Van Deursen Holly
Form 4
August 30, 2010

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person [*]
Van Deursen Holly

(Last) (First) (Middle)

21211 NORDHOFF STREET

(Street)

CHATSWORTH, CA 91311

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CAPSTONE TURBINE Corp [cpst]

3. Date of Earliest Transaction (Month/Day/Year)
08/26/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

Derivative Security					or Disposed of (D) (Instr. 3, 4, and 5)					
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Share
Stock Option (right to buy)	$ 0.66	08/26/2010	A		10,000		11/26/2010(1)	08/26/2020	Common Stock	10,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Van Deursen Holly 21211 NORDHOFF STREET CHATSWORTH, CA 91311	X			

Signatures

Clarice Hovsepian, Power of Attorney for Holly A Van Deursen, Reporting Person	08/30/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Stock options vest and are exercisable as follows: 2,500 on 11/26/2010, 2,500 on 2/26/2011, 2,500 on 5/26/2011 and 2,500 on 8/25/2011.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. #000000">**December 31, 2010**

Cost:

Senior secured loans
$22,748,183 14.7% $19,468,293 13.4%
Subordinated notes
115,144,488 74.7 104,864,032 72.2
Equity
13,077,415 8.5 17,452,154 12.0
Warrants
3,315,005 2.1 3,521,962 2.4

Total
$154,285,091 100.0% $145,306,441 100.0%

Fair value:

Senior secured loans
$18,812,512 11.7% $16,302,829 11.6%
Subordinated notes
116,336,668 72.4 106,323,193 75.2
Equity
15,425,273 9.6 13,622,546 9.6
Warrants
10,131,335 6.3 5,092,910 3.6

Total
$160,705,788 100.0% $141,341,478 100.0%

All investments made by the Company as of June 30, 2011 and December 31, 2010 were made in portfolio companies located in the United States. The following tables show portfolio composition by geographic region at cost and fair value and as a percentage of total investments. The geographic composition is determined by the location of the corporate headquarters of the portfolio company, which may not be indicative of the primary source of the portfolio company s business.

	June 30, 2011		December 31, 2010	
Cost:				
Midwest	$ 49,143,793	31.9%	$ 40,796,916	28.1%
Southwest	31,331,533	20.3	30,239,168	20.8
Northeast	22,142,321	14.3	29,452,499	20.3
Southeast	28,162,417	18.3	26,467,585	18.2
West	23,505,027	15.2	18,350,273	12.6
Total	$ 154,285,091	100.0%	$ 145,306,441	100.0%
Fair value:				
Midwest	$ 51,430,997	32.0%	$ 43,401,076	30.7%
Southwest	39,649,764	24.7	34,914,855	24.7
Northeast	22,220,152	13.8	21,805,502	15.4
Southeast	28,544,465	17.8	26,809,225	19.0
West	18,860,410	11.7	14,410,820	10.2
Total	$ 160,705,788	100.0%	$ 141,341,478	100.0%

At June 30, 2011, the Company had one portfolio company investment that represented more than 10% of the total investment portfolio. Such investment represented 16.1% of the fair value of the portfolio and 12.3% of cost as of June 30, 2011. At December 31, 2010, the Company had two portfolio company investments that each represented more than 10% of the total investment portfolio. Such investments represented 24.8% of the fair value of the portfolio and 21.1% of cost as of December 31, 2010.

As of June 30, 2011, there were no investments on non-accrual status. As of December 31, 2010, there was one investment on non-accrual status which comprised 0.0% of the total portfolio on a fair value basis, and 5.5% of the total portfolio on a cost basis. The investment on non-accrual status at December 31, 2010 was written off in the first quarter of 2011.

Note 4. Fair Value Measurements

The Company has established and documented processes and methodologies for determining the fair values of portfolio company investments on a recurring basis in accordance with ASC Topic 820. Fair value is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available or reliable, valuation techniques are applied. Because the Company s portfolio investments generally do not have readily ascertainable market values, the Company values its portfolio investments at fair value, as determined in good faith by the Board of Directors (Board), based on input of management and an independent valuation firm, and under a valuation policy and a consistently applied valuation process.

Portfolio investments recorded at fair value in the consolidated financial statements are classified based upon the level of judgment associated with the inputs used to measure their value, as defined below:

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Level 1 Investments whose values are based on unadjusted, quoted prices for identical assets in an active market.

Level 2 Investments whose values are based on quoted prices for similar assets in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the investment.

Level 3 Investments whose values are based on inputs that are both unobservable and significant to the overall fair value measurement. The inputs into the determination of fair value are based upon the best information available and may require significant management judgment or estimation.

An investment s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company s investment portfolio is comprised of debt and equity securities of privately held companies for which quoted prices falling within the categories of Level 1 and Level 2 inputs are not available. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for investments classified as Level 3. As of June 30, 2011 and December 31, 2010, all of the Company s portfolio company investments are classified as Level 3. The fair value of the Company s total portfolio investments at June 30, 2011 and December 31, 2010 were $160,705,788 and $141,341,478, respectively.

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

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

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

- the 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. The Company 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. As of June 30, 2011, the Board consulted with the independent valuation firm in arriving at the Company s determination of fair value on eight of its portfolio company investments representing 53.3% of the total portfolio investments at fair value. As of December 31, 2010, the previous general partner consulted with the independent valuation firm in arriving at the Company s determination of fair value on 16 of its portfolio company investments representing 100.0% of the total portfolio investments at fair value;

- the audit committee of the board of directors reviews the preliminary valuations of the 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 the investment advisor, the independent valuation firms and the audit committee.

In making the good faith determination of the value of portfolio investments, the Company starts with the cost basis of the security, which includes the amortized original issue discount and PIK 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. The Company performs detailed valuations of its debt and equity investments on an individual basis, using market, income and yield approaches as appropriate.

Under the market approach, the Company typically uses the enterprise value methodology to determine the fair value of an investment. There is no one methodology to estimate enterprise value and, in fact, for any one portfolio company, enterprise value is generally best expressed as a range of values, from which the Company derives a single estimate of enterprise value. In estimating the enterprise value of a portfolio company, the Company analyzes various factors consistent with industry practice, including but not limited to original transaction multiples, the portfolio

company s historical and projected financial results, applicable market trading and transaction comparables, applicable market yields and leverage levels, the nature and realizable value of any collateral, the markets in which the portfolio company does business, and comparisons of financial ratios of peer companies that are public. 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, the Company prepares and analyzes 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, the Company considers various factors, including but not limited to the portfolio company s projected financial results, applicable market trading and transaction comparables, applicable market yields and leverage levels, the markets in which the portfolio company does business, and comparisons of financial ratios of peer companies that are public.

Under the yield approach, the Company uses discounted cash flow models to determine the present value of the future cash flow streams of its 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, the Company also considers the following factors: applicable market yields and leverage levels, credit quality, prepayment penalties, estimated remaining life, the nature and realizable value of any collateral, the portfolio company s ability to

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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. The Company estimates the remaining life of its debt investments to generally be the legal maturity date of the instrument, as the Company generally intends to hold its loans to maturity. However, if the Company has information available to it that the loan is expected to be repaid in the near term, it would use an estimated remaining life based on the expected repayment date.

For the Company s Control investments, the Company determines the fair value of debt and equity investments using a combination of market and income approaches. The valuation approaches for the Company s Control investments estimate the value of the investment if it 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 the Company s ability to influence the capital structure of the portfolio company, as well as the timing of a potential exit.

For the Company s Affiliate or Non-Control/Non-Affiliate equity investments, the Company uses a combination of market and income approaches as described above to determine the fair value.

For Affiliate or Non-Control/Non-Affiliate debt investments, the Company generally uses 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, the Company 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.

Due to the inherent uncertainty in the valuation process, the Board s estimate of fair value may differ materially from the values that would have been used had a ready market for the securities existed. In addition, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned.

The Company s investments are subject to market risk. Market risk is the potential for changes in the value of investments due to market changes. Market risk is directly impacted by the volatility and liquidity in the markets in which the investments are traded.

Financial instruments classified as Level 3 in the fair value hierarchy represent the Company s investments in portfolio companies, see the consolidated schedules of investments for further description. The following table presents a reconciliation of activity for the Level 3 financial instruments:

	Senior Secured Loans	Subordinated Notes	Equity	Warrants	Total
Balance, December 31, 2009	$ 14,801,858	$ 89,203,733	$ 17,690,221	$ 1,204,444	$ 122,900,256
Realized loss on investments			(2,307)		(2,307)
Net unrealized appreciation (depreciation)	(1,792,239)	454,000	(6,841,818)	(1,273,249)	(9,453,306)
Purchases of investment securities	250,000	11,750,000	2,307	750,000	12,752,307
Repayments of investments received	(200,000)	(850,000)			(1,050,000)
Interest and dividend income paid-in-kind		1,922,244	294,210		2,216,454
Accretion of original issue discount	83,534	136,963	127,795		348,292
Balance, June 30, 2010	$ 13,143,153	$ 102,616,940	$ 11,270,408	$ 681,195	$ 127,711,696

Balance, December 31, 2010	$ 16,302,829	$ 106,323,193	$ 13,622,546	$ 5,092,910	$ 141,341,478
Realized loss on investments			(6,627,973)	(1,307,457)	(7,935,430)
Net unrealized appreciation (depreciation)	(770,207)	(266,981)	6,177,467	5,245,382	10,385,661
Purchases of investment securities	3,399,500	13,075,000	2,016,858	1,100,500	19,591,858
Repayments of investments received	(250,000)	(4,785,791)			(5,035,791)
Interest and dividend income paid-in-kind		1,848,010	236,375		2,084,385
Loan origination fees received		(31,250)			(31,250)
Accretion of original issue discount	130,390	174,487			304,877
Balance, June 30, 2011	$ 18,812,512	$ 116,336,668	$ 15,425,273	$ 10,131,335	$ 160,705,788

The total change in unrealized appreciation (depreciation) included in the consolidated statements of operations attributable to Level 3 investments still held at June 30, 2011 and 2010, was $2,456,717 and $(9,453,306), respectively.

Note 5. Related Party Transactions

Prior management agreement: Prior to the consummation of the Formation Transactions, the Company had entered into a management agreement with Fidus Capital, LLC to manage the day-to-day operational and investment activities of the Company. The Fund paid Fidus Capital, LLC, each fiscal quarter in advance, 0.5% of the sum of (i) the Fund s Regulatory Capital (as defined in the SBIC Act), (ii) any Permitted Distribution as defined by the previous partnership agreement, and (iii) an assumed two tiers (two times) of outstanding SBA

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debenture leverage on the sum of clauses (i) and (ii) up to the maximum amount as determined by the SBA, currently $150.0 million. Under the previous agreement, gross management fees for the three and six months ended June 30, 2011 were $922,542 and $1,958,755 and were partially offset by the management fee offset (transaction fees received in connection with the Fund s investments) of $430,208 and $430,208, respectively. Gross management fees under the previous management agreement for three and six months ended June 30, 2010 totaled $1,036,213 and $2,072,120 and were partially offset by the management fee offset of $10,000 and $290,000, respectively.

New management and incentive fee agreement: Concurrent with the Formation Transactions, the Company entered into the Investment Advisory Agreement with the Investment Advisor. Pursuant to the Investment Advisory Agreement and subject to the overall supervision of our board of directors, the Investment Advisor provides investment advisory services to the Company. For providing these services, the Investment Advisor receives a fee, consisting of two components a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.75% based on the average value of total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts) at the end of the two most recently completed calendar quarters. However, for services rendered prior to the Company s first full quarter of operations, the base management fee is payable monthly in arrears. For services rendered after such time, the base management fee is payable quarterly in arrears. Up to and including the first full calendar quarter of the Company s operations, the base management fee is calculated based on the initial value of the Company s total assets (other than cash or cash equivalents but including asset with borrowed amounts) at the closing of the Formation Transactions. The base management fee under the new agreement totaled $76,648 for the period June 21, 2011 through June 30, 2011.

The incentive fee has two parts. One part is calculated and payable quarterly in arrears based on the Company s pre-incentive fee net investment income for the quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement (defined below) and any interest expense and dividends paid on any outstanding preferred stock, but excluding the incentive fee and any organizing and offering costs). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as market discount, debt instruments with payment-in-kind interest, preferred stock with payment-in-kind dividends and zero-coupon securities), accrued income the Company has not yet received in cash. The Investment Advisor is not under any obligation to reimburse the Company for any part of the incentive fee it receives that was based on accrued interest that the Company never actually receives.

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the incentive fee, it is possible that the Company may pay an incentive fee in a quarter where the Company incurs a loss. For example, if the Company receives pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, the Company will pay the applicable incentive fee even if the Company has incurred a loss in that quarter due to realized and unrealized capital losses.

Pre-incentive fee net investment income, expressed as a rate of return on the value of the Company s net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed hurdle rate of 2.0% per quarter. If market interest rates rise, the Company may be able to invest funds in debt instruments that provide for a higher return, which would increase the Company s pre-incentive fee net investment income and make it easier for the Investment Advisor to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income. The Company s pre-incentive fee net investment income used to calculate this part of the incentive fee is also included in the total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts) used to calculate the 1.75% base management fee.

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

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

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

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

The sum of these calculations yields the income incentive fee. This amount is appropriately adjusted for any share issuances or repurchases during the quarter. The Investment Advisor waived the income incentive fee of $82,512 for the period June 21, 2011 through June 30, 2011.

The second part of the incentive fee is a capital gains incentive fee that is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.0% of the net realized capital gains as of the end of the fiscal year. In determining the capital gains incentive fee payable to the Investment Advisor, the Company calculates the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since the Company s inception, and the aggregate unrealized capital depreciation as of the date of the calculation, as applicable, with respect to each of the investments in the Company s portfolio. For this purpose, cumulative aggregate realized capital gains, if any, equal the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment. Aggregate unrealized capital depreciation equals the sum of the difference, if negative, between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable year, the amount of capital gains that serves as the basis for the calculation of the capital gains incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less aggregate unrealized capital depreciation, with respect to the Company s portfolio of investments. If this number is positive at the end of such year, then the capital gains incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains incentive fees paid in all prior years.

The Company will accrue the capital gain incentive fee if, on a cumulative basis, the sum of net realized gains/(losses) plus net unrealized appreciation/(depreciation) is positive. No capital gain incentive fee was accrued as of June 30, 2011.

The sum of the income incentive fee and the capital gain incentive fee will be the incentive fee and reported in the consolidated statement of operations.

Unless terminated earlier as described below, the Investment Advisory Agreement will continue in effect for a period of two years from its effective date. It will remain in effect from year to year thereafter if approved annually by the Company s board of directors or by the affirmative vote of the holders of a majority of the Company s outstanding voting securities, and, in either case, if also approved by a majority of the Company s directors who are not interested persons. The Investment Advisory Agreement automatically terminates in the event of its assignment, as defined in the 1940 Act, by the Investment Advisor and may be terminated by either party without penalty upon not less than 60 days written notice to the other. The holders of a majority of the Company s outstanding voting securities may also terminate the Investment Advisory Agreement without penalty.

Administration Agreement: The Company has also entered into an administration agreement (the Administration Agreement) with the Investment Advisor. Under the Administration Agreement, the Investment Advisor has agreed to furnish the Company with office facilities and equipment, provide it clerical, bookkeeping and record keeping services at such facilities and provide the Company with other administrative services necessary to conduct its day-to-day operations. The Company reimburses the Investment Advisor for the allocable portion (subject to review and approval of the Board) of overhead and other expenses incurred in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and the Company s allocable portion of the cost of its chief financial officer and chief compliance officer and their respective staffs. Under the Administration Agreement, the Investment Advisor also provides managerial assistance to those portfolio companies to which the Company is required to provide such assistance. Under the Administration Agreement, accrued administrative expenses for services provided for the period June 21, 2011 through June 30, 2011 totaled $22,173.

Note 6. Debt

Credit facility: In April 2009, the Fund obtained an $8,000,000 unsecured line of credit with American Bank & Trust. In June 2010, the Fund amended its unsecured line of credit, decreasing the committed amount to $5,000,000 and extending the term to June 3, 2011. In June, 2011, the Fund amended the agreement to extend the term to September 3, 2011. On June 27, 2011, the Company repaid the line of credit in full and terminated the agreement. Interest accrued monthly at an annual rate of 6%. There were no principal borrowings outstanding on the unsecured line of credit as of June 30, 2011 and December 31, 2010, respectively. For the three months ended June 30, 2011 and

2010, interest and fee amortization expense on the unsecured line of credit amounted to $35,322 and $1,667, respectively. For the six months ended June 30, 2011 and 2010, interest and fee amortization expense on the unsecured line of credit amounted to $39,572 and $11,667, respectively.

SBA debentures: The Company uses debenture leverage provided through the SBA to fund a portion of its investment portfolio. The SBA made an initial commitment to issue $100,000,000 in the form of debenture securities to the Company on or before September 30, 2012, and during 2010 made a commitment to issue an additional $30,000,000 on or before September 30, 2014. Unused commitments at June 30, 2011 and December 31, 2010 were $33,250,000 and $36,500,000, respectively. The SBA may limit the amount that may be drawn each year under these commitments, and each issuance of leverage is conditioned on the Company s full compliance, as determined by the SBA, with the terms and conditions set forth in the SBIC Act.

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As of June 30, 2011 and December 31, 2010, the Company has issued SBA debentures which mature as follows:

Pooling Date(1)	Maturity Date	Fixed Interest Rate	June 30, 2011	December 31, 2010
3/26/2008	3/1/2018	6.188%	$ 24,750,000	$ 24,750,000
9/24/2008	9/1/2018	6.442	11,950,000	11,950,000
3/25/2009	3/1/2019	5.337	19,750,000	19,750,000
9/23/2009	9/1/2019	4.950	10,000,000	10,000,000
3/24/2010	3/1/2020	4.825	13,000,000	13,000,000
9/22/2010	9/1/2020	3.932	12,500,000	12,500,000
3/29/2011	3/1/2021	4.801	1,550,000	1,550,000
(2)	(2)	(2)	3,250,000	
			$ 96,750,000	$ 93,500,000

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

(2) In April 2011, the Company issued $3,250,000 in SBA debentures which will pool in September 2011, at which time the current short-term interim interest rate will reset to a higher long-term fixed interest rate.

Interest on SBA debentures is payable semi-annually on March 1 and September 1. For the three months ended June 30, 2011 and 2010, interest and fee amortization expense on outstanding SBA debentures amounted to $1,359,445 and $1,247,592 respectively. For the six months ended June 30, 2011 and 2010, interest and fee amortization expense on outstanding SBA debentures amounted to $2,679,480 and $2,325,937 respectively. As of June 30, 2011 and December 31, 2010, accrued interest payable totaled $1,690,960 and $1,638,862, respectively. The weighted average fixed interest rate for all SBA debentures as of both June 30, 2011 and December 31, 2010 was 5.3%.

Deferred financing costs as of June 30, 2011 and December 31, 2010, are as follows:

	June 30, 2011	December 31, 2010
SBA debenture commitment fees	$ 1,300,000	$ 1,300,000
SBA debenture leverage fees	2,346,188	2,267,375
Line of credit fees		40,000
Subtotal	3,646,188	3,607,375
Accumulated amortization	(952,457)	(812,118)
Net deferred financing costs	$ 2,693,731	$ 2,795,257

Note 7. Commitments and Contingencies

Commitments: As of June 30, 2011 the Company had one outstanding conditional loan commitment to a portfolio company for $4,500,000 which had not been funded and can only be drawn upon under certain conditions. At December 31, 2010, the Company had one outstanding revolver commitment to a portfolio company for $500,000, all of which was unfunded. Such commitments involve elements of credit risk in excess of the amounts recognized in the

consolidated statements of assets and liabilities.

Indemnifications: In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of future obligation under these indemnifications to be remote.

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

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Note 8. Financial Highlights

The following is a schedule of financial highlights for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30,	
	2011	**2010**[1]
Per share data:		
Net asset value at beginning of period[2]	$ 13.28	N/A
Net investment income	0.63	N/A
Net realized loss on investments	(0.91)	N/A
Net unrealized appreciation on investments	1.19	N/A
Total increase from investment operations	0.91	N/A
Capital contributions from partners	0.80	
Capital distributions to partners	(0.17)	N/A
Net asset value at end of period	$ 14.82	N/A
Market value at end of period	$ 14.81	N/A
Shares outstanding at end of period:	8,726,521	N/A
Ratio to average net assets (annualized)[2]:		
Total expenses	7.5%	20.1%
Net investment income	8.9%	19.0%
Total return[3]	(1.3)%	(11.4)%

(1) Per share data for the six months ended June 30, 2010 is not presented as there were no shares of the Company outstanding during the period.

(2) Net asset value as of January 1, 2011 and average net assets for the six months ended June 30, 2011 are presented as if the Offering and Formation Transactions had occurred on January 1, 2011. See Note 2 for a further description of the basis of presentation of the Company s financial statements.

(3) The total return for the six months ended June 30, 2011 equals the change in the ending market value of the Company s common stock from the Offering price of $15.00 per share plus dividends paid per share during the period, divided by the Offering price and is not annualized. Total return for the six months ended June 30, 2010 equals the net increase (decrease) in net asset resulting from operations during the period divided by average net assets and is not annualized.

Note 9. Subsequent Events

On July 14, 2011, the Company s underwriters purchased 700,500 shares of the Company s common stock at the public offering price of $15.00 per share to cover over-allotments resulting in proceeds to the Company of $9,771,975, net of underwriting fees of $735,525.

On July 28, 2011, the Company s board of directors declared an initial quarterly dividend of $0.32 per share payable on September 26, 2011 to stockholders of record as of September 12, 2011.

Item 2. 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 Fidus Mezzanine Capital, L.P. s consolidated financial statements and related notes appearing in our prospectus dated June 20, 2011, filed with the SEC on June 22, 2011. The information contained in this section should also be read in conjunction with our unaudited consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q.

Except as otherwise specified, references to we, us, and our refer to Fidus Mezzanine Capital, L.P. and its consolidated subsidiaries for periods prior to the Formation Transactions on June 20, 2011, and refer to Fidus Investment Corporation and its consolidated subsidiaries for periods after the Formation Transactions.

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 appearing in our prospectus dated June 20, 2011, filed with the SEC on June 22, 2011 for a discussion of the uncertainties, risks and assumptions associated with these statements.

Business 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.

On June 20, 2011, Fidus Investment Corporation acquired all of the limited partnership interests of Fidus Mezzanine Capital, L.P. and membership interests of 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. Immediately following the Formation Transactions, we elected to be treated as a business development company under the 1940 Act and our investment activities have been managed by Fidus Investment Advisors (our Investment Advisor) and supervised by our board of directors, a majority of whom are independent of us and our Investment Advisor.

We plan to continue to operate Fidus Mezzanine Capital, L.P. as an SBIC 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 June 30, 2011, we had investments in 19 portfolio companies with an aggregate fair value of $160.7 million and cost of $154.3 million.

Portfolio Composition, Investment Activity and Yield

During the six months ended June 30, 2011, we invested $19.6 million in three new and three existing portfolio companies. The new investments consisted primarily of senior term loans ($3.1 million, or 16.5%), subordinated notes ($13.1 million, or 68.3%), warrants ($1.1 million, or 5.8%) and equity securities ($1.8 million, or 9.4%). During the six months ended June 30, 2011, we received proceeds from repayments of principal of $5.0 million. 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 June 30, 2011, our investment portfolio totaled $160.7 million and consisted of 19 portfolio companies. As of June 30, 2011, our debt portfolio was entirely comprised of fixed rate investments. Overall, the portfolio had a net

unrealized appreciation of $6.4 million as of June 30, 2011. Our average portfolio company investment at amortized cost was $8.1 million as of June 30, 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.

The weighted average yield on debt investments at their cost basis at June 30, 2011 and December 31, 2010 was 15.1% and 15.0%, 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.

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

	As of June 30, 2011	As of December 31, 2010
Cost		
Senior secured loans	14.7%	13.4%
Subordinated notes	74.7	72.2
Equity	8.5	12.0
Warrants	2.1	2.4
Total	100.0%	100.0%
Fair Value		
Senior secured loans	11.7%	11.6%
Subordinated notes	72.4	75.2
Equity	9.6	9.6
Warrants	6.3	3.6
Total	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 June 30, 2011	As of December 31, 2010
Cost		
Midwest	31.9%	28.1%
Southwest	20.3	20.8
Northeast	14.3	20.3
Southeast	18.3	18.2
West	15.2	12.6
Total	100.0%	100.0%
Fair value		
Midwest	32.0%	30.7%
Southwest	24.7	24.7
Northeast	13.8	15.4
Southeast	17.8	19.0
West	11.7	10.2
Total	100.0%	100.0%

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

	As of June 30, 2011	As of December 31, 2010
Cost		
Transportation services	12.4%	12.4%
Movie theaters	8.2	8.7
Healthcare services	10.3	7.6
Niche manufacturing	2.9	3.1
Retail cleaning	4.9	5.1
Laundry services	3.0	6.3
Industrial products	5.9	6.3
Electronic components supplier	6.0	6.3
Specialty distribution	6.0	6.2
Printing services	5.5	5.6
Industrial cleaning & coatings	5.2	5.5
Commercial cleaning	5.3	5.6
Specialty cracker manufacturer	5.2	5.4
Government information technology services	3.6	3.8
Oil & gas services	3.1	3.2
Aerospace & defense manufacturing	8.5	3.4
Healthcare products	4.0	
Environmental services		5.5
Total	100.0%	100.0%

	As of June 30, 2011	As of December 31, 2010
Fair Value		
Transportation services	16.0%	14.5%
Movie theaters	9.0	10.3
Healthcare services	10.0	8.1
Niche manufacturing	0.2	0.8
Retail cleaning	5.7	7.0
Laundry services	3.2	6.8
Industrial products	5.7	6.5
Electronic components supplier	5.8	6.5
Specialty distribution	5.8	6.4
Printing services	5.6	6.0
Industrial cleaning & coatings	5.1	5.8
Commercial cleaning	5.0	5.7
Specialty cracker manufacturer	4.8	5.5
Government information technology services	3.4	3.9
Oil & gas services	2.9	3.2
Aerospace & defense manufacturing	7.9	3.0
Healthcare products	3.9	

Environmental services		
Total	100.0%	100.0%

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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 June 30, 2011 and December 31, 2010:

	June 30, 2011		December 31, 2010	
Investment Rating	**Investments at Fair Value**	**Percent of Total Portfolio**	**Investments at Fair Value**	**Percent of Total Portfolio**
	(Dollars in thousands)			
1	$ 26,555	16.5%	$ 27,330	19.3%
2	118,001	73.5	97,739	69.2
3	15,790	9.8	15,108	10.7
4				
5	360	0.2	1,164	0.8
Totals	$ 160,706	100.0%	$ 141,341	100.0%

Based upon our investment rating system, the weighted average rating of our portfolio as of both June 30, 2011 and December 31, 2010 was 1.9. As of June 30, 2011, we had no investments on non-accrual status. As of December 31, 2010, we had one investment on non-accrual which represented 0.0% of the total fair value of our portfolio and 5.5% of the total cost of our portfolio.

Results of Operations

Comparison of three months ended June 30, 2011 and June 30, 2010

Investment Income

For the three months ended June 30, 2011, total investment income was $5.3 million, an increase of $0.7 million, or 15.2% over the $4.6 million of total investment income for the three months ended June 30, 2010. The increase was attributable to a $0.8 million increase in interest and fee income from investments. The increase in interest and fee income is primarily due to higher average levels of outstanding debt investments during the three months ended June 30, 2011 compared to the prior year period. Additionally, the Company recorded $0.1 million in fee income during the three months ended June 30, 2001 compared with zero in the respective prior year period.

Expenses

For the three months ended June 30, 2011, total expenses were $2.2 million, a decrease of $0.5 million, or 18.4%, from the $2.6 million of total expenses for the three months ended June 30, 2010. The decrease in total expenses was primarily attributable to a decrease in the management fee after offset and a decrease in other expenses partially offset by an increase in interest expense. The management fee after offset decreased $0.5 million, or 44.6%, primarily due to an increase in management fee offset resulting from higher new investment activity during the three months ended June 30, 2011 than the comparable period in 2010. Other expenses decreased $0.3 million primarily due to the write-off of accrued dividends receivable in the second quarter of 2010 related to an investment placed on non-accrual. Interest expense increased $0.1 million as a result of higher average balances of SBA debentures

outstanding during the three months ended June 30, 2011 than the comparable period in 2010.

Net Investment Income

As a result of the $0.7 million increase in total investment income and the $0.5 million decrease in total expenses, net investment income for the three months ended June 30, 2011 was $3.2 million, or $1.2 million higher than the comparable period in 2010.

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Net Increase in Net Assets Resulting From Operations

During the three months ended June 30, 2011, we recorded net unrealized appreciation on investments of $1.4 million comprised of unrealized appreciation on investments in six portfolio companies totaling $2.7 million and unrealized depreciation on investments in five portfolio companies totaling $1.3 million. During the three months ended June 30, 2010, we recorded net unrealized depreciation of $3.7 million. For the three months ended June 30, 2011 and 2010, the total realized loss on investments was zero.

As a result of these events, our net increase in net assets resulting from operations during the three months ended June 30, 2011, was $4.6 million, or an increase of $6.3 million compared to a net decrease in net assets resulting from operations of $1.7 million during the three months ended June 30, 2010.

Comparison of six months ended June 30, 2011 and June 30, 2010

Investment Income

For the six months ended June 30, 2011, total investment income was $10.1 million, an increase of $1.3 million, or 14.4% over the $8.8 million of total investment income for the six months ended June 30, 2010. The increase was attributable to a $1.5 million increase in interest and fee income from investments, partially offset by a $0.2 million decrease in dividend income. The increase in interest and fee income is primarily due to higher average levels of outstanding debt investments in the six months ended June 30, 2011 compared to the prior year period. Additionally, the Company recorded $0.1 million in fee income during the six months ended June 30, 2001 compared with zero in the prior year. 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 six months ended June 30, 2011, total expenses were $4.6 million, an increase of 1.8%, over the $4.5 million of total expenses for the six months ended June 30, 2010. The net increase in total expenses was primarily attributable to increased interest expense of $0.4 million partially offset by a decrease in management fee after offset of $0.2 million and a decrease in other expenses. Interest expense increased $0.4 million as a result of higher average balances of SBA debentures outstanding during the six months ended June 30, 2011 than the comparable period in 2010. The management fee after management fee offset decreased $0.2 million, or 10.0%, primarily due to an increase in management fee offset resulting from higher new investment activity during the six months ended June 30, 2011 than the comparable period in 2010. Other expenses decreased $0.3 million primarily due to the write-off of accrued dividends receivable in the second quarter of 2010 related to an investment placed on non-accrual.

Net Investment Income

As a result of the $1.3 million increase in total investment income and a $0.1 million increase in total expenses, net investment income for the six months ended June 30, 2011 was $5.5 million, which was $1.2 million higher than the comparable period in 2010.

Net Increase in Net Assets Resulting From Operations

For the six months ended June 30, 2011, the total realized loss on investments was $7.9 million resulting from one non-control/non-affiliate investment. For the six months ended June 30, 2010, the total realized loss on investments was nominal.

During the six months ended June 30, 2011, we recorded net unrealized appreciation on investments of $10.4 million comprised of net unrealized appreciation on investments in five portfolio companies totaling $5.0 million and net unrealized depreciation on investments in seven portfolio companies totaling $2.5 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. For the six months ended June 30, 2010, we recorded $9.5 million in unrealized depreciation.

As a result of these events, our net increase in net assets resulting from operations during the six months ended June 30, 2011, was $7.9 million, or an increase of $13.1 million compared to a net decrease in net assets resulting from operations of $5.2 million during the six months ended June 30, 2010.

Liquidity and Capital Resources

Cash Flows

For the six months ended June 30, 2011, we experienced a net increase in cash and cash equivalents in the amount of $60.5 million. During that period, we used $12.1 million in cash from operating activities, primarily due to new investments in portfolio companies of $19.6 million, partially offset by $5.0 million in portfolio company investment repayments. During the same period, we generated $72.6 million from financing activities, consisting primarily of proceeds from the Offering of $63.9 million, net of expenses, capital contributions from

partners totaling $7.0 million and proceeds from SBA debentures of $3.3 million net of financing costs partially offset by capital distributions to partners of $1.5 million.

For the six months ended June 30, 2010, we experienced a net increase in cash and cash equivalents in the amount of $0.1 million. During that period, we used $10.3 million in cash for 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 $10.4 million from financing activities consisting of $12.5 million in new SBA debenture borrowing partially offset by the payment of $0.6 million in deferred financing costs and $1.5 million in capital distributions.

Capital Resources

As of June 30, 2011, we had $62.3 million in cash and cash equivalents, and our net assets totaled $129.4 million. We intend to generate additional cash primarily from 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 our shareholders.

We anticipate that we will continue to fund our investment activities through a combination of debt and additional equity capital. We are a licensed SBIC, and have the ability to issue debentures guaranteed by the SBA at favorable interest rates. Under the Small Business Investment Act and the SBA rules applicable to SBICs, an SBIC can have outstanding at any time debentures guaranteed by the SBA in an amount up to twice its regulatory capital, 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 June 30, 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 June 30, 2011, Fidus Mezzanine Capital, L.P. had $96.8 million of outstanding indebtedness guaranteed by the SBA, which had a weighted average interest rate of 5.3%. Based on its $75.0 million of regulatory capital as of June 30, 2011, Fidus Mezzanine Capital, L.P. has the current capacity to issue up to an additional $53.2 million of debentures guaranteed by the SBA.

Distributions

In order to maintain our status as a RIC and to avoid corporate level tax on the income we distribute to our stockholders, we are required under the Code to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our net stockholders on an annual basis. Additionally, we must distribute at least 98% of our net income (both ordinary income and net capital gains in excess of capital losses) on an annual basis and 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 to avoid a U.S. federal excise tax. We intend to distribute quarterly dividends to our stockholders as determined by our Board.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of our distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a business development company under the 1940 Act. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including the possible loss of our RIC status. We cannot assure stockholders that they will receive any distributions.

To the extent our taxable earnings fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read any written disclosure accompanying a dividend payment carefully and should not assume that the source of any distribution is our ordinary income or gains.

We have adopted an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, then stockholders cash distributions will be automatically reinvested in additional shares of our common stock unless a stockholder specifically opts out of our dividend reinvestment plan. If a stockholder opts out, that stockholder will receive cash distributions. 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, stockholders participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes.

Critical Accounting Policies and Use of Estimates

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

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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 conduct the valuation of our investments, pursuant to which our net asset value is 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 report. 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

The Company s revenue recognition policies are as follows:

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 consolidated statement of operations.

Interest, fee 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.

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 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.

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.

We also typically receive upfront debt origination or closing fees in connection with debt investments. Such upfront debt origination and closing fees are capitalized as unearned income on our balance sheet and amortized as additional interest income over the life of the investment.

Prior to the Formation Transactions, and in accordance with the prior limited partnership agreement, we 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 structuring and advisory service fees received in connection with our investments are recognized as income. Such fees typically include fees for services, including structuring and advisory services, provided to portfolio companies. We recognize income from fees for providing such structuring and advisory services when the services are rendered or the transactions are completed. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as fee income when received.

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.

Recently Issued Accounting Standards

In May 2011 the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 represents the converged guidance of the FASB and the IASB (the Boards) on fair value measurement. The collective efforts of the Boards and their staffs, reflected in ASU 2011-04, have

resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term fair value and enhanced disclosure requirements for investments that do not have readily determinable fair values. The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. The amendments to the FASB Codification in ASU 2011-04 are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The Company is currently assessing the impact of ASU 2011-04 on its future consolidated 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 June 30, 2011, we had one off-balance sheet arrangement with a portfolio company consisting of $4.5 million of unfunded commitments to provide debt financing. As of December 31, 2010, we had one off-balance sheet arrangement with a different portfolio company consisting of $0.5 million of unfunded commitments to provide debt financing. Such commitments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our balance sheets.

Related Party Transactions

Concurrent with the Formation Transactions, we entered into a number of business relationships with affiliated or related parties, including the following:

We entered into the Investment Advisory Agreement with Fidus Investment Advisors, LLC to manage the day-to-day operating and investing activity of the Company. Edward Ross, our chairman and chief executive officer, Cary Schaefer, our chief financial officer and chief compliance officer, and Thomas Lauer, one of our directors, are all managers of Fidus Investment Advisors, LLC.

We entered into the Administration Agreement with Fidus Investment Advisors, LLC to provide us with the office facilities and administrative services necessary to conduct day-to-day operations.

We entered into a license agreement with Fidus Partners, LLC, pursuant to which Fidus Partners, LLC has granted us a non-exclusive, royalty-free license to use the name Fidus.

Certain of our directors, management, and other parties affiliated with us purchased an aggregate of 407,764 shares of common stock at the initial public offering price per share of $15.00. We received the proceeds from the sale of these shares, net of $56,551 in underwriting commissions.

In addition, we have adopted a formal joint code of ethics that governs the conduct of our and Fidus Investment Advisors officers, directors and employees. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to financial market risks, including changes in interest rates. Changes in interest rates affect both our cost of funding and the valuation of our investment portfolio. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs. In the future, our investment income may also be affected by changes in various interest rates, including LIBOR and prime rates, to the extent of any debt investments that include floating interest rates. As of June 30, 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 June 30, 2011, and December 31, 2010 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.

Item 4. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and that such information is accumulated and communicated to our management, including

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our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. There were no changes in our internal control over financial reporting during the second quarter of 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

Although we may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise, we are currently not a party to any pending material legal proceedings.

Item 1A. Risk Factors.

In addition to other information set forth in this report, you should carefully consider the Risk Factors discussed in our prospectus dated June 20, 2011 and filed with the SEC on June 22, 2011 which could materially affect our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In connection with the Formation Transactions consummated on June 20, 2011 described elsewhere in this report, we issued and exchanged 3,702,778 shares of our common stock at $15.00 per share for 100% of the limited partnership interests in Fidus Mezzanine Capital, L.P. and 353,743 shares of our common stock at $15.00 per share for 100% of the equity interests of Fidus Mezzanine Capital GP, LLC, the former general partner of Fidus Mezzanine Capital, L.P. These shares were offered and exchanged pursuant to an exemption from registration under Rule 506 of Regulation D of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

None

Item 4. [Removed and Reserved].

Item 5. Other Information.

None

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Item 6. Exhibits.

Number	Exhibit
31.1	Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	FIDUS INVESTMENT CORPORATION
Date: August 4, 2011	/s/ EDWARD H. ROSS Edward H. Ross Chairman and Chief Executive Officer (Principal Executive Officer)
Date: August 4, 2011	/s/ CARY L. SCHAEFER Cary L. Schaefer Chief Financial Officer (Principal Financial and Accounting Officer)

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