



## **IMPORTANT TAX INFORMATION**

### **TO SHAREHOLDERS OF RECORD ON DECEMBER 31, 2013:**

For the year ended December 31, 2013, Fidus Investment Corporation ("Fidus") met the requirements of the Internal Revenue Code for federal income tax treatment as a regulated investment company. As a result, certain tax requirements and benefits apply to shareholders of record on December 31, 2013. Under Subchapter M of the Code, a RIC may deduct distributions paid out of its taxable income and accordingly may avoid federal income tax if it distributes all of its taxable income. With respect to its net long-term capital gains, Subchapter M provides Fidus with three choices: it can retain them and pay tax, it can declare a deemed dividend (or designated undistributed capital gain dividend) or it can pay out the gains as a distribution. Fidus elected to retain a portion of its net long-term capital gains as a deemed distribution for the tax year ended December 31, 2013 and this memorandum provides tax information regarding Fidus' deemed distribution. This memorandum, together with the enclosed Form 2439, should be retained and used in preparing your 2013 federal income tax return. You can also refer to the investor relations section of Fidus' website at [www.fidus.com](http://www.fidus.com) for tax and dividend information.

### **TAX BENEFITS**

For the year ended December 31, 2013, Fidus elected to retain \$8,250,003 (\$0.599772 per share) of its realized taxable long-term capital gains and pay federal income taxes of 35%, equivalent to \$2,887,501 (\$0.209920 per share). Fidus elected to retain these gains and, as a regulated investment company, has designated them to shareholders of record on December 31, 2013. The 35% capital gains tax paid by Fidus is considered to have been paid on behalf of the shareholders. You may take a tax credit for the full amount of the federal income tax paid on your behalf. The amount of the credit may be more than your actual tax liability for those gains and create a balance in your favor to offset other tax liabilities or to entitle you to a refund. The overall tax effect is the same as if the capital gains had been distributed to Fidus shareholders, who then elected to reinvest 65% of the amount received.

Your share of the undistributed long-term capital gains (\$0.599772 per share) must be included on your 2013 federal income tax return, and you are entitled to a tax credit (\$0.209920 per share) for the tax paid on your behalf by Fidus. Since you are considered to have reinvested the net after-tax proceeds (\$0.389852 per share) in the Company, the tax basis of your Fidus shares is increased by that amount.

### **APPLICATION OF FORM 2439 TO FEDERAL INCOME TAX RETURNS**

Enclosed are two copies of Form 2439 - Notice to Shareholder of Undistributed Long-Term Capital Gains. Copy B should be filed with your 2013 federal income tax return and Copy C should be retained for your records. A copy of the form will also be filed with Fidus' tax return for 2013.

Line 1a on Form 2439 includes your share of the long-term capital gains retained by Fidus but designated to you, on the basis of \$0.599772 for each share owned by you on December 31, 2013. Line 2 indicates the amount of tax applicable to the capital gains reflected on Line 1a, which was paid by Fidus, and is equivalent to \$0.209920 per share.

Certain shareholders such as Individual Retirement Accounts, pension trusts and other tax-exempt entities are entitled to a refund of the entire tax (\$0.209920 per share) deemed to have been paid for such shareholders by Fidus, which may be claimed by filing IRS Form 990-T. Please consult with your custodian, broker or nominee.

Form 2439 applies only to your portion of the taxable net long-term capital gains realized and retained by Fidus for the period from January 1, 2013 through December 31, 2013 and the federal income tax paid thereon by Fidus. All stockholders will also separately receive in 2014 a Form 1099-DIV reporting all cash dividends paid in 2013, including the characterization of those dividends. The amounts reported on Form 2439 are not included on the Form 1099-DIV and are in addition to your cash dividends received for 2013 and reported on Form 1099-DIV.

### **SHARES HELD BY BROKERS OR OTHER NOMINEES**

Under provisions of the Internal Revenue Code, Fidus is permitted to issue Form 2439 only to shareholders of record on December 31, 2013. Therefore, shareholders whose shares were held by brokers or other nominees will not receive Form 2439 directly from Fidus. If you owned shares of Fidus which were held by a broker or other nominee on December 31, 2013 and have not received a supplemental Form 2439, you should immediately request Form 2439 from the record holder to substantiate the tax benefits available in filing your 2013 federal income tax return and adjusting the tax basis of your Fidus shares.

### **STATE TAX CONSIDERATIONS**

Most states tax undistributed long-term capital gains in the same manner as the federal government. You should consult your tax advisor or the appropriate state office to determine the proper basis on which to file state tax returns for undistributed long-term capital gains.

**IMPORTANT - RETAIN THIS MEMORANDUM AND THE ENCLOSED FORM 2439  
FOR USE IN PREPARING YOUR 2013 FEDERAL INCOME TAX RETURN**