, by accessing our website at *http://www.fdus.com* or by calling us at (847) 859-3940. The SEC also maintains a website at *http://www.sec.gov* that contains such information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 15.00	$ 70,050,000
Sales load (underwriting discounts and commissions) on 4,262,236 shares sold directly to the public	$ 1.05	$ 4,475,348
Sales load (underwriting discounts and commissions) on 151,098 directed shares(1)	$ 0.375	$ 56,662
Proceeds to us, before expenses(2)	$ 14.03	$ 65,517,990

(1) No underwriting discount or commission will be paid on 256,666 directed shares sold to our directors and certain members of our management. A sales load (underwriting discount and commission) of $0.375 per share will be paid on 151,098 directed shares sold to certain members of our management and other parties affiliated with us.

(2) We estimate that we will incur offering expenses of approximately $1,650,000, or approximately $0.35 per share, in connection with this offering. All of these offering expenses will be borne indirectly by investors in this offering and will immediately reduce the net asset value of each investor s shares. We estimate that the net proceeds to us after expenses will be approximately $63.9 million, or approximately $13.68 per share.

In addition, the underwriters may purchase up to an additional 700,500 shares of our common stock at the public offering price, less the sales load payable by us, to cover over-allotments, if any, within 30 days from the date of this prospectus. If the underwriters exercise this option in full, the total sales load will be $5,267,535, and total proceeds, before expenses, will be $75,289,965.

The underwriters reserved up to 10.0% of the common stock being offered in this offering for sale, directly or indirectly, to our directors and members of our management, and to certain other parties affiliated with us.

The underwriters are offering the common stock as set forth in Underwriting. Delivery of the shares will be made on or about June 24, 2011.

Morgan Keegan

Baird

BB&T Capital Markets
A Division of Scott & Stringfellow, LLC

Oppenheimer & Co.

The date of this prospectus is June 20, 2011

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date. We will update these documents to reflect material changes only as required by law.

SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read this entire prospectus carefully, including, in particular, the more detailed information set forth under Risk Factors, the consolidated financial statements and the related notes of Fidus Mezzanine Capital, L.P. included elsewhere in this prospectus.

As used in this prospectus, except as otherwise indicated, the terms we, us and our refer to Fidus Mezzanine Capital, L.P., a Delaware limited partnership, for the periods prior to consummation of the formation transactions (described below) and this offering, and refer to Fidus Investment Corporation, a Maryland corporation, and its consolidated subsidiaries, including Fidus Mezzanine Capital, L.P., for the periods after the consummation of the formation transactions and this offering. As used in this prospectus the term our investment advisor refers to Fidus Capital, LLC prior to the consummation of our formation transactions and Fidus Investment Advisors, LLC after the consummation of our formation transactions. The investment professionals of Fidus Capital, LLC will be the investment professionals of Fidus Investment Advisors, LLC.

In conjunction with the pricing of this offering, in what we sometimes refer to in this prospectus as the formation transactions, Fidus Investment Corporation will acquire Fidus Mezzanine Capital, L.P. through the merger of Fidus Mezzanine Capital, L.P. with a wholly-owned subsidiary of Fidus Investment Corporation and a merger of Fidus Mezzanine Capital GP, LLC with and into a wholly-owned subsidiary of Fidus Investment Corporation. For a detailed discussion of such transactions, see Formation Transactions; Business Development Company and Regulated Investment Company Elections. In addition, upon consummation of the formation transactions, Fidus Mezzanine Capital, L.P. will terminate its management services agreement with Fidus Capital, LLC, and we will enter into an investment advisory and management agreement with Fidus Investment Advisors, LLC. In addition, Fidus Investment Advisors, LLC will serve as our administrator pursuant to a separate administration agreement.

When reading this prospectus, it is important to note that the historical financial statements and other historical financial information included herein are those of Fidus Mezzanine Capital, L.P. Prior to the consummation of the formation transactions and this offering, Fidus Mezzanine Capital, L.P. was not regulated as a business development company under the Investment Company Act of 1940, as amended (the 1940 Act), and therefore was not subject to certain restrictions imposed by the 1940 Act on business development companies; and, if Fidus Mezzanine Capital, L.P. had been regulated as a business development company under the 1940 Act, Fidus Mezzanine Capital, L.P. s performance may have been adversely affected. Upon consummation of this offering and the formation transactions, we will be an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the 1940 Act. In addition, for U.S. federal income tax purposes we intend to elect to be treated as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the Code).

Unless indicated otherwise or the context requires, all information in this prospectus assumes no exercise of the underwriters over-allotment option to purchase additional shares of our common stock and an initial public offering price of $15.00 per share.

Fidus Investment Corporation

We provide customized mezzanine 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. We were formed to continue and expand the business of Fidus Mezzanine Capital, L.P., a fund formed in February 2007 that is licensed by the United States Small Business Administration (the SBA) as a small business investment company (an SBIC) and to make investments in portfolio companies directly at the parent level. Upon consummation of this offering and the formation transactions, we will acquire Fidus Mezzanine Capital, L.P. as our wholly-owned SBIC subsidiary. Our investment strategy includes partnering with business owners, management teams and financial sponsors by providing customized financing for change of 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. Since commencing operations in 2007, we have invested an aggregate of $170.4 million in 21 portfolio companies.

We invest in companies that possess some or all of the following attributes: predictable revenues; positive cash flows; defensible and/or leading market positions; diversified customer and supplier bases; and proven management teams with strong operating discipline. We target companies in the lower middle-market with annual earnings, before interest, taxes, depreciation and amortization, or EBITDA, between $3.0 million and $20.0 million; however, we may from time to time opportunistically make investments in larger or smaller companies. We expect that our investments will typically range between $5.0 million and $15.0 million per portfolio company.

As of March 31, 2011, we had debt and equity investments in 16 portfolio companies with an aggregate fair value of $143.7 million. The weighted average yield on all of our debt investments as of March 31, 2011 was 14.9%. Yields are computed using the effective interest rates as of March 31, 2011, including accretion of original issue discount, divided by the weighted average cost of debt investments. 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. We believe the following factors will continue to provide us with opportunities to grow and deliver attractive returns to stockholders.

The lower middle-market represents a large, underserved market. According to Dun & Bradstreet, as of January 31, 2011, there were approximately 105,000 companies in the lower middle-market, defined as companies with revenues between $10.0 million and $150.0 million. We believe that lower middle-market companies, most of which are privately-held, are relatively underserved by traditional capital providers such as commercial banks, finance companies, hedge funds and collateralized loan obligation funds. Further, we believe that companies of this size generally are less leveraged relative to their enterprise value, as compared to larger companies with more financing options.

Recent credit market dislocation for lower middle-market companies has created an opportunity for attractive risk-adjusted returns. We believe the credit crisis that began in 2007 and the subsequent exit from lower middle-market lending of traditional capital sources, such as commercial banks, finance companies, hedge funds and collateralized loan obligation funds, has resulted in an increase in opportunities for alternative funding sources. In addition, we believe that there continues to be less competition in our market and an increased opportunity for attractive risk-adjusted returns. The remaining lenders and investors in the current environment are requiring lower amounts of senior and total leverage, increased equity commitments and more comprehensive covenant packages than was customary in the years leading up to the credit crisis.

Large pools of uninvested private equity capital should drive future transaction velocity. According to Pitchbook, as of June 30, 2010, there was approximately $42 billion of uninvested capital raised by private equity funds under $500.0 million in fund size with vintage years from 2005 to 2010. As a result, we expect that private equity firms will remain active investors in lower middle-market companies. Private equity funds generally seek to leverage their investments by combining their equity capital with senior secured loans and/or mezzanine debt provided by other sources, and we believe that our investment strategy positions us well to partner with such private equity investors.

Future refinancing activity is expected to create additional investment opportunities. A high volume of debt financings completed between the years 2005 and 2008 is expected to mature in the coming years. Based on Standard & Poor s LCD middle-market statistics, an aggregate of $113.9 billion middle-market loans were issued from 2004 to 2007 and are expected to mature in five to seven years. We believe this supply of opportunities coupled with limited financing providers will continue to produce for us investment opportunities with attractive risk-adjusted returns.

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. Our investment advisor s investment professionals have an average of over 20 years of experience investing in, lending to and advising companies across changing market cycles. These professionals have diverse backgrounds with prior experience in senior management positions at investment banks, specialty finance companies, commercial banks and privately and publicly held companies and have extensive experience investing across all levels of the capital structure of middle-market companies. The members of our investment advisor have invested more than $750 million in mezzanine debt, senior secured debt (including unitranche debt) and equity securities of primarily lower middle-market companies. We believe this experience provides our investment advisor with an in-depth understanding of the strategic, financial and operational challenges and opportunities of lower middle-market companies. Further, we believe this understanding positions our investment advisor to effectively identify, assess, structure and monitor our investments.

Capitalizing on Our Strong Transaction Sourcing Network. Our investment advisor s investment professionals possess an extensive network of long-standing relationships with private equity firms, middle-market senior lenders, junior-capital partners, financial intermediaries and management teams of privately owned businesses. We believe that the combination of these relationships and our reputation as a reliable, responsive and value-added financing partner helps generate a steady stream of new investment opportunities and proprietary deal flow. Further, we anticipate that we will obtain leads from our greater visibility as a publicly-traded business development company. Since commencing operations in 2007, the investment professionals of our investment advisor have reviewed over 850 investment opportunities primarily in lower middle-market companies through March 31, 2011.

Serving as a Value-Added Partner with Customized Financing Solutions. We follow a partnership-oriented approach in our investments and focus on opportunities where we believe we can add value to a portfolio company. We primarily concentrate on industries or market niches in which the investment professionals of our investment advisor have prior experience. The investment professionals of our investment advisor also have expertise in structuring securities at all levels of the capital structure, which we believe positions us well to meet the needs of our portfolio companies. We will invest in mezzanine debt securities, typically coupled with an equity interest; however, on a selective basis we may invest in senior secured or unitranche loans. Further, as a publicly-traded business development company, we will have a longer investment horizon without the capital return requirements of traditional private investment vehicles. We believe this flexibility will enable us to generate attractive risk-adjusted returns on invested capital and enable us to be a better long-term partner for our portfolio companies. We believe that by leveraging the industry and structuring expertise of our investment advisor coupled with our long-term investment horizon, we are well positioned to be a value-added partner for our portfolio companies.

Employing Rigorous Due Diligence and Underwriting Processes Focused on Capital Preservation. Our investment advisor follows a disciplined and credit-oriented approach to evaluating and investing in companies. We focus on companies with proven business models, significant free cash flow, defensible market positions and significant enterprise value cushion for our debt investments. In making investment decisions, we seek to minimize the risk of capital loss without foregoing the opportunity for capital appreciation. Our investment advisor s investment professionals have developed extensive due diligence and underwriting processes designed to assess a portfolio company s prospects and to determine the appropriate investment structure. Our investment advisor thoroughly analyzes each potential portfolio company s competitive position, financial performance, management team, growth potential and industry attractiveness. As part of this process, our investment advisor also participates in meetings with management, tours of facilities, discussions with industry professionals and third-party reviews. We believe this approach enables us to build and maintain an attractive investment portfolio that meets our return and value criteria over the long term.

Actively Managing our Portfolio. We believe that our investment advisor s initial and ongoing portfolio review process allows us to effectively monitor the performance and prospects of our portfolio companies. We seek to obtain board observation rights or board seats with respect to our portfolio companies, and we conduct monthly financial reviews and regular discussions with portfolio company management. We structure our investments with a comprehensive set of financial maintenance, affirmative and negative covenants. We believe that active monitoring of our portfolio companies covenant compliance provides us with an early warning of any financial difficulty and enhances our ability to protect our invested capital.

Maintaining Portfolio Diversification. We seek to maintain a portfolio of investments that is diversified among companies, industries and geographic regions. We have made investments in portfolio companies in the following industries: business services, industrial products and services, value-added distribution, healthcare products and services, consumer products and services (including retail, food and beverage), defense and aerospace, transportation and logistics, government information technology services and niche manufacturing. We believe that maintaining a diversified portfolio helps mitigate the potential effects of negative economic events for particular companies, regions and industries.

Benefiting from Lower Cost of Capital. Fidus Mezzanine Capital, L.P. s SBIC license allows us to issue debt securities that are guaranteed by the SBA, which we refer to as SBA debentures. These SBA debentures carry long-term fixed rates that are generally lower than rates on comparable bank and public debt. Because lower-cost SBA leverage is, and will continue to be, a significant part of our funding strategy, our relative cost of debt capital should be lower than many of our competitors. We may also apply for a second SBIC license through which we may issue more SBA debentures to fund additional investments; however, we can make no assurances that, if we do apply, the SBA will approve such application. The SBA regulations currently limit the amount that is available to be borrowed by Fidus Mezzanine Capital, L.P. to $150.0 million. If we apply and are approved by the SBA for a second SBIC license, the maximum amount of outstanding SBA debentures for two or more SBICs under common control cannot exceed $225.0 million.

Investment Criteria/Guidelines

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

Value Orientation / Positive Cash Flow. Our investment advisor places a premium on analysis of business fundamentals from an investor s perspective and has a distinct value orientation. We focus on companies with proven business models in which we can invest at relatively low multiples of operating cash flow. We also typically invest in 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 invest in companies that have developed defensible and/or leading positions within their respective markets or market niches and are well positioned to capitalize on growth opportunities. We favor companies that demonstrate significant competitive advantages, which we believe helps to protect their market position and profitability.

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

Significant Invested Capital. We believe the existence of significant underlying equity value provides important support to our debt investments. With respect to our debt investments, we look for portfolio companies where we believe aggregate enterprise value significantly exceeds aggregate indebtedness, after consideration of our investment.

Viable Exit Strategy. We invest in companies that we believe will provide a steady stream of cash flow to repay our loans and reinvest in their respective businesses. In addition, we also seek to invest in 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 company resulting in repayment of all outstanding debt and equity; (b) the recapitalization of the 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 company. In some investments, there may be scheduled amortization of some portion of our debt investment which would result in a partial exit of our investment prior to the maturity of the debt investment.

Portfolio Companies

As of March 31, 2011, 76.4% of our investments were mezzanine debt, 14.1% were senior secured debt and 9.5% were equity securities based on cost. Based upon information provided to us by our portfolio companies (which we have not independently verified), our portfolio had a total net debt to EBITDA ratio of approximately 3.5 to 1.0 and an EBITDA to interest expense ratio of 3.0 to 1.0. In calculating these ratios, we included all portfolio company debt, EBITDA and interest expense as of December 31, 2010, including debt junior to our debt investments. If we excluded debt junior to our debt investments in calculating these ratios, the ratios would be 3.4 to 1.0 and 3.1 to 1.0, respectively. At March 31, 2011, we had an equity ownership in 81.3% of our portfolio companies and the average fully diluted equity ownership in such portfolio companies was 9.2%.

The following table sets forth the cost and fair value of our investments by portfolio company as of March 31, 2011.

Company	**Nature of Principal Business**	**Type**	**Cost of Investment**	**Fair Value of Investment**
			(Dollars in thousands)	
Avrio Technology Group, LLC	Provider of electronic components and software	Debt/Equity	$ 9,185	$ 9,185
Brook & Whittle Limited	Specialty label printer	Debt/Equity	8,298	8,581
Caldwell & Gregory, LLC	Laundry room operator	Debt/Equity	9,257	9,753
Casino Signs & Graphics, LLC	Sign manufacturer	Debt	4,500	934
Connect-Air International, Inc.	Distributor of wire and cable assemblies	Debt/Equity	9,106	9,106
Fairchild Industrial Products Company	Manufacturer of pneumatic and mechanical process controls	Debt	9,150	9,150
Goodrich Quality Theaters, Inc.	Movie theater operator	Debt/Equity	12,647	14,265
Interactive Technology Solutions, LLC	Government information technology services	Debt/Equity	5,565	5,465
Jan-Pro International, LLC	Franchisor of commercial cleaning services	Debt/Equity	8,136	7,995
K2 Industrial Services, Inc.	Industrial cleaning and coatings	Debt	8,000	8,240
Paramount Building Solutions, LLC	Janitorial services provider	Debt/Equity	7,553	9,361
Simplex Manufacturing Co.	Provider of helicopter tank systems	Debt/Equity	4,924	4,393
TBG Anesthesia Management, LLC	Physician management company	Debt/Equity	11,076	11,456
Tulsa Inspection Resources, Inc.	Pipeline inspection services	Debt/Equity	4,728	4,432
Westminster Cracker Company, Inc.	Specialty cracker manufacturer	Debt/Equity	7,863	7,863
Worldwide Express Operations, LLC	Franchisor of shipping and logistics services	Debt/Equity	18,680	23,473

Total:	$	138,668	$	143,652

Recent Developments

On April 6, 2011, we invested $8.1 million of subordinated debt and equity securities in Nobles Manufacturing, Inc., a leading manufacturer of ammunition feed systems and components and centrifugal dryers.

On April 12, 2011, we invested $4.8 million of subordinated debt and equity securities in Medsurant Holdings, LLC, a provider of intraoperative monitoring technology and services.

In April 2011, Fidus Mezzanine Capital, L.P. made a $1.5 million distribution to its general and limited partners.

About Our Advisor

The investment activities of Fidus Mezzanine Capital, L.P. are currently managed by Fidus Capital, LLC. Upon consummation of the formation transactions and this offering, Fidus Mezzanine Capital, L.P. will terminate the current management services agreement with Fidus Capital, LLC, and we will enter into an investment advisory and management agreement (the Investment Advisory Agreement) with Fidus Investment Advisors, LLC, as our investment advisor. The investment professionals of Fidus Capital, LLC, who are also the investment professionals of Fidus Investment Advisors, LLC, are responsible for 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. Fidus Investment Advisors, LLC is a newly formed Delaware limited liability company that is a registered investment advisor under the Investment Advisers Act of 1940, as amended (the Advisers Act). In addition, Fidus Investment Advisors, LLC will serve as our administrator pursuant to an administration agreement (the Administration Agreement). Our investment advisor has no prior experience managing or administering any business development company.

Our relationship with our investment advisor will be governed by and dependent on the Investment Advisory Agreement and may be subject to conflicts of interest. See Related-Party Transactions and Certain Relationships Conflicts of Interest. Pursuant to the terms of the Investment Advisory Agreement, our investment advisor will provide us with advisory services in exchange for a base management fee and incentive fee. See Management and Other Agreements Investment Advisory Agreement for a discussion of the base management fee and incentive fee payable by us to our investment advisor. These fees are based on our total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts); therefore, our investment advisor will benefit when we incur debt or use leverage. See Risk Factors Our incentive fee structure may create incentives for our investment advisor that are not fully aligned with the interests of our stockholders. Our board of directors is charged with protecting our interests by monitoring how our investment advisor addresses these and other conflicts of interest associated with its management services and compensation. While our board of directors is not expected to review or approve each borrowing or incurrence of leverage, our independent directors will periodically review our investment advisor s services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors will consider whether the fees and expenses (including those related to leverage) that we pay to our investment advisor remain appropriate.

Formation Transactions

Fidus Investment Corporation is a newly organized Maryland corporation formed on February 14, 2011, for the purpose of raising capital in this offering, acquiring 100.0% of the equity interests in Fidus Mezzanine Capital, L.P. and Fidus Mezzanine Capital GP, LLC, and thereafter operating as an externally managed, closed-end, non-diversified management investment company that elects to be regulated as a business development company under the 1940 Act. Immediately prior to our election to be treated as a business

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development company under the 1940 Act and the pricing of this offering, we will consummate the following formation transactions:

We will acquire 100.0% of the limited partnership interests in Fidus Mezzanine Capital, L.P. through the merger of Fidus Mezzanine Capital, L.P. with a limited partnership that is our wholly-owned subsidiary. As a result of this merger, Fidus Mezzanine Capital, L.P. will be the surviving entity and will become our wholly-owned subsidiary, retain its SBIC license, continue to hold its existing investments and make new investments with a portion of the net proceeds of this offering. Fidus Mezzanine Capital, L.P. will also elect to be regulated as a business development company under the 1940 Act. The limited partners hold 91.3% of the partnership interests of Fidus Mezzanine Capital, L.P. In exchange for their partnership interests, we will issue 3,702,778 shares of common stock, at the initial offering price of $15.00 per share, to the limited partners of Fidus Mezzanine Capital, L.P. having an aggregate value of $55.5 million (which represents the limited partners share of the net asset value of Fidus Mezzanine Capital, L.P. as of the most recent quarter end for which financial statements have been included in this prospectus, plus any additional cash contributions to Fidus Mezzanine Capital, L.P. by the limited partners following such quarter end but prior to the closing of the merger, less any cash distributions to the limited partners following such quarter end but prior to the closing of the merger).

We will acquire 100.0% of the equity interests in Fidus Mezzanine Capital GP, LLC, the general partner of Fidus Mezzanine Capital, L.P., from the members of Fidus Mezzanine Capital GP, LLC through the merger of Fidus Mezzanine Capital GP, LLC with and into Fidus Investment GP, LLC, our wholly-owned subsidiary. Fidus Investment GP, LLC will be the surviving entity and, as a result, we will acquire 100.0% of the general partnership interest in Fidus Mezzanine Capital, L.P. Fidus Mezzanine Capital GP, LLC holds 8.7% of the partnership interests in Fidus Mezzanine Capital, L.P. and no other interests or assets. The members of Fidus Mezzanine Capital GP, LLC will not receive any consideration in exchange for their carried interest in Fidus Mezzanine Capital, L.P. In exchange for its partnership interests in Fidus Mezzanine Capital, L.P., we will issue 353,743 shares of common stock, at the initial offering price of $15.00 per share, to Fidus Mezzanine Capital GP, LLC having an aggregate value of $5.3 million (which consideration has been calculated on the same basis as the consideration paid to the limited partners of Fidus Mezzanine Capital, L.P. described above). Such shares will be distributed to the members of Fidus Mezzanine Capital GP, LLC in exchange for their equity interest in Fidus Mezzanine Capital GP, LLC.

Fidus Mezzanine Capital GP, LLC and the limited partners of Fidus Mezzanine Capital, L.P. have each approved the formation transactions. Prior to consummation of the formation transactions, we must also receive the approval of the SBA.

Upon consummation of the formation transactions, Fidus Mezzanine Capital, L.P. will terminate its management services agreement with Fidus Capital, LLC, and we will enter into the Investment Advisory Agreement with Fidus Investment Advisors, LLC, our investment advisor. The investment professionals of Fidus Capital, LLC are also the investment professionals of Fidus Investment Advisors, LLC.

The following diagram depicts our organizational structure upon completion of this offering (assuming the underwriters do not exercise their over-allotment option) and the formation transactions described elsewhere in this prospectus:

Operating and Regulatory Structure

Our investment activities will be managed by our investment advisor under the direction of our board of directors and the board of directors of Fidus Mezzanine Capital, L.P., a majority of whom are independent of us, Fidus Mezzanine Capital, L.P., our investment advisor and our and their respective affiliates. We have no prior history of operating as a business development company, and our investment advisor has no prior experience managing or administering any business development company.

As business development companies, we and Fidus Mezzanine Capital, L.P., will be required to comply with certain regulatory requirements. For example, while we are permitted to finance investments using leverage, which may include the issuance of shares of preferred stock, or notes and other borrowings, our ability to use leverage is limited in significant respects. See Regulation. Any decision on our part to use leverage will depend upon our assessment of the attractiveness of available investment opportunities in relation to the costs and perceived risks of such leverage. The use of leverage to finance investments creates certain risks and potential conflicts of interest. See Risk Factors Risks Relating to our Business and Structure Regulations governing our operation as a business development company will 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, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us.

We intend to elect to be treated for federal income tax purposes as a RIC under the Code. In order to be treated as a RIC, we must satisfy certain source of income, asset diversification and distribution requirements. See Material U.S. Federal Income Tax Considerations.

Risk Factors

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

- our inexperience operating a business development company;
- our dependence on key personnel of our investment advisor and our executive officers;
- our ability to maintain or develop referral relationships;
- our ability to manage our business effectively;
- our use of leverage;
- uncertain valuations of our portfolio investments;
- competition for investment opportunities;
- potential divergent interests of our investment advisor and our stockholders arising from our incentive fee structure;
- actual and potential conflicts of interest with our investment advisor;
- constraint on investment due to access to material nonpublic information;

other potential conflicts of interest;

SBA regulations affecting our wholly-owned SBIC subsidiary;

changes in interest rates;

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

fluctuations in our quarterly operating results;

our ability to qualify and maintain our qualification as a RIC and as a business development company;

- risks associated with the timing, form and amount of any dividends or distributions;
- changes in laws or regulations applicable to us;
- our ability to obtain exemptive relief from the SEC;
- 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;
- our ability to invest in qualifying assets; and
- our ability to identify and timely close on investment opportunities.

See Risk Factors beginning on page 19 and the other information included in this prospectus for additional discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

Corporate Information

Our principal executive offices are located at 1603 Orrington Avenue, Suite 820, Evanston, Illinois 60201, and our telephone number is (847) 859-3940. Our corporate website is located at *http://www.fdus.com*. Information on our website is not incorporated into or a part of this prospectus.

The Offering

Common stock offered by us	4,670,000 shares (or 5,370,500 shares if the underwriters exercise their over-allotment option in full).
Common stock issued in formation transactions	4,056,521 shares
Common stock to be outstanding after this offering	8,726,521 shares (or 9,427,021 shares if the underwriters exercise their over-allotment option in full).
Use of proceeds	Our net proceeds from this offering will be approximately $63.9 million, or approximately $73.6 million if the underwriters exercise their over-allotment option in full. We intend to use the net proceeds of this offering to invest in portfolio companies through Fidus Mezzanine Capital, L.P. or directly in accordance with our investment objective and the strategies described in this prospectus, to make distributions to our stockholders and for general corporate purposes, which may include the establishment of a second SBIC, through which we would make additional investments. We will also pay operating expenses, including management and administrative fees, and may pay other expenses from the net proceeds of this offering. Pending such investments, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. Government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. See Use of Proceeds.
The Nasdaq Global Market Symbol	FDUS
Investment advisory fee	We will 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, on a cumulative basis from inception through the end of the year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. See Management and Other Agreements Investment Advisory Agreement.

Distributions	Subsequent to the completion of this offering, and to the extent we have income and cash available, we intend to distribute quarterly dividends to our stockholders, beginning with the first full calendar

	quarter after the completion of this offering. Our quarterly dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution.
Dividend reinvestment plan	We have adopted a dividend reinvestment plan for our stockholders, which is an opt out dividend reinvestment plan. Under this plan, if we declare a cash dividend or other distribution, our stockholders who have not opted out of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution. If a stockholder opts out, that stockholder will receive cash dividends or other distributions. Stockholders who receive dividends and other distributions in the form of shares of common stock generally are subject to the same U.S. federal tax consequences as stockholders who elect to receive their distributions in cash; however, since their cash dividends will be reinvested, such stockholders will not receive cash with which to pay any applicable taxes on reinvested dividends. See Dividend Reinvestment Plan.
Taxation	We intend to elect to be treated, and intend to qualify thereafter, as a RIC under the Code, beginning with our first taxable year ending December 31, 2011. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders. To obtain and maintain RIC tax treatment, we must distribute at least 90.0% of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. See Distributions and Material U.S. Federal Income Tax Considerations.
Risk factors	An investment in our common stock is subject to risks. See Risk Factors beginning on page 19 of this prospectus to read about factors you should consider before deciding to invest in shares of our common stock.
Effective trading at a discount	Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. We are not generally able to issue and sell our common stock at a price below our net asset value per share unless we have stockholder approval. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value. See Risk Factors.
Available information	We have filed with the SEC a registration statement on Form N-2, of which this prospectus is a part, under the Securities Act of 1933, as amended (the Securities Act). This registration statement contains additional information about us and the shares of our common stock being offered by this prospectus. After the completion of this offering, we will be required to file periodic reports, current reports, proxy statements and other information with the SEC. This information will be available at the

SEC s

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public reference room at 100 F. Street, N.E., Washington, D.C. 20549 and on the SEC s website at *http://www.sec.gov.* Information on the operation of the SEC s public reference room may be obtained by calling the SEC at 1-800-SEC-0330.

We maintain a website at *http://www.fdus.com* and intend to make all of our periodic and current reports, proxy statements and other information available, free of charge, on or through our website. Information on our website is not incorporated into or part of this prospectus. You may also obtain such information free of charge by contacting us in writing at 1603 Orrington Avenue, Suite 820, Evanston, Illinois 60201.

Selected Consolidated Financial and Other Data

The following selected consolidated financial data of Fidus Mezzanine Capital, L.P. as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 is derived from the consolidated financial statements that have been audited by McGladrey & Pullen, LLP, independent auditors. Fidus Mezzanine Capital, L.P. s consolidated financial data for the period from May 1, 2007 (inception) through December 31, 2007, statement of assets and liabilities at December 31, 2008 and three-month periods ended March 31, 2010 and 2011, is unaudited. However, in the opinion of Fidus Mezzanine Capital, L.P., all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been made. This financial data should be read in conjunction with Fidus Mezzanine Capital, L.P. s consolidated financial statements and the notes thereto included elsewhere in this prospectus and with Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Period from May 1 (Inception) through December 31, 2007 (Unaudited)	Year Ended December 31, 2008	2009	2010	Three Months Ended March 31, 2010 (Unaudited)	2011
			(Dollars in thousands)			
Statement of operations data:						
Total investment income	$ 1,312	$ 7,504	$ 14,184	$ 17,985	$ 4,222	$ 4,794
Interest expense	272	1,994	3,688	4,962	1,089	1,324
Management fees, net	1,787	3,087	2,969	3,436	756	1,036
All other expenses	496	179	431	627	52	104
Net investment income	(1,243)	2,244	7,096	8,960	2,325	2,330
Net realized (loss) on investments			(5,551)	(3,858)	(2)	(7,935)
Net unrealized appreciation (depreciation) on investments		(750)	(3,137)	(78)	(5,744)	8,948
Net increase (decrease) in net assets resulting from operations	$ (1,243)	$ 1,494	$ (1,592)	$ 5,024	$ (3,421)	$ 3,343
Other data:						
Weighted average annual yield on debt investments[1]	15.7%	15.0%	15.6%	15.0%	15.5%	14.9%
Number of portfolio companies at year end	4	9	15	17	16	16
Expense ratios (as percentage of average net assets):						
Operating expenses	23.7%	12.4%	7.5%	8.6%	1.7%	2.0%
Interest expense	2.8%	7.6%	8.0%	10.5%	2.3%	2.3%

(1) Yields are computed using the effective interest rates, including accretion of original issue discount, divided by the weighted average cost of debt investments.

	As of December 31,				As of March 31,
	2007	**2008**	**2009**	**2010**	**2011**
	(Unaudited)				**(Unaudited)**
			(Dollars in thousands)		
Statement of assets and liabilities data:					
Total investments at fair value	$ 33,151	$ 75,849	$ 122,900	$ 141,341	$ 143,652
Total assets	34,905	79,786	129,650	147,377	157,205
Borrowings	15,250	46,450	79,450	93,500	94,250
Total net assets	19,591	32,573	48,481	52,005	62,348

FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	7.0%(1)
Offering expenses borne by us (as a percentage of offering price)	2.4%(2)
Dividend reinvestment plan expenses	None (3)
Total stockholder transaction expenses paid by us (as a percentage of offering price)	9.4%
Estimated annual expenses (as a percentage of net assets attributable to common stock):	
Base management fee	3.1%(4)
Incentive fees payable under Investment Advisory Agreement	%(5)
Interest payments on borrowed funds	4.0%(6)
Other expenses (estimated)	1.1%(7)
Total annual expenses (estimated)	8.2%(8)

(1) The underwriting discount and commission with respect to shares of our common stock sold in this offering, which is a one-time fee paid to the underwriters, is the only sales load paid in connection with this offering. Pursuant to a directed share program, the underwriters reserved up to 10.0% of the common stock being offered in this offering for sale, directly or indirectly, to our directors, members of our management, and to certain other parties affiliated with us. See Underwriting Directed Share Program. No underwriting discount (sales load) will be paid on directed shares sold to our directors and certain members of our management. The underwriting discount (sales load) with respect to shares sold to certain members of our management and other parties affiliated with us will be $0.375 per share.

(2) Amount reflects estimated offering expenses of approximately $1,650,000.

(3) The expenses of the dividend reinvestment plan are included in other expenses. See Dividend Reinvestment Plan.

(4) Our base management fee will be 1.75% of the average value of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts). For the purposes of this table, we have assumed that we maintain no cash or cash equivalents and that the base management fee will remain at 1.75% as set forth in the Investment Advisory Agreement. We may from time to time decide it is appropriate to change the terms of the Investment Advisory Agreement. Under the 1940 Act, any material change to our Investment Advisory Agreement must be submitted to stockholders for approval. The 3.1% reflected in the table is calculated on our net assets (rather than our total assets). See Management and Other Agreements Investment Advisory Agreement.

(5) We may have capital gains and interest income that could result in the payment of an incentive fee to our investment advisor in the first year after the completion of this offering. However, the incentive fee payable to our investment advisor is based on our performance and will not be paid unless we achieve certain goals. As we cannot predict whether we will meet the necessary performance targets, we have assumed an incentive fee of 0.0% in this chart.

The incentive fee consists of two parts:

The first, payable quarterly in arrears, equals 20.0% of our pre-incentive fee net investment income (including interest that is accrued but not yet received in cash), subject to a 2.0% quarterly (8.0% annualized) hurdle rate and a catch-up provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, our investment advisor receives no incentive fee until our pre-incentive fee net investment income equals the hurdle rate of 2.0% but then receives, as a catch-up, 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.5% in any calendar quarter, our investment advisor will receive 20.0% of our pre-incentive fee net investment income as if a hurdle rate did not apply.

The second part, payable annually in arrears, equals 20.0% of our realized capital gains on a cumulative basis from inception through the end of the fiscal year, if any (or upon the termination of the Investment Advisory Agreement, as of the termination date), computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. We will accrue, but not pay, a capital gains incentive fee in connection with any net unrealized appreciation, as appropriate.

See Management and Other Agreements Investment Advisory Agreement.

(6) Interest payments on borrowed funds include interest payments on the $93.5 million of outstanding SBA debentures of Fidus Mezzanine Capital, L.P. as of March 31, 2011, which will be our wholly-owned subsidiary upon the consummation of the formation transactions and this offering. We have not directly issued any indebtedness.

(7) Includes our overhead expenses, including expenses directly incurred by Fidus Mezzanine Capital, L.P., which will be our wholly-owned subsidiary upon the consummation of the formation transactions and this offering payments under the Administration Agreement based on our allocable portion of overhead and other expenses incurred by our investment advisor. See Management and Other Agreements Administration Agreement. Other expenses are based on estimated amounts for the current fiscal year.

(8) Total annual expenses as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We intend to borrow money to leverage our net assets and increase our total assets. The SEC requires that the total annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been purchased with borrowed amounts. If the total annual expenses percentage were calculated instead as a percentage of consolidated total assets, our total annual expenses would be 4.6% of consolidated total assets.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage, that none of our assets are cash or cash equivalents and that our annual operating expenses would remain at the levels set forth in the table above. Transaction expenses are not included in the following example.

	1 Year	3 Years	5 Years	10 Years

You would pay the following expenses on a $1,000 investment, assuming a 5.0% annual return	$ 177.6	$ 337.2	$ 486.1	$ 816.3

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. The incentive fee under the Investment Advisory Agreement, which, assuming a 5.0% annual return, would either not be payable or have an insignificant impact on the expense amounts shown above, is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, if our board of directors authorizes and we declare a cash dividend, participants in our dividend reinvestment plan who have not otherwise elected to receive cash will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the dividend. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

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

RISK FACTORS

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

Risks Relating to Our Business and Structure

We have never operated as a business development company or qualified to be treated as a RIC, and our investment advisor has never managed a business development company or a RIC, and we may not be able to operate our business successfully or generate sufficient revenue to make or sustain distributions to our stockholders.

Fidus Mezzanine Capital, L.P. commenced operations and obtained a license to operate as an SBIC in 2007. Prior to this offering we will have never operated as a business development company or qualified to be treated as a RIC, and our investment advisor will have never managed any business development company. In addition, we have never operated an SBIC as a business development company. As a result, we have no operating results under these regulatory frameworks that can demonstrate to you either their effect on our business or our ability to manage our business under these frameworks. We will be subject to the business risks and uncertainties associated with new entities of these types, including the risk that we will not achieve our investment objective, or that we will not qualify or maintain our qualification to be treated as a RIC, and that the value of your investment could decline substantially.

The 1940 Act and the Code impose numerous constraints on the operations of business development companies and RICs. Business development companies are required, for example, to invest at least 70.0% of their total assets in qualifying assets, which generally include securities of U.S. private or thinly traded public companies, cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less from the date of investment. Any failure to comply with the requirements imposed on business development companies by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. Moreover, qualification for treatment as a RIC requires satisfaction of source-of-income, asset diversification and distribution requirements. Neither we nor our investment advisor has any experience operating under these constraints. These constraints may hinder our ability to take advantage of attractive investment opportunities and to achieve our investment objective.

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

We depend on the investment expertise, skill and network of business contacts of the managing members of our investment advisor, who evaluate, negotiate, structure, execute and monitor our investments. We also depend upon the expertise of our executive officers. Our future success will depend to a significant extent on the continued service and coordination of the investment professionals of our investment advisor and executive officers, particularly Edward H. Ross; John J. Ross, II; B. Bragg Comer, III; Thomas C. Lauer; W. Andrew Worth; and Cary L. Schaefer. Although

Messrs. E. Ross, Comer, Lauer and Worth and Ms. Schaefer intend to devote all of their business time to our operations, they may have other demands on their time in the future. Mr. J. Ross will not devote all of his business time to our operations and will have other demands on his time as a result of other activities. The departure of any of these individuals could have a material adverse effect on our ability to achieve our investment objective.

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

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

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

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

Even if we are able to grow and build upon our investment operations in a manner commensurate with the increased capital available to us as a result of this offering, any failure to manage our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects. Our results of operations depend on many factors, including the availability of opportunities for investment, readily accessible short and long-term funding alternatives in the financial markets and economic conditions. Furthermore, if we cannot successfully operate our business or implement our investment policies and strategies, it could negatively impact our ability to pay dividends and cause you to lose all or part of your investment.

Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us.

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

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

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

Assumed Return on Our Portfolio
(Net of Expenses)

	(10.0)%	**(5.0)%**	**0.0%**	**5.0%**	**10.0%**
Corresponding return to common stockholder(1)	(33.3)%	(20.7)%	(8.1)%	4.5%	17.1%

(1) Assumes $157.2 million in total assets, $93.5 million in outstanding SBA debentures and $62.3 million in net assets as of March 31, 2011 and an average cost of funds of 5.4%.

Many of our portfolio investments will be recorded at fair value as determined in good faith by our board of directors, and, as a result, there may be uncertainty as to the value of our portfolio investments.

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

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

We will adjust quarterly the valuation of our portfolio to reflect the determination of our board of directors of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of operations as net change in unrealized appreciation or depreciation.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material. Declines in prices and liquidity in the corporate debt markets may also result in significant net unrealized depreciation in our debt portfolio. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such investments.

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

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

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

Our incentive fee structure may create incentives for our investment advisor that are not fully aligned with the interests of our stockholders.

In the course of our investing activities, we will pay management and incentive fees to our investment advisor. These fees are based on our total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts). As a result, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in a lower rate of return than one might achieve through direct investments. Because these fees are based on our total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts), our investment advisor will benefit when we incur debt or use leverage. This fee structure may encourage our investment advisor to cause us to borrow money to finance additional investments. Under certain circumstances, the use of borrowed money may increase the likelihood of default, which would disfavor our stockholders. Our board of directors is charged with protecting our interests by monitoring how our investment advisor addresses these and other conflicts of interests associated with its management services and compensation. While our board of directors is not expected to review or approve each borrowing or incurrence of leverage, our independent directors will periodically review our investment advisor s services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors will consider whether our fees and expenses (including those related to leverage) remain appropriate. As a result of this arrangement, our investment advisor may from time to time have interests that differ from those of our stockholders, giving rise to a conflict.

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

The valuation process for certain of our portfolio holdings creates a conflict of interest.

A substantial portion of our portfolio investments are expected to be made in the form of securities that are not publicly traded. As a result, our board of directors will determine the fair value of these securities in good faith pursuant to our valuation policy. In connection with that determination, investment professionals from our investment advisor prepare portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. In addition, certain members of our board of directors, including Messrs. E. Ross and Lauer, have a pecuniary interest in our investment advisor. The participation of our investment advisor s investment professionals in our valuation process, and the pecuniary interest in our investment advisor by certain members of our board of directors, would result in a conflict of interest as the management fee that we will pay our investment advisor is based on our gross assets.

Our incentive fee may induce our investment advisor to make speculative investments.

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

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

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

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

Although our investment advisor currently contemplates that we will be the only investment vehicle managed by it, we may in the future have conflicts of interest with our investment advisor or its respective other clients that elect to invest in similar types of securities as we will invest. Our investment advisor s investment committee serves or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds or other investment vehicles managed by our investment advisor. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of us or our stockholders. Our investment advisor will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with an allocation policy approved by our board of directors.

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

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

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

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

The Investment Advisory Agreement and the Administration Agreement with our investment advisor were not negotiated on an arm s length basis and may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

The Investment Advisory Agreement and the Administration Agreement were negotiated between related parties. Consequently, their terms, including fees payable to our investment advisor, may not be as favorable to us as if they had been negotiated with an unaffiliated third party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights and remedies under these agreements because of our desire to maintain our ongoing relationship with our investment advisor.

Our wholly-owned subsidiary, Fidus Mezzanine Capital, L.P., is licensed by the SBA, and therefore, subject to SBA regulations.

Our wholly-owned subsidiary, Fidus Mezzanine Capital, L.P., is licensed to operate as an SBIC and is regulated by the SBA. Under current SBA regulations, a licensed SBIC can provide capital to those entities that have a tangible net worth not exceeding $18.0 million and an average annual net income after U.S. federal income taxes not exceeding $6.0 million for the two most recent fiscal years. In addition, a licensed SBIC must devote 25.0% of its investment activity to those entities that have a tangible net worth not exceeding $6.0 million and an average annual net income after U.S. federal income taxes not exceeding $2.0 million for the two most recent fiscal years. The SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on either the number of employees or the gross sales. The SBA regulations permit licensed SBICs to make long term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in certain prohibited industries. Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA staff to determine its compliance with the relevant SBA regulations. Compliance with these SBA requirements may cause Fidus Mezzanine Capital, L.P. to forego attractive investment opportunities that are not permitted under the SBA regulations, and may cause Fidus Mezzanine Capital, L.P. to make investments it otherwise would not make in order to remain in compliance with these regulations.

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

SBA regulations limit the amount that may be borrowed from the SBA by an SBIC.

The SBA regulations currently limit the amount that is available to be borrowed by any SBIC and guaranteed by the SBA to 300.0% of an SBIC s regulatory capital or $150.0 million, whichever is less. For two or more SBICs under common control, the maximum amount of outstanding SBA debentures cannot exceed $225.0 million. As of March 31, 2011, Fidus Mezzanine Capital, L.P. had $93.5 million of SBA debentures. With $75.9 million of regulatory capital as of March 31, 2011, Fidus Mezzanine Capital, L.P. has the current capacity to issue up to a total of $150.0 million of SBA debentures. If Fidus Mezzanine Capital, L.P. borrows the maximum amount from the SBA and thereafter requires additional capital, our cost of capital may increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

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

The debentures issued by Fidus Mezzanine Capital, L.P. to the SBA have a maturity of ten years and bear interest semi-annually at fixed rates. Fidus Mezzanine Capital, L.P. will need to generate sufficient cash flow to make required debt payments to the SBA. If Fidus Mezzanine Capital, L.P. is unable to generate such cash flow, the SBA, as a debt holder, will have a superior claim to our assets over our stockholders in the event it liquidates or the SBA exercises its remedies under such debentures as the result of a default by Fidus Mezzanine Capital, L.P.

Fidus Mezzanine Capital, L.P., as an SBIC, will be limited in its ability to make distributions to us, which could result in us being unable to meet the minimum distribution requirements to qualify as a RIC.

In order to qualify as a RIC, we will be required to distribute on an annual basis 90.0% of our taxable income. For this purpose, our taxable income will include the income of Fidus Mezzanine Capital, L.P. (and possibly other subsidiaries, if any). Fidus Mezzanine Capital, L.P. s ability to make distributions to us may be limited by the Small Business Investment Act of 1958. As a result, in order to qualify and maintain our status as a RIC, we may be required to make distributions attributable to Fidus Mezzanine Capital, L.P. s income without receiving cash distributions from it with respect to such income. We can make no assurances that Fidus Mezzanine Capital, L.P. will be able to make, or not be limited in making, distributions to us. If we are unable to satisfy the minimum annual distribution requirements, we may fail to qualify or maintain our RIC status, which would result in the imposition of corporate-level U.S. federal income tax on our entire taxable income without regard to any distributions made by us. We intend to retain a portion of the net proceeds of this offering to make cash distributions to enable us to meet the RIC distribution requirements. See We will be subject to corporate-level U.S. federal income tax if we are unable to qualify or maintain our qualification as a RIC under Subchapter M of the Code.

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

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

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

An extended continuation of the disruption in the capital markets and the credit markets could negatively affect our business.

As a business development company, it will be essential for us to maintain our ability to raise additional capital for investment purposes. Without sufficient access to the capital markets or credit markets, we may be forced to curtail our business operations or we may not be able to pursue new business opportunities. Since the middle of 2007, the capital markets and the credit markets have been experiencing extreme volatility and disruption and, accordingly, there has been and will continue to be uncertainty in the financial markets in general. Ongoing disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict our business operations and could adversely impact our results of operations and financial condition.

Once we have fully invested the net proceeds of this offering, we will access the capital markets periodically to issue debt or equity securities or borrow from financial institutions in order to obtain such additional capital. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. A reduction in the availability of new capital could limit our ability to pursue new business opportunities and grow our business. In addition, we will be required to distribute at least 90.0% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders to qualify for the tax benefits available to RICs. As a result, these earnings will not be available to fund new investments. An inability to access the capital markets successfully could limit our ability to grow our business and execute our business strategy fully and could decrease our earnings, if any, which may have an adverse effect on the value of our securities.

We may experience fluctuations in our quarterly operating results.

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

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

We intend to elect to be treated as a RIC under Subchapter M of the Code commencing with our taxable year ending December 31, 2011; however, no assurance can be given that we will be able to qualify for and maintain RIC status. To qualify as a RIC under the Code and to be relieved of liability for U.S. federal income taxes on income and gains distributed to our stockholders, we must meet certain requirements, including source-of-income, asset diversification and annual distribution requirements. The source-of-income requirement will be satisfied if we obtain at least 90.0% of our income for each year from dividends, interest, gains from sale of securities or similar sources. To qualify and maintain our status as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private or thinly traded public companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. The annual distribution requirement applicable to RICs is satisfied if we distribute at least 90.0% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. In addition, we will be subject to a 4.0% nondeductible federal excise tax to the extent that we do not satisfy certain additional minimum distribution requirements on a calendar-year basis. We will be subject, to the extent we use debt financing, to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making annual distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify and maintain our qualification for the tax benefits available to RICs and, thus, may be subject to U.S. federal corporate-level income tax on our entire taxable income without regard to any distributions made by us. If we fail to qualify as a RIC for any reason and become subject to corporate-level income tax, the resulting tax liability could substantially reduce our net assets, the amount of income available for distributions to stockholders and the amount of our distributions and the amount of funds available for new investments. Such a failure would have a material adverse effect on us and our stockholders. See Material U.S. Federal Income Tax Considerations Taxation as a RIC.

You may not receive distributions, or our distributions may not grow over time.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by the impact of one or more of the risk factors described in this prospectus. Due to the asset coverage test applicable to us under the 1940 Act as a business development company, we may be limited in our ability to make distributions. All distributions will be made at the discretion of our board of directors and will depend on our earnings, financial condition, maintenance of RIC status, compliance with applicable business development company, SBA regulations and such other factors as our board of directors may deem relative from time to time. We cannot assure you that we will make distributions to our stockholders in the future.

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

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

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute on an annual basis at least 90.0% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to qualify for the tax benefits available to RICs. In such a case, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities to meet these distribution requirements. If we are not able to obtain such cash from other sources, we may fail to qualify for the tax benefits available to RICs and thus be subject to corporate-level income tax. See Material U.S. Federal Income Tax Considerations Taxation as a RIC.

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

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

We intend to elect to be taxed for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. If we meet certain requirements, including source-of-income, asset diversification and distribution requirements, and if we continue to be regulated as a business development company, we will qualify to be a RIC under the Code and will not have to pay corporate-level taxes on income we distribute to our stockholders as dividends, allowing us to substantially reduce or eliminate our corporate-level tax liability. As a business development company, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 200.0% at the time we issue any debt or preferred stock. This requirement limits the amount of our leverage. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt or issuing preferred stock and require us to raise additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. In addition, as a business development company, we are generally not permitted to issue common stock priced below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new investment activities, and our net asset value could decline.

We may choose to pay a portion of our dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive.

We may distribute taxable dividends that are payable in part in our stock in order to satisfy the annual distribution requirement applicable to RICs. Up to 90.0% of any such taxable dividend paid on or before December 31, 2012, with respect to a taxable year ending on or before December 31, 2011, could be payable in our stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain or qualified dividend income to the extent such distribution is properly reported as such) to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. federal tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in shares of our common stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of shares of our common stock.

In addition, as discussed above, our loans may contain a payment-in-kind interest provision. The payment-in-kind interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To avoid the imposition of corporate-level tax, we will need to make sufficient distributions, a portion of which may be paid in shares of our common stock (as discussed in the preceding paragraph), regardless of whether our recognition of income is accompanied by a corresponding receipt of cash. Regulations governing our operation as a business development company will affect our ability to and the way in which we could raise additional capital. As a business development company, we will need to raise additional capital, which will expose us to risks, including the typical risks associated with leverage.

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

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

Any failure on our part to maintain our status as a business development company would reduce our operating flexibility.

If we, or Fidus Mezzanine Capital, L.P., fail to qualify or maintain our status as a business development company, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more onerous regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

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

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted as a business development company to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200.0% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. In addition, issuance of securities could dilute the percentage ownership of our current stockholders in us.

No person or entity from which we borrow money will have a veto power or a vote in approving or changing any of our fundamental policies. If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights on certain matters and might have other rights, preferences or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest. Holders of our common stock will directly or indirectly bear all of the costs associated with offering and servicing any preferred stock that we issue. In addition, any interests of preferred stockholders may not necessarily align with the interests of holders of our common stock and the rights of holders of shares of preferred stock to receive dividends would be senior to those of holders of shares of our common stock. In addition, if we raise additional funds by issuing common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, 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. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount).

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

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

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

We have filed an application with the SEC requesting exemptive relief from certain provisions of the 1940 Act and the Securities Exchange Act of 1934, as amended (the Exchange Act).

On March 15, 2011 we filed an application with the SEC requesting an SEC order exempting us and Fidus Mezzanine Capital, L.P. from certain provisions of the 1940 Act (including an exemptive order granting relief from the asset coverage requirements for certain indebtedness issued by Fidus Mezzanine Capital, L.P. as an SBIC) and from certain reporting requirements mandated by the Exchange Act. While the SEC has granted exemptive relief in substantially similar circumstances in the past, no assurance can be given that an exemptive order will be granted. Delays and costs involved in obtaining necessary approvals may make certain transactions impracticable or impossible to consummate, and there is no assurance that the application for exemptive relief will be granted by the SEC.

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

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

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

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

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

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

Upon completion of this offering, we will be subject to the Sarbanes-Oxley Act, and the related rules and regulations promulgated by the SEC. Under current SEC rules, beginning with its fiscal year ending December 31, 2012, our management will be required to report on its internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and rules and regulations of the SEC thereunder. We will then be required to review on an annual basis its internal controls over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal controls over financial reporting. As a result, we expect to incur significant additional expenses in the near term, which may negatively impact our financial performance and our ability to make distributions. This process also will result in a diversion of our management s time and attention. We cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations and may not be able to ensure that the process is effective or that the internal controls are or will be effective in a timely manner. There can be no assurance that we will successfully identify and resolve all issues required to be disclosed prior to becoming a public company or that our quarterly reviews will not identify additional material weaknesses. In the event that we are unable to maintain or achieve compliance with the Sarbanes-Oxley Act and related rules, our value and results or operations may be adversely affected.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is highly dependent on the communications and information systems of our investment advisor. Any failure or interruption of such systems could cause delays or other problems in our activities. This, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

Risks Related to Our Investments

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

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

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

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

- may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of portfolio companies that we may have obtained in connection with our investment;

- may have shorter operating histories, narrower product lines and smaller market shares, which tend to render them more vulnerable to competitors actions and market conditions, as well as general economic downturns, than larger businesses;

- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;

- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and

- generally have less publicly available information about their businesses, operations and financial condition. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and may lose all or part of our investment.

In addition, in the course of providing significant managerial assistance to certain portfolio companies, certain of our management and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of investments in these companies, our management and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of management time and resources.

The lack of liquidity in our investments may adversely affect our business.

All of our assets may be invested in illiquid securities, and a substantial portion of our investments in leveraged companies will be subject to legal and other restrictions on resale or will otherwise be less liquid than more broadly traded public securities. The illiquidity of these investments may make it difficult for us to sell such investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. However, to maintain the election to be regulated as a business development company and as a RIC that we intend to make, we may have to dispose of investments if they do not satisfy one or more of the applicable criteria under the respective regulatory frameworks. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or our investment advisor have material nonpublic information regarding such portfolio company.

We may not have the funds to make additional investments in our portfolio companies which could impair the value of our portfolio.

After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the exercise of a warrant to purchase common stock. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected yield on the investment. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our level of risk, because we prefer other opportunities or because we are inhibited by compliance with business development company requirements or the desire to maintain our RIC status. Our ability to make follow-on investments may also be limited by our investment advisor s allocation policy.

Portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We will invest primarily in mezzanine debt as well as equity issued by lower middle-market companies. The portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, such senior debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the mezzanine debt instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or could be subject to lender liability claims.

Even though we may have structured certain of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower s business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender s liability claim, including as a result of actions taken in rendering significant managerial assistance.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans we make to portfolio companies are and will be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral secure the portfolio company s obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company s remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements entered into with the holders of senior debt. Under an intercreditor agreement, at any time that obligations having the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect to the collateral will be at the direction of the holders of the obligations secured by the first priority liens:

- the ability to cause the commencement of enforcement proceedings against the collateral;
- the ability to control the conduct of such proceedings;
- the approval of amendments to collateral documents;
- releases of liens on the collateral; and
- waivers of past defaults under collateral documents.

We may not have the ability to control or direct such actions, even if our rights are adversely affected.

We may hold the debt securities of leveraged companies that may, due to the significant volatility of such companies, enter into bankruptcy proceedings.

Leveraged companies may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to a liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor s return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor s estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial.

Defaults by our portfolio companies will harm our operating results.

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

We do not expect to control many of our portfolio companies.

We do not expect to control many of our portfolio companies, even though we may have board representation or board observation rights, and the debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of the company s common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity for our investments in private companies in the lower middle-market, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

We will be a non-diversified investment company within the meaning of the 1940 Act; therefore we will not be limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We will be classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we will not be limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market s assessment of the issuer and the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our asset diversification requirements as a RIC under the Code, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being repaid, and we could experience significant delays in reinvesting these amounts. In addition, any future investment of such amounts in a new portfolio company may also be at lower yields than the investment that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elects to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

We may not realize gains from our equity investments.

Certain investments that we have made in the past and may make in the future include warrants or other equity or equity-related securities. In addition, we may from time to time make non-control, equity co-investments in companies. Our goal is to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We often seek puts or similar rights to give us the right to sell our equity securities back to the portfolio company issuer. We may be unable to exercise these put rights for the consideration provided in our investment documents if the issuer is in financial distress. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

If our primary investments are deemed not to be qualifying assets, we could be precluded from investing in our desired manner or deemed to be in violation of the 1940 Act.

In order to maintain our status as a business development company, we will need to not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least

70.0% of our total assets are qualifying assets. We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to business development companies. As a result of such violation, specific rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition and results of operations.

The disposition of our investments may result in contingent liabilities.

A significant portion of our investments involve private securities and we expect that a significant portion of our investments will continue to involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to potential liabilities. These arrangements may result in contingent liabilities that ultimately result in funding obligations that we must satisfy through its return of distributions previously made to it.

Our investment advisor s liability will be limited under the Investment Advisory Agreement, and we have agreed to indemnify our investment advisor against certain liabilities, which may lead our investment advisor to act in a riskier manner on our behalf than it would when acting for its own account.

Under the Investment Advisory Agreement, our investment advisor will not assume any responsibility to us other than to render the services called for under that agreement, and it will not be responsible for any action of our board of directors in following or declining to follow our investment advisor s advice or recommendations. Our investment advisor maintains a contractual relationship, as opposed to a fiduciary relationship except to the extent specified in section 36(b) of the Investment Advisory Act concerning loss from a breach of fiduciary duty with respect to the receipt of compensation for services, with us. Under the terms of the Investment Advisory Agreement, our investment advisor and its officers, directors, members, managers, partners, stockholders and employees will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary s stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Advisory Agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of our investment advisor s duties under the Investment Advisory Agreement. In addition, we have agreed to indemnify our investment advisor and its officers, directors, members, managers, partners, stockholders and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person s duties under the Investment Advisory Agreement. These protections may lead our investment advisor to act in a riskier manner when acting on our behalf than it would when acting for its own account.

Risks Relating to This Offering

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that a market for our common stock will develop or that the market price of shares of our common stock will not decline following the offering.

We cannot assure you that a trading market will develop for our common stock after this offering or, if one develops, that such trading market can be sustained. In addition, we cannot predict the prices at which our common stock will trade. The initial public offering price for our common stock will be determined through our negotiations with the underwriters and may not bear any relationship to the market price at which it may trade after our initial public offering. Shares of companies offered in an initial public offering often trade at a discount to the initial offering price due to underwriting discounts and commissions and related offering expenses. Also, shares of closed-end investment companies, including business development companies, frequently trade at a discount from their net asset value and our stock may also be discounted in the market. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share of common stock may decline. We cannot predict whether our common stock will trade at, above or below net asset value. The risk of loss associated with this characteristic of closed-end management investment companies may be greater for investors expecting to sell shares of common stock purchased in the offering soon after the offering. In addition, if our common stock trades below its net asset value, we will generally not be able to sell additional shares of our common stock to the public at its market price without first obtaining the approval of a majority of our stockholders (including a majority of our unaffiliated stockholders) and our independent directors for such issuance.

We have not identified specific investments in which to invest the proceeds of this offering.

We currently anticipate that upon consummation of this offering, we will use a portion of the net proceeds from the offering to provide additional capital to Fidus Mezzanine Capital, L.P. to optimally utilize SBA guaranteed leverage. We expect to retain the remaining portion of the net proceeds from the offering to make investments directly, to make required distributions to stockholders and for general corporate purposes. Neither we nor Fidus Mezzanine Capital, L.P. has identified specific investments in which to invest these proceeds. We may also establish a second SBIC through which we can make additional investments; however, we have not yet applied to the SBA for a second SBIC license and we can make no assurances that, if we do apply, the SBA will approve such application. As of the date of this prospectus, neither us nor Fidus Mezzanine Capital, L.P. has entered into definitive agreements for any specific investments in which to invest the net proceeds of this offering. Currently, Fidus Mezzanine Capital, L.P. has a number of term sheets outstanding, representing potential new investments. These potential investments, however, are still subject to further research and due diligence, and may not materialize. Although we are evaluating and seeking new investment opportunities and will continue to do so, you will not be able to evaluate the manner in which we will invest, or the economic merits of, any investments we will make with the net proceeds of this offering.

We may be unable to invest a significant portion of the net proceeds of this offering on acceptable terms in the timeframe contemplated.

Delays in investing the net proceeds of this offering may cause our performance to be worse than that of other fully invested business development companies or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions, it will take up to one year to invest substantially all of the net proceeds of this offering in securities meeting our investment objective. During this period, we will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt instruments maturing in one year or less from the time of investment, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we make during this period may be substantially lower than the distributions that we may be able to make when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of the offering are invested in securities meeting our investment objective, the market price for our common stock may decline. Thus, the initial return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

We may allocate the net proceeds from this offering in ways with which you may disagree.

We will have significant flexibility in investing the net proceeds of this offering and may use the net proceeds from this offering in ways with which you may disagree or for purposes other than those contemplated at the time of the offering. Our ability to achieve our investment objective may be limited to the extent that net proceeds of our initial public offering, pending full investment, are used to pay operating expenses.

Investing in our common stock may involve an above-average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive; therefore, an investment in our common stock may not be suitable for someone with lower risk tolerance.

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock that will prevail in the market after this offering may be higher or lower than the price you pay and may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which is not necessarily related to the operating performance of these companies;

- changes in regulatory policies or tax guidelines, particularly with respect to RICs, business development companies or SBICs;

- failure to qualify for treatment as a RIC or loss of RIC or business development company status;

- loss of status as an SBIC for Fidus Mezzanine Capital, L.P., or any other SBIC subsidiary we may form;

- changes or perceived changes in earnings or variations in operating results;

- changes or perceived changes in the value of our portfolio of investments;

- changes in accounting guidelines governing valuation of our investments;

- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

- departure of our investment advisor s key personnel;

operating performance of companies comparable to us; and

general economic trends and other external factors.

Investors in this offering will experience immediate dilution upon the closing of the offering.

If you purchase shares of our common stock in this offering, you will experience immediate dilution of $0.54 per share because the price that you pay will be greater than the pro forma net asset value per share of the common stock you acquire. This dilution is in large part due to the expenses incurred by us in connection with the consummation of this offering. Investors in this offering will pay a price per share of common stock that exceeds the tangible book value per share after the closing of the offering.

Sales of substantial amounts of our common stock may have an adverse effect on the market price of our common stock.

Upon expiration of any applicable lock-up periods, 4,056,521 shares issued by us will generally be freely tradable in the public market, subject to the provisions and applicable holding periods set forth in Rule 144 under the Securities Act. This includes 1,162,854 shares that may be held by an affiliate of ours, as that term is used in Rule 144 under the Securities Act. Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

Provisions of the Maryland General Corporation Law and our charter and bylaws could deter takeover attempts and have an adverse effect on the price of our common stock.

Maryland General Corporation Law contains provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. In addition, our board of directors may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock. Our charter and bylaws contain provisions that limit liability and provide for indemnification of our directors and officers. These provisions and others also may have the effect of deterring hostile takeovers or delaying changes in control or management. We are generally prohibited from engaging in mergers and other business combinations with stockholders that beneficially own 15.0% or more of our voting stock, or with their affiliates, unless our directors or stockholders approve the business combination in the prescribed manner. Maryland law may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our charter authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series and to cause the issuance of additional shares of our stock. In addition, we have adopted a classified board of directors. A classified board may render a change in control of us or removal of our incumbent management more difficult. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, would, should, target variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

our inexperience operating a business development company;

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

our ability to maintain or develop referral relationships;

our ability to manage our business effectively;

our use of leverage;

uncertain valuations of our portfolio investments;

competition for investment opportunities;

potential divergent interests of our investment advisor and our stockholders arising from our incentive fee structure;

actual and potential conflicts of interest with our investment advisor;

constraint on investment due to access to material nonpublic information;

other potential conflicts of interest;

SBA regulations affecting our wholly-owned SBIC subsidiary;

changes in interest rates;

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

fluctuations in our quarterly operating results;

our ability to qualify and maintain our qualification as a RIC and as a business development company;

risks associated with the timing, form and amount of any dividends or distributions;

changes in laws or regulations applicable to us;

- our ability to obtain exemptive relief from the SEC;
- 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;
- our ability to invest in qualifying assets; and
- our ability to identify and timely close on investment opportunities.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in "Risk Factors" and elsewhere in this prospectus. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. The forward-looking statements and projections contained in this prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of 4,670,000 shares of our common stock in this offering will be approximately $63.9 million (or approximately $73.6 million if the underwriters exercise their over-allotment option in full), after deducting the underwriting discounts and commissions and estimated organization and offering expenses of approximately $1.7 million payable by us.

We intend to use approximately $19.6 million of the net proceeds of this offering to invest in portfolio companies in accordance with our investment objective through Fidus Mezzanine Capital, L.P., as an SBIC. We intend to use the remainder of the net proceeds of this offering to invest in portfolio companies directly in accordance with our investment objectives and the strategies described in this prospectus, to make distributions to our stockholders and for general corporate purposes, which may include the establishment of a second SBIC, through which we would make additional investments. We will also pay operating expenses, including management and administrative fees, and may pay other expenses, from the net proceeds of this offering.

Pending such investments, we intend to invest the remaining net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. See Regulation Temporary Investments for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

DISTRIBUTIONS

Subsequent to the completion of this offering, and to the extent we have income available, we intend to distribute quarterly dividends to our stockholders out of assets legally available for distribution, beginning with our first full quarter after the completion of this offering. The timing and amount of our quarterly dividends, if any, will be determined by our board of directors.

We anticipate that this dividend will be paid from income primarily generated by interest and dividend income earned on our investment portfolio. The specific tax characteristics of the dividend will be reported to stockholders after the end of the calendar year.

We intend to elect to be treated, and intend to qualify annually thereafter, as a RIC under the Code, beginning with our first taxable year ending December 31, 2011. To obtain and maintain RIC tax treatment, we must, among other things, distribute to our stockholders on an annual basis at least 90.0% of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. In order to avoid a 4.0% nondeductible U.S. federal excise tax imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of: (a) 98.0% of our net ordinary income for such calendar year; (b) 98.2% of our net capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year; and (c) any net ordinary income and net capital gains for preceding years that were not distributed during such years and on which we previously paid no U.S. federal income tax.

We currently intend to distribute net capital gains (*i.e.*, net long-term capital gains in excess of net short-term capital losses), if any, at least annually out of the assets legally available for such distributions. However, we may decide in the future to retain such capital gains for investment and elect to treat such gains as deemed distributions to you. If this happens, you will be treated for U.S. federal income tax purposes as if you had received an actual distribution of the capital gains that we retain and reinvested the net after tax proceeds in us. In this situation, you would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the U.S. federal corporate income tax we paid on the capital gains deemed distributed to you. See Material U.S. Federal Income Tax Considerations. We cannot assure you that we will achieve results that will permit us to pay any cash distributions, and if we issue senior securities, we will be prohibited from making distributions if doing so would cause us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if such distributions are limited by the terms of any of our borrowings.

Unless you elect to receive your dividends in cash, we intend to make such distributions in additional shares of our common stock under our dividend reinvestment plan. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, investors participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes. If you hold shares of our common stock in the name of a broker or financial intermediary, you should contact such broker or financial intermediary regarding your election to receive distributions in cash in lieu of shares of our common stock. Any dividends reinvested through the issuance of shares through our dividend reinvestment plan will increase our assets on which the base management fee and the incentive fee are determined and paid to our investment advisor. See Dividend Reinvestment Plan.

FORMATION TRANSACTIONS; BUSINESS DEVELOPMENT COMPANY AND REGULATED INVESTMENT COMPANY ELECTIONS

Formation Transactions

Fidus Investment Corporation is a newly organized Maryland corporation formed on February 14, 2011, for the purpose of acquiring 100.0% of the equity interests in Fidus Mezzanine Capital, L.P. and Fidus Mezzanine Capital GP, LLC, raising capital in this offering and thereafter operating as an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the 1940 Act. Immediately prior to our election to be treated as a business development company under the 1940 Act and the pricing of this offering, we will consummate the following formation transactions:

We will acquire 100.0% of the limited partnership interests in Fidus Mezzanine Capital, L.P. through the merger of Fidus Mezzanine Capital, L.P. with a limited partnership that is our wholly-owned subsidiary. As a result of this merger, Fidus Mezzanine Capital, L.P. will be the surviving entity and become our wholly-owned subsidiary, retain its SBIC license, continue to hold its existing investments and make new investments with a portion of the net proceeds of this offering. Fidus Mezzanine Capital, L.P. will also elect to be regulated as a business development company under the 1940 Act. The limited partners hold 91.3% of the partnership interests of Fidus Mezzanine Capital, L.P. In exchange for their partnership interests, we will issue 3,702,778 shares of common stock, at the initial offering price of $15.00 per share, to the limited partners of Fidus Mezzanine Capital, L.P. having an aggregate value of $55.5 million (which represents the limited partners share of the net asset value of Fidus Mezzanine Capital, L.P. as of the most recent quarter end for which financial statements have been included in this prospectus, plus any additional cash contributions to Fidus Mezzanine Capital, L.P. by the limited partners following such quarter end but prior to the closing of the merger, less any cash distributions to the limited partners following such quarter end but prior to the closing of the merger). The capital accounts of the limited partners in Fidus Mezzanine Capital, L.P. will be closed out upon the consummation of the merger, and the limited partners will receive the shares of our common stock in a tax free exchange.

We will acquire 100.0% of the equity interests in Fidus Mezzanine Capital GP, LLC, the general partner of Fidus Mezzanine Capital, L.P., from the members of Fidus Mezzanine Capital GP, LLC, through the merger of Fidus Mezzanine Capital GP, LLC with and into Fidus Investment GP, LLC, our wholly-owned subsidiary. Fidus Investment GP, LLC will be the surviving entity and, as a result, we will acquire 100.0% of the general partnership interest in Fidus Mezzanine Capital, L.P. Fidus Mezzanine Capital GP, LLC holds 8.7% of the partnership interests in Fidus Mezzanine Capital, L.P. and no other interests or assets. The members of Fidus Mezzanine Capital GP, LLC will not receive any consideration in exchange for their carried partnership interest in Fidus Mezzanine Capital, L.P. In exchange for its partnership interests in Fidus Mezzanine Capital, L.P., we will issue 353,743 shares of common stock, at the initial offering price of $15.00 per share, to Fidus Mezzanine Capital GP, LLC having an aggregate value of $5.3 million (which consideration has been calculated on the same basis as the consideration paid to the limited partners of Fidus Mezzanine Capital, L.P. described above). Such shares will be distributed to the members of Fidus Mezzanine Capital GP, LLC in exchange for their equity interest in Fidus Mezzanine Capital GP, LLC.

Fidus Mezzanine Capital GP, LLC and the limited partners of Fidus Mezzanine Capital, L.P. have each approved the formation transactions. Prior to consummation of the formation transactions, we must also receive the approval of the SBA.

We anticipate that the formation transactions and the offering will be treated as part of a single plan for federal income tax purposes, qualifying as a tax-free contribution pursuant to Section 351 of the Code.

In addition, upon consummation of the formation transactions, Fidus Mezzanine Capital, L.P. will terminate its management services agreement with Fidus Capital, LLC and we will enter into the Investment Advisory Agreement with Fidus Investment Advisors, LLC, as our investment advisor. The investment professionals of Fidus Capital, LLC are also the investment professionals of Fidus Investment Advisors, LLC.

The following diagram depicts our organizational structure upon completion of this offering (assuming the underwriters do not exercise their over-allotment option) and the formation transactions described in this prospectus:

Business Development Company and Regulated Investment Company Elections

In connection with this offering, we and Fidus Mezzanine Capital, L.P. will each file an election to be regulated as a business development company under the 1940 Act. In addition, we intend to elect to be treated as a RIC under Subchapter M of the Code, effective as of the date of our business development company election. Our election to be regulated as a business development company and our election to be treated as a RIC will have a significant impact on our future operations. Some of the most important effects on our future operations of our election to be regulated as a business development company and our election to be treated as a RIC are outlined below.

We generally will be required to pay income taxes only on the portion of our taxable income we do not distribute to stockholders (actually or constructively).

As a RIC, so long as we meet certain minimum distribution, source-of-income and asset diversification requirements, we generally will be required to pay income taxes only on the portion of our taxable income and gains we do not distribute (actually or constructively) and certain built-in gains, if any.

Our ability to use leverage as a means of financing our portfolio of investments will be limited.

As a business development company, we will be required to meet a coverage ratio of total assets to total senior securities of at least 200.0% after each issuance of senior securities. For this purpose, senior securities include all borrowings and any preferred stock we may issue in the future. Additionally, our ability to continue to utilize leverage as a means of financing our portfolio of investments will be limited by this asset coverage test. In connection with this offering and our intended election to be regulated as a business development company, we have filed a request with the SEC for exemptive relief to allow us to exclude any indebtedness guaranteed by the SBA and issued by the Fidus Mezzanine Capital, L.P. from the 200.0% asset coverage requirements applicable to us. While the SEC has granted exemptive relief in substantially similar circumstances in the past, no assurance can be given that an exemptive order will be granted.

We intend to distribute substantially all of our income to our stockholders.

As a RIC, we intend to distribute to our stockholders substantially all of our income, except possibly for certain net long-term capital gains. We may make deemed distributions to our stockholders of some or all of our retained net long-term capital gains. If this happens, you will be treated as if you had received an actual distribution of the capital gains and reinvested the net after-tax proceeds in us. In general, you also would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the deemed distribution. See Material U.S. Federal Income Tax Considerations.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2011:

on an actual basis;

on a pro forma basis to reflect the completion of the formation transactions; and

on a pro forma basis as adjusted to reflect the sale of 4,670,000 shares of our common stock in this offering at an initial public offering price of $15.00 per share after deducting the underwriting discounts and commissions and estimated organization and offering expenses of approximately $6.2 million payable by us and the completion of the formation transactions.

	As of March 31, 2011		
	Fidus Mezzanine Capital, L.P.	Fidus Investment Corporation	
	Actual	Pro Forma(1)	Pro Forma as Adjusted(2)
	(Dollars in thousands, except per share data)		
Assets:			
Cash and cash equivalents	$ 8,997	$ 8,997	$ 72,865
Investments at fair value	143,652	143,652	143,652
Interest receivable	1,460	1,460	1,460
Other assets	3,096	3,096	3,096
Total assets	$ 157,205	$ 157,205	$ 221,073
Liabilities:			
SBA debentures	$ 93,500	$ 93,500	$ 93,500
Credit facility	750	750	750
Other liabilities	607	607	607
Total liabilities	$ 94,857	$ 94,857	$ 94,857
Net assets	$ 62,348	$ 62,348	$ 126,216
Stockholders equity:			
Common stock, par value $0.001 per share; 100,000,000 shares authorized; 0 shares issued and outstanding, actual; 4,056,521 shares issued and outstanding, pro forma; 8,726,521 shares issued and outstanding, pro forma as adjusted		$ 4	$ 9
Capital in excess of par		62,344	126,207
Total stockholders equity	$	$ 62,348	$ 126,216

Pro forma net asset value per share	$	15.37	$	14.46

(1) Reflects the completion of the formation transactions, including the issuance of 3,702,778 shares of common stock to the limited partners of Fidus Mezzanine Capital, L.P. and 353,743 shares of common stock to the members of Fidus Mezzanine Capital GP, LLC. See Formation Transactions; Business Development Company and Regulated Investment Company Elections.

(2) Adjusts the pro forma information to give effect to this offering (assuming no exercise of the underwriters option to purchase additional shares).

DILUTION

The dilution to investors in this offering is represented by the difference between the offering price per share and the pro forma as adjusted net asset value per share after this offering. Net asset value per share is determined by dividing our net asset value, which is our total tangible assets less total liabilities, by the number of outstanding shares of common stock.

After giving effect to the formation transactions, our pro forma net asset value was $62.3 million, or approximately $15.37 per share. After giving effect to the sale of our common stock in this offering at the initial public offering price of $15.00 per share, our pro forma as adjusted net asset value as of March 31, 2011 would have been approximately $126.2 million, or $14.46 per share. This represents an immediate decrease in our net asset value of $0.91 per share to existing stockholders and dilution in net asset value of $0.54 per share to new investors who purchase shares in this offering.

The following table illustrates the dilution to the shares on a per share basis:

Initial public offering price per share		$ 15.00
Net asset value per share after the formation transactions	$ 15.37	
Decrease in net asset value per share attributable to new stockholders in this offering	$ 0.91	
Pro forma as adjusted net asset value per share after this offering	$ 14.46	
Dilution per share to new stockholders (without exercise of the over-allotment option)		$ 0.54

If the underwriters exercise in full their over-allotment option to purchase additional shares of our 700,500 common stock in this offering, the pro forma net asset value per share after this offering would be $14.43 per share, the decrease in the pro forma net asset value per share to existing stockholders would be $0.94 per share and the dilution to new stockholders purchasing shares in this offering would be $0.57 per share.

The following table summarizes the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and to be paid by new investors purchasing shares of common stock in this offering at the initial public offering price of $15.00 per share, before deducting the underwriting discounts and commissions and estimated offering expenses payable by us (assuming the underwriters do not exercise their over-allotment option).

	Shares Purchased		**Total Consideration**		**Average Price per Share**
	Number	**%**	**Amount**	**%**	
Existing stockholders[1]	4,056,521	46.5%	$ 60,847,815	46.5%	$ 15.00
New stockholders	4,670,000	53.5	70,050,000	53.5	15.00
Total	8,726,521	100.0%	$ 130,897,815	100.0%	

(1) Reflects the issuance of shares of our common stock in the formation transactions.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following selected consolidated financial data of Fidus Mezzanine Capital, L.P. as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 is derived from the consolidated financial statements that have been audited by McGladrey & Pullen, LLP, independent auditors. Fidus Mezzanine Capital, L.P. s consolidated financial data for the period from May 1, 2007 (inception) through December 31, 2007, statement of assets and liabilities at December 31, 2008 and three-month periods ended March 31, 2010 and 2011, is unaudited. However, in the opinion of Fidus Mezzanine Capital, L.P., all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been made. This financial data should be read in conjunction with Fidus Mezzanine Capital, L.P. s consolidated financial statements and the notes thereto included elsewhere in this prospectus and with Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Period from May 1 (Inception) through December 31, 2007 (Unaudited)	Year Ended December 31, 2008	2009	2010	Three Months Ended March 31, 2010 (Unaudited)	2011
			(Dollars in thousands)			
Statement of operations data:						
Total investment income	$ 1,312	$ 7,504	$ 14,184	$ 17,985	$ 4,222	$ 4,794
Interest expense	272	1,994	3,688	4,962	1,089	1,324
Management fees, net	1,787	3,087	2,969	3,436	756	1,036
All other expenses	496	179	431	627	52	104
Net investment income	(1,243)	2,244	7,096	8,960	2,325	2,330
Net realized (loss) on investments			(5,551)	(3,858)	(2)	(7,935)
Net unrealized appreciation (depreciation) on investments		(750)	(3,137)	(78)	(5,744)	8,948
Net increase (decrease) in net assets resulting from operations	$ (1,243)	$ 1,494	$ (1,592)	$ 5,024	$ (3,421)	$ 3,343
Other data:						
Weighted average annual yield on debt investments(1)	15.7%	15.0%	15.6%	15.0%	15.5%	14.9%
Number of portfolio companies at year end	4	9	15	17	16	16
Expense ratios (as percentage of average net assets):						
Operating expenses	23.7%	12.4%	7.5%	8.6%	1.7%	2.0%
Interest expense	2.8%	7.6%	8.0%	10.5%	2.3%	2.3%

(1) Yields are computed using the effective interest rates, including accretion of original issue discount, divided by the weighted average cost of debt investments.

	As of December 31,				As of March 31,
	2007	2008	2009	2010	2011
	(Unaudited)				(Unaudited)
			(Dollars in thousands)		
Statement of assets and liabilities data:					
Total investments at fair value	$ 33,151	$ 75,849	$ 122,900	$ 141,341	$ 143,652
Total assets	34,905	79,786	129,650	147,377	157,205
Borrowings	15,250	46,450	79,450	93,500	94,250
Total net assets	19,591	32,573	48,481	52,005	62,348

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

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

Overview

We provide customized mezzanine 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. We were formed to continue and to expand the business of Fidus Mezzanine Capital, L.P., a fund formed in February 2007 that is licensed by the SBA as an SBIC and to make investments in portfolio companies directly at the parent level. 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. Since commencing investment operations in 2007, Fidus Mezzanine Capital, L.P. has made an aggregate $170.4 million of investments in 21 portfolio companies.

Immediately prior to our election to be treated as a business development company under the 1940 Act and the consummation of this offering, Fidus Investment Corporation will acquire all of the interests of Fidus Mezzanine Capital, L.P. and Fidus Mezzanine Capital GP, LLC, its general partner, through the formation transactions, resulting in Fidus Mezzanine Capital, L.P. becoming our wholly-owned SBIC subsidiary. After the completion of the formation transactions, our investment activities will be managed by our investment advisor and supervised by our board of directors, a majority of whom are independent of us and our investment advisor.

After the completion of the formation transactions, we intend to continue to operate Fidus Mezzanine Capital, L.P. as an SBIC, subject to SBA approval, and to utilize the proceeds of the sale of SBA debentures to enhance returns to our stockholders. We may also make investments directly though Fidus Investment Corporation. We believe that utilizing both entities as investment vehicles may provide 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 initially be made through Fidus Mezzanine Capital, L.P. As of March 31, 2011, we had investments in 16 portfolio companies with an aggregate cost of $143.7 million.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States 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

We will conduct the valuation of our investments, pursuant to which our net asset value will be determined, at all times consistent with generally accepted accounting principles, or GAAP, and the 1940 Act.

Our investments generally consist of illiquid securities including debt and equity investments in lower middle-market companies. Investments for which market quotations are readily available are valued at such market quotations. Because we expect that there will not be a readily available market for substantially all of the investments in our portfolio, we value substantially all of our portfolio investments at fair value as determined in good faith by our board of directors using a documented valuation policy and consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the difference could be material.

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

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

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

- our board of directors also engages one or more independent valuation firms to conduct independent appraisals of our investments for which market quotations are not readily available. We will consult with independent valuation firm(s) relative to each portfolio company at least once in every calendar year, and for new portfolio companies, at least once in the twelve-month period subsequent to the initial investment;

- the audit committee of our board of directors reviews the preliminary valuations of our investment advisor and of the independent valuation firms and responds and supplements the valuation recommendations to reflect any comments; and

- the board of directors discusses the valuations and determines the fair value of each investment in our portfolio in good faith, based on the input of our investment advisor, the independent valuation firms 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, which includes the amortized original issue discount and payment-in-kind interest or dividends, if any. The transaction price is typically the best estimate of fair value at inception. When evidence supports a subsequent change to the carrying value from the original transaction price, adjustments are made to reflect the expected exit values. We perform detailed valuations of our debt and equity investments on an individual basis, using market, income and yield 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. 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. Typically, the enterprise value of private companies are based on multiples of EBITDA, cash flows, net income, revenues, or in limited cases, book value.

Under the income approach, we prepare and analyze discounted cash flow models based on projections of the future free cash flows (or earnings) of the portfolio company. In determining the fair value under the income approach, 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.

Under the yield approach, we use discounted cash flow models to determine the present value of the future cash flow streams of our debt investments, based on future interest and principal payments as set forth in the associated loan agreements. In determining fair value under the yield approach, we also consider the following factors: applicable market yields and leverage levels, credit quality, prepayment penalties, the nature and realizable value of any collateral, the portfolio company s ability to make payments 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 classify our investments in accordance with the 1940 Act. See Note 2 to the consolidated financial statements for definitions of Control, Affiliate and Non-Control Non-Affiliate included elsewhere in this prospectus. For our Control investments, we determine the fair value of debt and equity investments using a combination of market and income approaches. The valuation approaches for our Control investments estimate the value of the investment if we were to sell, or exit, the investment, assuming the highest and best use of the investment by market participants. In addition, these valuation approaches consider the value associated with our ability to influence the capital structure of the portfolio company, as well as the timing of a potential exit.

For our Affiliate or Non-Control/Non-Affiliate equity investments, we use a combination of market and income approaches as described above to determine the fair value. For our Affiliate or Non-Control/Non-Affiliate debt investments, we generally use the yield approach to determine fair value, as long as it is appropriate. If there is deterioration in credit quality or a debt investment is in workout status, we may consider other factors 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.

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

Revenue Recognition

Investments and related investment income. Realized gains or losses on portfolio investments are calculated based upon the difference between the net proceeds from the disposition and the cost basis of the investment. Changes in the fair value of investments, as determined by our board of directors through the application of our valuation policy, are included as changes in unrealized appreciation or depreciation of investments in the Statement of Operations.

Interest and dividend income. Interest and dividend income is recorded on the accrual basis to the extent that we expect to collect such amounts. Interest and dividend income is accrued based upon the outstanding principal amount and contractual terms of debt and preferred equity investments. Distributions of earnings from portfolio companies are evaluated to determine if the distribution is income or a return of capital.

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 are treated as original issue discount (OID), and accreted into interest income based on the effective interest method over the life of the debt security.

Fee income. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as fee income when received. In accordance with Fidus Mezzanine Capital, L.P. s limited partnership agreement, we have historically recorded transaction fees for structuring and advisory services provided in connection with our investments as a direct offset to management fee expense. After completion of the formation transactions, all transaction fees received in connection with our investments will be recognized as income. We anticipate that such fees will include fees for services, including structuring and advisory services, provided to our portfolio companies. We expect to recognize income from fees for providing such structuring and advisory services when the services are rendered or the transactions are completed. We also anticipate that we will receive upfront debt origination or closing fees in connection with our debt investments. We expect that such upfront debt origination and closing fees will be capitalized as unearned income on our balance sheet and amortized as additional interest income over the life of the investment.

Payment-in-kind interest. We have investments in our portfolio that contain a payment-in-kind interest or dividends provision, which represents contractual interest or dividends that are added to the principal balance and is recorded as income. We will stop accruing payment-in-kind interest when it is determined that payment-in-kind interest is no longer collectible. To maintain RIC tax treatment, substantially all of this income must be paid out to stockholders in the form of distributions, even though we have not yet collected the cash.

Non-accrual. Loans or preferred equity securities are placed on non-accrual status when principal, interest or dividend payments become materially past due, or when there is reasonable doubt that principal, interest or dividends will be collected. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment. Non-accrual loans are restored to accrual status when past due principal, interest or dividends are paid and, in management s judgment, are likely to remain current.

Portfolio Composition, Investment Activity and Yield

During the three months ended March 31, 2011, we invested $0.3 million in one existing portfolio company with borrowings obtained under a revolving credit agreement. This borrowing was subsequently repaid during the quarter. During the year ended December 31, 2010, we invested $31.7 million in three new and five existing portfolio companies. The new investments consisted primarily of subordinated notes ($25.4 million, or 80.4%), senior secured loans ($4.0 million, or 12.5%), warrants ($0.8 million, or 2.4%) and equity securities ($1.5 million, or 4.7%). Additionally, we received proceeds from repayments of principal of $14.3 million during the year ended December 31, 2010.

As of March 31, 2011, our investment portfolio totaled $143.7 million and consisted of 16 portfolio companies. As of March 31, 2011, our debt portfolio was entirely comprised of fixed rate investments. Overall, the portfolio had a net unrealized appreciation of $5.0 million as of March 31, 2011. Our average portfolio company investment at amortized cost was $8.7 million as of March 31, 2011.

As of December 31, 2010, our investment portfolio totaled $141.3 million and consisted of 17 portfolio companies. As of December 31, 2010, our debt portfolio was entirely comprised of fixed-rate investments. Overall, the portfolio had a net unrealized depreciation of $4.0 million as of December 31, 2010. Our average portfolio company investment at amortized cost was $8.5 million as of December 31, 2010.

As of December 31, 2009, our investment portfolio totaled $122.9 million and consisted of 15 portfolio companies. As of December 31, 2009, our debt portfolio was entirely comprised of fixed-rate investments. Overall, the portfolio had a net unrealized depreciation of $3.9 million as of December 31, 2009. Our average portfolio company investment at amortized cost was $8.5 million as of December 31, 2009.

The weighted average yield on debt investments at their cost basis at March 31, 2011, December 31, 2010 and December 31, 2009 was 14.9%, 15.0% and 15.6%, respectively. Yields are computed using interest rates as of the balance sheet date and include amortization of original issue discount. Yields do not include debt investments that were on non-accrual status as of the balance sheet date.

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

	As of March 31, 2011	As of December 31, 2010	2009
Cost			
Senior secured loans	14.1%	13.4%	15.8%
Subordinated notes	76.4	72.2	69.9
Equity	7.9	12.0	12.1
Warrants	1.6	2.4	2.2
Total	100.0%	100.0%	100.0%
Fair Value			
Senior secured loans	11.2%	11.6%	12.0%
Subordinated notes	74.7	75.2	72.6
Equity	9.4	9.6	14.4
Warrants	4.7	3.6	1.0
Total	100.0%	100.0%	100.0%

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

	As of March 31, 2011	As of December 31, 2010	2009
Cost			
Midwest	29.5%	28.1%	12.7%
Southwest	22.3	20.8	21.2
Northeast	15.7	20.3	27.1
Southeast	19.1	18.2	22.1
West	13.4	12.6	16.9
Total	100.0%	100.0%	100.0%
Fair value			
Midwest	30.0%	30.7%	13.0%
Southwest	25.9	24.7	23.7
Northeast	15.3	15.4	27.7
Southeast	18.7	19.0	22.9
West	10.1	10.2	12.7

Total	100.0%	100.0%	100.0%

The following tables show the industry composition of our portfolio at cost and fair value:

	As of March 31, 2011	As of December 31, 2010	2009
Cost			
Transportation services	13.5%	12.4%	12.3%
Movie theaters	9.1	8.7	
Healthcare services	8.0	7.6	6.3
Niche manufacturing	3.2	3.1	6.5
Retail cleaning	5.4	5.1	5.7
Laundry services	6.7	6.3	7.2
Industrial products	6.6	6.3	8.7
Electronic components supplier	6.6	6.3	
Specialty distribution	6.6	6.2	6.6
Printing services	6.0	5.6	6.2
Industrial cleaning & coatings	5.8	5.5	6.3
Commercial cleaning	5.9	5.6	6.3
Specialty cracker manufacturer	5.7	5.4	5.9
Government information technology services	4.0	3.8	
Oil & gas services	3.4	3.2	3.2
Aerospace manufacturing	3.5	3.4	3.8
Retail			8.9
Environmental services		5.5	6.1
Total	100.0%	100.0%	100.0%

	As of March 31, 2011	As of December 31, 2010	2009
Fair Value			
Transportation services	16.3%	14.5%	13.0%
Movie theaters	9.9	10.3	
Healthcare services	8.0	8.1	6.5
Niche manufacturing	0.6	0.8	2.2
Retail cleaning	6.5	7.0	7.4
Laundry services	6.8	6.8	7.7
Industrial products	6.4	6.5	8.9
Electronic components supplier	6.4	6.5	
Specialty distribution	6.3	6.4	6.5
Printing services	6.0	6.0	6.4
Industrial cleaning & coatings	5.7	5.8	6.5
Commercial cleaning	5.6	5.7	6.3
Specialty cracker manufacturer	5.5	5.5	6.1

Government information technology services	3.8	3.9	
Oil & gas services	3.1	3.2	3.3
Aerospace manufacturing	3.1	3.0	4.0
Retail			9.2
Environmental services			6.0
Total	100.0%	100.0%	100.0%

Portfolio Asset Quality

We utilize an internally developed investment rating system for our portfolio of investments. Investment Rating 1 is used for investments that involve the least amount of risk in our portfolio and the portfolio company is performing above expectations. Investment Rating 2 is used for investments that are performing substantially within our expectations and the portfolio company s 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 require closer monitoring, but with respect to which we expect a full return of original capital invested and collection of all interest. Investment Rating 4 is used for investments performing materially below expectations, and have the potential for some loss of investment return. Investment Rating 5 is used for investments performing substantially below our expectations and where we expect a loss of principal.

The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value as of March 31, 2011, December 31, 2010 and December 31, 2009:

	March 31, 2011		December 31, 2010		December 31, 2009	
Investment Rating	Investments at Fair Value	Percent of Total Portfolio	Investments at Fair Value	Percent of Total Portfolio	Investments at Fair Value	Percent of Total Portfolio
			(Dollars in thousands)			
1	$ 26,751	18.6%	$ 27,330	19.3%	$ 20,365	16.6%
2	100,374	69.9	97,739	69.2	67,517	54.9
3	15,593	10.9	15,108	10.7	25,506	20.8
4					6,840	5.6
5	934	0.6	1,164	0.8	2,672	2.1
Totals	$ 143,652	100.0%	$ 141,341	100.0%	$ 122,900	100.0%

Based upon our investment rating system, the weighted average rating of our portfolio as of March 31, 2011, December 31, 2010 and December 31, 2009 was 1.9, 1.9 and 2.2, respectively. As of March 31, 2011, we had no investments on non-accrual status. As of December 31, 2010, the fair value of our non-accrual investments comprised 0.0% of the total fair value of our portfolio, and the cost of our non-accrual investments comprised 5.5% of the total cost of our portfolio. As of December 31, 2009, the fair value of our non-accrual investments comprised 2.2% of the total fair value of our portfolio, and the cost of our non-accrual investments comprised 6.5% of the total cost of our portfolio.

Discussion and Analysis of Results of Operations

Comparison of the three months ended March 31, 2011 and March 31, 2010

Investment Income

For the three months ended March 31, 2011, total investment income was $4.8 million, an increase of $0.6 million, or 13.5% over the $4.2 million of total investment income for the three months ended March 31, 2010. The increase was attributable to a $0.7 million increase in interest and fee income from investments, partially offset by a $0.1 million decrease in dividend income. The increase in interest and fee income is primarily due to higher average levels of outstanding debt investments, resulting from the closing of seven new investments totaling $29.4 million during 2010, partially offset by the repayment of $14.3 million of debt securities. The decrease in dividend income is primarily attributable to one equity investment in a portfolio company that was placed on non-accrual status in 2010.

Expenses

For the three months ended March 31, 2011, total expenses were $2.5 million, an increase of $0.6 million, or 29.9%, over the $1.9 million of total expenses for the three months ended March 31, 2010. The increase in total expenses was primarily attributable to increases in interest expense and the management fee paid to Fidus Capital, LLC. Interest expense increased $0.2 million as a result of higher average balances of SBA debentures outstanding during the three months ended March 31, 2011 than the comparable period in 2010. The management fee after management fee offset increased $0.3 million, or 37.1%, primarily due to a decrease in management fee offset resulting from lower new investment activity during the three months ended March 31, 2011 than the comparable period in 2010.

Net Investment Income

As a result of the $0.6 million increase in total investment income as compared to the $0.6 million increase in total expenses, net investment income for the three months ended March 31, 2011 was $2.3 million, or essentially unchanged from the comparable period in 2010.

Net Increase in Net Assets Resulting From Operations

For the three months ended March 31, 2011, the total realized loss on investments was $7.9 million resulting from one non-control/non-affiliate investment. For the three months ended March 31, 2010, the total realized loss on investments was nominal.

During the three months ended March 31, 2011, we recorded net unrealized appreciation on investments of $8.9 million comprised of unrealized appreciation on seven investments totaling $2.6 million and unrealized depreciation on 11 other investments totaling $1.5 million. In addition, we recorded net unrealized depreciation reclassification adjustments of $7.9 million related to a realized loss on the non-control/non-affiliate investment noted above.

As a result of these events, our net increase in net assets resulting from operations during the three months ended March 31, 2011, was $3.3 million, or an increase of $6.8 million compared to a net decrease in net assets resulting from operations of $3.4 million during the three months ended March 31, 2010.

Comparison of fiscal years ended December 31, 2010 and December 31, 2009

Investment Income

For the year ended December 31, 2010, total investment income was $18.0 million, an increase of $3.8 million, or 26.8%, over the $14.2 million of total investment income for the year ended December 31, 2009. The increase was attributable to a $4.6 million increase in interest and fee income from investments, partially offset by a $0.8 million decrease in dividend income. The increase in interest and fee income is primarily attributable to higher average levels of outstanding debt investments, which was principally due to the closing of seven new debt investments totaling $29.4 million during 2010, partially offset by the repayment of $14.3 million of debt securities. The decrease in dividend income is primarily attributable to one equity investment in a portfolio company that was placed on non-accrual status during 2010.

Expenses

For the year ended December 31, 2010, total expenses were $9.0 million, an increase of $1.9 million, or 27.3%, over the $7.1 million of total expenses for the year ended December 31, 2009. The increase in total expenses was primarily attributable to a $1.3 million increase in interest expense as a result of higher average balances of SBA debentures outstanding during the year ended December 31, 2010 than the comparable period in 2009. The management fees paid to Fidus Capital, LLC after management fee offset increased $0.5 million, or 15.7%, primarily attributable to a decrease in management fee offset due to lower new investment activity during the year ended December 31, 2010 than the comparable period in 2009. Other expenses increased $0.3 million, or 179.9%, primarily attributable to a loss on dividend receivable of $0.3 million related to one portfolio investment that was placed on non-accrual status during 2010.

Net Investment Income

As a result of the $3.8 million increase in total investment income as compared to the $1.9 million increase in total expenses, net investment income for the year ended December 31, 2010, was $9.0 million, or a 26.3% increase, compared to net investment income of $7.1 million during the year ended December 31, 2009.

Net Increase in Net Assets Resulting from Operations

For the year ended December 31, 2010, the total realized loss on investments was $3.9 million, all of such realized loss was on non-control/non-affiliate investments, which was primarily the result of the restructuring of one debt investment. For the year ended December 31, 2009, total realized losses on investments totaled $5.6 million. Realized losses on control investments for 2009 was $3.8 million, which primarily consisted of realized losses on two investments. Realized losses on affiliate investments for 2009 was $1.8 million, which primarily consisted of realized losses on two investments.

During the year ended December 31, 2010, we recorded net unrealized depreciation on investments in the amount of $0.1 million, comprised primarily of unrealized depreciation on 11 investments totaling $10.2 million and unrealized appreciation on 13 other investments totaling $6.3 million. In addition, we recorded net unrealized depreciation reclassification adjustments of $3.9 million related to a realized loss on the non-control/non-affiliate investment noted above.

As a result of these events, our net increase in net assets resulting from operations during the year ended December 31, 2010, was $5.0 million, or an increase of $6.6 million compared to a net decrease in net assets resulting from operations of $1.6 million during the year ended December 31, 2009.

Comparison of fiscal years ended December 31, 2009 and December 31, 2008

Investment Income

For the year ended December 31, 2009, total investment income was $14.2 million, an increase of $6.7 million, or 89.0%, over the $7.5 million of total investment income for the year ended December 31, 2008. The increase was primarily attributable to a $6.3 million increase in interest and fee income from investments. The increase in interest and fee income is primarily attributable to higher average levels of outstanding debt investments, which was principally due to the closing of ten new debt investments totaling $48.8 million during 2009.

Expenses

For the year ended December 31, 2009, total expenses were $7.1 million, an increase of $1.8 million, or 34.8%, over the $5.3 million of total expenses for the year ended December 31, 2008. The increase in total expenses was primarily attributable to a $1.7 million increase in interest expense as a result of higher average balances of SBA debentures outstanding during the year ended December 31, 2009 than the comparable period in 2008. The management fees paid to Fidus Capital, LLC after management fee offset decreased $0.1 million, primarily attributable to an increase in the management fee offset due to greater new investment activity during the year ended December 31, 2009 than the comparable period in 2008.

Net Investment Income

As a result of the $6.7 million increase in total investment income as compared to the $1.8 million increase in total expenses, net investment income for the year ended December 31, 2009 was $7.1 million, or a 216.2% increase, compared to net investment income of $2.2 million during the year ended December 31, 2008.

Net Decrease in Net Assets Resulting from Operations

For the year ended December 31, 2009, total realized losses on investments was $5.6 million. Realized losses on control investments for 2009 was $3.8 million, which primarily consisted of realized losses on two investments. Realized losses on affiliate investments for 2009 was $1.8 million, which primarily consisted of realized losses on two investments. During the year ended December 31, 2008, we did not record any realized gains or losses.

During the year ended December 31, 2009, we recorded net unrealized depreciation on investments in the amount of $3.1 million, comprised primarily of unrealized depreciation on ten investments totaling $7.5 million and unrealized appreciation on six other investments totaling $3.1 million. In addition, we recorded net unrealized depreciation reclassification adjustments of $1.3 million related to the realized losses on affiliate investments noted above. During the year ended December 31, 2008, we recorded net unrealized depreciation on investments in the amount of $0.8 million, comprised of unrealized depreciation on one investment.

As a result of these events, our net decrease in net assets resulting from operations during the year ended December 31, 2009, was $1.6 million, or a decrease of $3.1 million compared to a net increase in net assets resulting from operations of $1.5 million during the year ended December 31, 2008.

Liquidity and Capital Resources

Cash Flows

For the three months ended March 31, 2011, we experienced a net increase in cash and cash equivalents in the amount of $7.2 million. During that period, we used $0.5 million in cash from operating activities, primarily due to cash payments for interest on borrowings of approximately $2.4 million, the management fee of $1.0 million and other expenses partially offset by cash interest receipts on investments of $3.2 million. During the same period, we generated $7.8 million from financing activities, consisting of net borrowings under our credit facility totaling $0.8 million and capital contributions totaling $7.0 million.

For the three months ended March 31, 2010, we experienced a net increase in cash and cash equivalents in the amount of $0.1 million. During that period, we used $12.1 million in cash from operating activities primarily to fund $12.8 million in new investments which were partially offset by $1.1 million in repayments. During the same period, we generated $12.2 million from financing activities consisting of $12.5 million in new SBA debenture borrowing partially offset by the payment of $0.3 million in deferred financing costs.

For the year ended December 31, 2010, we experienced a net decrease in cash and cash equivalents in the amount of $0.9 million. During that period, we used $12.8 million in cash in operating activities, primarily for the funding of $31.7 million of investments, partially offset by $14.3 million of principal payments received and $9.0 million of net investment income. During the same period, we generated $11.9 million from financing activities, consisting of borrowings under SBA debentures in the amount of $14.0 million, partially offset by deferred financing costs paid by us in the amount of $0.6 million and a capital distribution in the amount of $1.5 million.

For the year ended December 31, 2009, we experienced a net increase in cash and cash equivalents in the amount of $1.3 million. During that period, we used $48.4 million in cash in operating activities, primarily for the funding of $50.8 million of investments, partially offset by $7.1 million of net investment income. During the same period, we generated $49.7 million from financing activities, consisting of borrowings under SBA debentures in the amount of $33.0 million and partners capital contributions in the amount of $17.5 million. These amounts were partially offset by financing fees paid by us in the amount of $0.8 million.

For the year ended December 31, 2008, we experienced a net increase in cash and cash equivalents in the amount of $1.1 million. During that period, we used $40.5 million in cash in operating activities, primarily for the funding of $42.6 million of investments, partially offset by $2.0 million of principal payments received and $2.2 million of net investment income. During the same period, we generated $41.6 million from financing activities, consisting of borrowings under SBA debentures in the amount of $46.5 million and partners capital contributions in the amount of $11.5 million. These amounts were partially offset by financing fees paid by us in the amount of $1.1 million and repayment of outstanding borrowings on our line of credit in the amount of $15.3 million.

Capital Resources

As of March 31, 2011, we had $9.0 million in cash and cash equivalents, and our net assets totaled $62.3 million. We intend to generate additional cash primarily from net proceeds of this offering and any future offerings of securities, future borrowings as well as cash flows from operations, including income earned from investments in our portfolio companies and, to a lesser extent, from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders substantially all of our income except for certain net capital gains. In addition, as a business development company, we generally will be required to meet a coverage ratio of total assets to total senior securities, which include all of our borrowings and any preferred stock we may issue in the future, of at least 200.0%. This requirement will limit the amount that we may borrow. Upon the receipt of the net proceeds from this offering, we anticipate that we will be in compliance with the asset coverage ratio under the 1940 Act.

We anticipate that we will continue to fund our investment activities through a combination of debt and additional equity capital. Due to Fidus Mezzanine Capital, L.P. s status as a licensed SBIC, it has 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, which generally is the amount raised from private investors. The maximum statutory limit on the dollar amount of outstanding debentures guaranteed by the SBA issued by a single SBIC as of March 31, 2011, was $150.0 million. Debentures guaranteed by the SBA have fixed interest rates that approximate prevailing 10-year Treasury Note rates plus a spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid at any time. As of March 31, 2011, Fidus Mezzanine Capital, L.P. had $93.5 million of outstanding SBA debentures, which had a weighted average interest rate of 5.4%. Based on its $75.9 million of regulatory capital, Fidus Mezzanine Capital, L.P. has the current capacity to issue up to an additional $56.5 million of debentures guaranteed by the SBA.

Recently Issued Accounting Standards

In January 2010, the FASB issued an update to ASC Topic 820, *Fair Value Measurements and Disclosures Topic*, which requires additional disclosures about inputs into valuation techniques, disclosures about significant transfers into or out of Levels 1 and 2, and disaggregation of purchases, sales, issuances and settlements in the Level 3 roll forward disclosure. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009 except for the disclosures about purchases, sales issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of these updates did not have a material impact on our financial statements.

Off-Balance Sheet Arrangements

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. As of March 31, 2011 and December 31, 2010, our only off-balance sheet arrangements consisted of $0.5 million of an unfunded commitment to provide debt financing to one of our portfolio companies. As of December 31, 2009, our only off-balance sheet arrangement consisted of a $50,000 unfunded commitment to provide debt financing to one of our portfolio companies. Such commitments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our balance sheets.

Contractual Obligations

As of March 31, 2011, our future fixed commitments for cash payments are as follows:

	Total	2011	2012	2013	2014	2015	2016 and Thereafter
				(Dollars in thousands)			
SBA debentures	$ 93,500	$	$	$	$	$	$ 93,500
Interest due on SBA Debentures	40,226	2,537	5,057	5,044	5,044	5,044	17,500
Total	$ 133,726	$ 2,537	$ 5,057	$ 5,044	$ 5,044	$ 5,044	$ 111,000

We have certain contracts under which we have material future commitments. We intend to enter into the Investment Advisory Agreement with our investment advisor in accordance with the 1940 Act. The Investment Advisory Agreement will become effective upon the closing of this offering. Under the Investment Advisory Agreement, our investment advisor has agreed to provide us with investment advisory and management services. We have agreed to pay the following amounts for these services (a) a management fee equal to a percentage of the average of our total assets (excluding cash and cash equivalents) and (b) an incentive fee based on our performance. See Management and Other Agreements Investment Advisory Agreement Management Fee.

We also intend to enter into the Administration Agreement with our investment advisor. The Administration Agreement will become effective upon the closing of the formation transactions and this offering. Under the Administration Agreement, our investment advisor has agreed to furnish us with office facilities and equipment, provide us clerical, bookkeeping and record keeping services at such facilities and provide us with other administrative services necessary to conduct our day-to-day operations. See Management and Other Agreements Administration Agreement.

If any of the contractual obligations discussed above are terminated, our costs under any new agreements that we enter into may increase. In addition, we would likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under our Investment Advisory Agreement and our Administration Agreement. Any new investment advisory agreement would also be subject to approval by our independent board members. Upon the completion of this offering, the existing management services agreement of Fidus Mezzanine Capital, L.P. will terminate with no continuing payment or other obligations on the part of either party.

Quantitative and Qualitative Disclosure 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 March 31, 2011, all of our debt investments bore interest at fixed rates and all of our pooled SBA debentures bore interest at fixed rates. Assuming that the balance sheets as of March 31, 2011, December 31, 2010 and December 31, 2009 were to remain constant, a hypothetical 1.0% change in interest rates would not have a material effect on our level of interest income from debt investments.

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.

SENIOR SECURITIES

Information about our senior securities is shown in the following table as of March 31, 2011 and December 31 for the years indicated in the table. We have derived the information as of December 31, 2007, December 31, 2008 and March 31, 2011 from unaudited financial data. The information as of December 31, 2009 and December 31, 2010 has been derived from our consolidated financial statements, which have been audited by our independent registered public accounting firm and are included elsewhere in this prospectus.

Class and Year	**Total Amount Outstanding Exclusive of Treasury**	**Asset Coverage**	**Involuntary Liquidation Preference**	**Average Market Value**