FIDUS INVESTMENT Corp
Form 497
September 07, 2012
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Filed pursuant to Rule 497
Registration Statement No. 333-182785

PROSPECTUS SUPPLEMENT

(To Prospectus dated August 30, 2012)

2,150,000 Shares

Common Stock

Fidus Investment Corporation is an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. We are offering 2,150,000 shares of our common stock to fund investments in lower middle-market companies in accordance with our investment objective and strategies and for working capital and general corporate purposes.

Our common stock is listed on the Nasdaq Global Select Market under the symbol FDUS. On September 6, 2012, the last reported sale price of our common stock on the Nasdaq Global Select Market was $16.78 per share. We are required to determine the net asset value per share of our common stock on a quarterly basis. As of June 30, 2012, our net asset value per share was $15.02.

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

We generally invest in securities that would be rated below investment grade if they were rated by rating agencies. Below investment grade securities, which are often referred to as high yield or junk, have speculative characteristics with respect to the issuer s capacity to pay interest and repay principal.

Investing in our common stock is speculative and involves numerous risks, and you could lose your entire investment if any of the risks occur. Among these risks is the risk associated with leverage and dilution. For more information regarding these risks, please see Risk Factors beginning on page 11 of the accompanying prospectus.

Please read this prospectus supplement and the accompanying prospectus before investing, and keep it for future reference. It concisely sets forth important information about us that a prospective investor should know before investing in our securities. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information is available free of charge by contacting us at 1603 Orrington Avenue, Suite 820, Evanston, Illinois 60201, Attention: Investor Relations, by accessing our website at http://www.fdus.com or by calling us collect at (847) 859-3940. Information contained on our website is not incorporated by reference into, and you should not consider that information to be part of, this prospectus supplement or the accompanying prospectus. The Securities and Exchange Commission also maintains a website at http://www.sec.gov that contains such information.

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

	Per Share	Total
Public offering price	$ 16.1000	$ 34,615,000
Underwriting discount (4.00%)	$ 0.6440	$ 1,384,600
Proceeds, before expenses, to us (1)	$ 15.4560	$ 33,230,400

(1) We estimate that we will incur approximately $300,000 in offering expenses in connection with this offering.

The underwriters have the option to purchase up to an additional 322,500 shares of common stock at the public offering price, less the underwriting discount, within 30 days from the date of this preliminary prospectus supplement solely to cover any over-allotments. If the over-allotment option is exercised in full, the total public offering price will be $39,807,250, the total underwriting discount (4.00%) will be $1,592,290, and the total proceeds to us, before deducting estimated expenses payable by us of $300,000, will be $38,214,960.

The underwriters expect to deliver the shares on or about September 11, 2012.

Joint Bookrunning Managers

RAYMOND JAMES **BAIRD**

Co-Lead Managers

BB&T Capital Markets **Oppenheimer & Co.**

Co-Manager

D.A. Davidson & Co.

The date of this prospectus supplement is September 7, 2012

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the common stock we are offering and certain other matters relating to us. The second part, the accompanying prospectus, gives more general information about the securities which we may offer from time to time, some of which may not apply to the common stock offered by this preliminary prospectus supplement. For information about our common stock, see Description of Our Capital Stock in the accompanying prospectus.

If information varies between this prospectus supplement and the accompanying prospectus, you should rely only on such information in this prospectus supplement. The information contained in this prospectus supplement supersedes any inconsistent information included in the accompanying prospectus. In various places in this prospectus supplement and the accompanying prospectus, we refer you to other sections of such documents for additional information by indicating the caption heading of such other sections. The page on which each principal caption included in this prospectus supplement and the accompanying prospectus can be found is listed in the table of contents above. All such cross references in this prospectus supplement are to captions contained in this prospectus supplement and not in the accompanying prospectus, unless otherwise stated.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS. WE HAVE NOT, AND THE UNDERWRITER HAS NOT, AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH DIFFERENT OR ADDITIONAL INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR ADDITIONAL INFORMATION, YOU SHOULD NOT RELY ON IT. WE ARE NOT, AND THE UNDERWRITERS ARE NOT, MAKING AN OFFER TO SELL THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. YOU SHOULD ASSUME THAT THE INFORMATION APPEARING IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS IS ACCURATE ONLY AS OF THEIR RESPECTIVE DATES, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS OR ANY SALES OF THE SECURITIES. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THOSE DATES.

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SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. Together, these documents describe the specific terms of the shares we are offering. You should read the entire prospectus supplement and accompanying prospectus carefully, including Risk Factors, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements contained elsewhere in the accompanying prospectus. Except as otherwise noted, all information in the prospectus supplement and the accompanying prospectus assumes no exercise of the underwriters over-allotment option.

Fidus Investment Corporation is a Maryland corporation, formed on February 14, 2011, for the purpose of acquiring 100.0% of the equity interests in Fidus Mezzanine Capital, L.P., or the Fund, and its general partner, Fidus Mezzanine Capital GP, LLC, raising capital in its initial public offering, or IPO, which was completed in June 2011, and thereafter, operating as an externally managed business development company, or BDC, under the 1940 Act. The Fund is licensed as a small business investment company, or SBIC, by the United States Small Business Administration, or SBA. Simultaneously with the consummation of our IPO, we acquired all of the equity interests in the Fund and its former general partner as described in the accompanying prospectus under Formation Transactions, whereby the Fund became our wholly owned subsidiary. Unless otherwise noted in this prospectus supplement or the accompanying prospectus, the terms we, us, our, the Company and Fidus refer to the Fund prior to the IPO and to Fidus Investment Corporation and its subsidiaries, including the Fund, for the periods after the IPO.

As used in this prospectus supplement and the accompanying prospectus, the term our investment advisor refers to Fidus Capital, LLC prior to the Formation Transactions and Fidus Investment Advisors, LLC after the Formation Transactions. The investment professionals of Fidus Investment Advisors, LLC were also the investment professionals of Fidus Capital, LLC.

Fidus Investment Corporation

We provide customized debt and equity financing solutions to lower middle-market companies, which we define as U.S. based companies having revenues between $10.0 million and $150.0 million. Our investment objective is to provide attractive risk-adjusted returns by generating both current income from our debt investments and capital appreciation from our equity related investments. We were formed to continue and to expand the business of the Fund, which was formed in February 2007 and is licensed by the SBA as a SBIC. Our investment strategy includes partnering with business owners, management teams and financial sponsors by providing customized financing for ownership transactions, recapitalizations, strategic acquisitions, business expansion and other growth initiatives. We seek to maintain a diversified portfolio of investments in order to help mitigate the potential effects of adverse economic events related to particular companies, regions or industries.

We invest in companies that possess some or all of the following attributes: predictable revenues; positive cash flows; defensible and/or leading market positions; diversified customer and supplier bases; and proven management teams with strong operating discipline. We target companies in the lower middle-market with annual earnings, before interest, taxes, depreciation and amortization, or EBITDA, between $3.0 million and $20.0 million; however, we may from time

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to time opportunistically make investments in larger or smaller companies. Our investments typically range between $5.0 million and $15.0 million per portfolio company.

As of June 30, 2012, we had debt and equity investments in 27 portfolio companies with an aggregate fair value of $234.1 million. The weighted average yield on all of our debt investments as of June 30, 2012 was 15.5%. Yields are computed using the effective interest rates as of June 30, 2012, 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. From our perspective, lower middle-market companies have faced difficulty raising debt capital in both the capital markets and private markets. As a result of the difficulties in the credit markets and fewer sources of capital for lower middle-market companies, we see opportunities for improved risk-adjusted returns. Furthermore, we believe with a large pool of uninvested private equity capital seeking debt capital to complete transactions and a substantial supply of refinancing opportunities, there is an opportunity to attain appealing risk-adjusted returns on debt and equity investments. See The Company in the accompanying prospectus for more information.

BUSINESS STRATEGY

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

- leveraging the experience of our investment advisor;
- capitalizing on our strong transaction sourcing network;
- serving as a value-added partner with customized financing solutions;
- employing rigorous due diligence and underwriting processes focused on capital preservation;
- actively managing our portfolio;
- maintaining portfolio diversification; and
- benefiting from lower cost of capital through our SBIC subsidiary.

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.

ABOUT OUR ADVISOR

Our investment activities are managed by Fidus Investment Advisors, LLC, our investment advisor. Pursuant to the terms of the investment advisory and management agreement, which we refer to as the Investment Advisory Agreement, our investment advisor is responsible for determining the composition of our portfolio, including sourcing potential investments, conducting research and diligence on potential investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. Our investment advisor s investment professionals seek to capitalize on their significant deal origination and sourcing, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience. These

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professionals have developed a broad network of contacts within the investment community, have gained extensive experience investing in assets that constitute our primary focus and have expertise in investing across all levels of the capital structure of lower middle-market companies. For information regarding the people who control our investment advisor and their affiliations with the Company, see Certain Relationships and Related Transactions Investment Advisory Agreement in the accompanying prospectus.

Our relationship with our investment advisor is governed by and dependent on the Investment Advisory Agreement and may be subject to conflicts of interest. We pay our investment advisor a fee for its services under the Investment Advisory Agreement consisting of two components a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.75% of the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts). The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of our pre-incentive fee net investment income for the immediately preceding quarter, subject to a 2.0% preferred return, or hurdle, and a catch up feature. The second part is determined and payable in arrears as of the end of each fiscal year in an amount equal to 20.0% of our realized capital gains and unrealized capital appreciation, if any, 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. For more information about how we compensate our investment advisor and the related conflicts of interest, see Management and Other Agreements Investment Advisory Agreement and Certain Relationships and Related Transactions Conflicts of Interest in the accompanying prospectus.

Our board of directors is charged with protecting our interests by monitoring how our investment advisor addresses conflicts of interest associated with its management services and compensation. While our board of directors is not expected to review or approve each borrowing or incurrence of leverage, our independent directors 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 consider whether the fees and expenses (including those related to leverage) that we pay to our investment advisor remain appropriate.

Fidus Investment Advisors, LLC is a Delaware limited liability company that is registered as an investment advisor under the Investment Advisers Act of 1940, as amended, or the Advisers Act. In addition, Fidus Investment Advisors, LLC serves as our administrator and provides us with office space, equipment and clerical, book-keeping and record-keeping services pursuant to an administration agreement, which we refer to as the Administration Agreement.

Recent Developments

Since June 30, 2012, we have issued an additional $20.3 million in SBA debentures.

On July 10, 2012, we invested $7.5 million of subordinated notes and warrants in S.B. Restaurant Co., doing business as Elephant Bar Restaurants, a California-based owner and operator of full service, casual dining restaurants.

On July 24, 2012, we sold a portion of our senior secured loan and warrants of United Biologics, LLC for $3.3 million at amortized cost.

On July 30, 2012, we received a Green Light letter from the SBA inviting us to proceed with an application for a second SBIC license. If approved, the additional SBIC license is expected to

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provide us with an incremental source of long-term debt capital. We have received no assurances from the SBA that our application for a second license will be approved, or of the timeframe in which we would receive a license in the event that our application is approved by the SBA. If we are approved by the SBA for a second SBIC license, the maximum amount of SBA debentures that we may have outstanding under both of our SBIC licenses cannot exceed $225.0 million.

On July 31, 2012, the Board declared a quarterly dividend of $0.38 per share payable on September 25, 2012 to stockholders of record as of September 11, 2012.

On August 10, 2012, we invested $9.0 million of senior secured notes and $0.5 million of common equity in National Truck Protection Co., Inc., a leading independent provider of warranties and service contracts to the North American trucking industry.

On August 17, 2012, we invested $6.2 million of subordinated notes and warrants and $1.2 million of common equity in Apex Microtechnology, Inc., a leading provider of precision high-power analog amplifier products.

On August 31, 2012, we exited our portfolio investment in Restoration Holdco, LLC in connection with a recapitalization transaction. We received total proceeds of approximately $7.0 million, including repayment of our senior secured loan, a prepayment premium and a realized gain of approximately $1.9 million on the sale of our warrants. Restoration Holdco, LLC is a provider of restoration and mitigation services to single and multi-family residential, commercial and institutional customers.

The Offering

Common stock offered by us	2,150,000 shares
Common stock outstanding prior to this offering	9,427,021 shares
Common stock to be outstanding after this offering(1)	11,577,021 shares
Over-allotment option	322,500 shares
Use of proceeds	The net proceeds from this offering (without exercise of the underwriters over-allotment option and before deducting estimated expenses payable by us of approximately $300,000) will be $33,230,400.

We intend to use the net proceeds from this offering to make investments in lower middle-market companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. See Use of Proceeds in this prospectus supplement for more information.

Dividends and distributions	Our dividends and other distributions, if any, are determined and declared by our Board of Directors from time to time. On July 31, 2012, our Board of Directors declared a quarterly dividend of $0.38 per share for the third quarter of 2012. Our dividend will be payable on September 25, 2012 to stockholders of record as of September 11, 2012. If the offering to which this prospectus supplement relates closes on or before September 11, 2012 (i.e., the record date), purchasers of shares of our common stock in this offering will be entitled to receive the dividend that is payable on September 25, 2012. Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), our ability to maintain our qualification as a regulated investment company, or RIC, compliance with applicable BDC regulations, our compliance with applicable SBIC regulations and such other factors as our Board of Directors may deem relevant from time to time. We typically pay quarterly dividends and may pay other distributions to our stockholders out of assets legally available for distribution.
Taxation	We have elected to be treated as a RIC under the Internal Revenue Code of 1986, as amended, or the Code, beginning with our taxable year ended 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 maintain our qualification as a RIC we must satisfy certain requirements, including the requirement that we 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 in the accompanying prospectus.
Effective trading at a discount	Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value. See Risk Factors and Sales of Common Stock Below Net Asset Value in the accompanying prospectus.
Risk Factors	See Risk Factors beginning on page 11 of the accompanying prospectus for a discussion of risks you should carefully consider before deciding to invest in shares of our common stock.
The Nasdaq Global Select Market Symbol	FDUS

(1) The number of shares of common stock to be outstanding after this offering is based on 9,427,021 shares outstanding as of September 6, 2012 and, unless we indicate otherwise, excludes 322,500 shares of common stock that the underwriters have an option to purchase pursuant to their over-allotment option.

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FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	4.0%(1)
Offering expenses borne by us (as a percentage of offering price)	0.9%(2)
Dividend reinvestment plan expenses	(3)
Total stockholder transaction expenses paid by us (as a percentage of offering price)	4.9%
Annual expenses (as a percentage of net assets attributable to common stock)(4):	
Base management fee	2.8%(5)
Incentive fees payable under Investment Advisory Agreement	2.5%(6)
Interest payments on borrowed funds	4.9%(7)
Other expenses	1.9%(8)
Total annual expenses	12.2%(9)

(1) The underwriting discount with respect to our shares of commons stock sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.
(2) The offering expenses of this offering borne by us are estimated to be approximately $300,000. If the underwriters exercise their over-allotment option in full, the offering expenses borne by us (as a percentage of the offering price) will be 0.8%.
(3) The expenses of administering our dividend reinvestment plan are included in other expenses.
(4) Annual expenses is calculated as a percentage of net assets attributable to common stock because such expenses are ultimately paid by our common stockholders. Offering expenses, if any, will be borne directly or indirectly by our common stockholders. Net assets attributable to common stock equals average net assets for the six months ended June 30, 2012.
(5) Our base management fee is 1.75% of the average value of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts) and are estimated by assuming the base management fee remains consistent with the fees incurred for the six months ended June 30, 2012. We may from time to time decide it is appropriate to change the terms of the Investment Advisory Agreement. Under the 1940 Act, any material change to our Investment Advisory Agreement must be submitted to stockholders for approval. The 2.8% reflected in the table is calculated on our net assets (rather than our total assets). See Management and Other Agreements Investment Advisory Agreement.
(6) This item represents our investment advisor s incentive fees based on annualizing actual amounts earned on our pre-incentive fee net investment income for the six months ended June 30, 2012 and assumes that the capital gains incentive fees payable at the end of the 2012 calendar year will be based on the actual cumulative realized capital gains net of cumulative realized losses and unrealized capital depreciation as of June 30, 2012.

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 net of realized capital losses and unrealized capital depreciation, if any, on a cumulative basis from inception through the end of the fiscal year (or upon the termination of the Investment Advisory Agreement, as of the termination date), less the aggregate amount of

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any previously paid capital gain incentive fees. We accrue, but do not pay, a capital gains incentive fee in connection with any net unrealized capital appreciation, as appropriate. Incentive fees payable under Investment Advisory Agreement does not include an accrual for a capital gains incentive fee of $149,284 for the six months ended June 30, 2012 because no capital gains incentive fee was earned and payable under the Investment Advisory Agreement.

See Management and Other Agreements Investment Advisory Agreement.

(7) Interest payments on borrowed funds represent our annualized interest payments on SBA debentures as of June 30, 2012, adjusted for projected increases in outstanding SBA debentures. As of June 30, 2012, we had outstanding SBA debentures of $121.3 million, with capacity to borrow up to an aggregate of $150.0 million. This item is based on the sum of (i) actual interest expense for the six months ended June 30, 2012 and annualized for a full year, plus (ii) an increase in outstanding SBA debentures of $28.8 million at a fixed rate of 3.5%. If, in the future, we enter into a credit facility or issue any debt securities, interest payments on borrowed funds will include estimated annual interest payments for any amounts outstanding under such credit facility or any debt securities we may issue. The amount of leverage that we employ at any particular time will depend on, among other things, our board of directors assessment of market and other factors at the time of any proposed borrowing.

(8) Other expenses represent our estimated annual operating expenses, including professional fees, directors fees, insurance costs, expenses of our dividend reinvestment plan and payments under the Administration Agreement based on our allocable portion of overhead and other expenses incurred by our administrator. See Management and Other Agreements Administration Agreement. Other expenses exclude interest payments on borrowed funds, and if we issue debt securities or preferred stock, interest payments on debt securities and distributions with respect to preferred stock. We currently do not have any class of securities outstanding other than common stock. Other expenses are based on actual other expenses for the six months ended June 30, 2012 and annualized for a full year.

(9) Total annual expenses as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the total annual expenses percentage be calculated as a percentage of net assets, rather than the total assets including assets that have been purchased with borrowed amounts. If the total annual expenses percentage were calculated instead as a percentage of average consolidated total assets for the six months ended June 30, 2012, our total annual expenses would be 6.6% of average consolidated total assets.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in us. In calculating the following expense amounts, we have assumed we would have no additional leverage, that none of our assets are cash or cash equivalents and that our annual operating expenses would remain at the levels set forth in the table above, and that you would pay a sales load of 4.00% (the underwriting discount to be paid by us with respect to common stock sold by us in this offering).

	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	$ 165	$ 388	$ 578	$ 943

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

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

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus supplement and accompanying 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, targets, projects and variations of these words and similar expressions are intended to identif 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 BDC;
- 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;
- the availability of additional capital on attractive terms or at all;
- uncertain valuations of our portfolio investments;
- competition for investment opportunities;
- actual and potential conflicts of interest with our investment advisor;
- potential divergent interests of our investment advisor and our stockholders arising from our management and incentive fee structure;
- 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 maintain our status as a RIC and as a BDC;

the timing, form and amount of any distributions from our portfolio companies;

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- changes in laws or regulations applicable to us;
- possible resignation of our investment advisor or administrator;
- the general economy and its impact on the industries in which we invest;
- risks associated with investing in lower middle-market companies;
- the ability of our investment advisor to identify, invest in and monitor companies that meet our investment criteria;
- our ability to invest in qualifying assets; 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 supplement and the accompanying prospectus should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in Risk Factors and elsewhere in the accompanying prospectus. You should not place undue reliance on these forward-looking statements as a prediction of actual results, which apply only as of the date of this prospectus supplement and accompanying prospectus. We expressly disclaim any responsibilities to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements and projections contained in this prospectus supplement and accompanying prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, or the Securities Act.