

FIDUS INVESTMENT Corp  
Form 10-Q  
August 07, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2014**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from            to**

**Commission file number 814-00861**

**Fidus Investment Corporation**

**(Exact Name of Registrant as Specified in its Charter)**

**Maryland**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**27-5017321**  
**(I.R.S. Employer**  
**Identification No.)**

**1603 Orrington Avenue, Suite 1005**

**Evanston, Illinois**

**60201**

(Address of Principal Executive Offices)

(Zip Code)

(847) 859-3940

(Registrant's telephone number, including area code)

n/a

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 6, 2014, the Registrant had outstanding 13,776,469 shares of common stock, \$0.001 par value.

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****FIDUS INVESTMENT CORPORATION****Consolidated Statements of Assets and Liabilities****(In thousands, except shares and per share data)**

	<b>June 30, 2014 (unaudited)</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
Investments, at fair value		
Affiliate investments (cost: \$93,483 and \$88,983, respectively)	\$ 82,091	\$ 82,444
Non-control/non-affiliate investments (cost: \$231,271 and \$226,231, respectively)	228,382	224,537
Total investments, at fair value (cost: \$324,754 and \$315,214, respectively)	310,473	306,981
Cash and cash equivalents	40,687	53,418
Interest receivable	3,884	2,487
Deferred financing costs (net of accumulated amortization of \$2,375 and \$2,102, respectively)	3,796	3,152
Prepaid expenses and other assets	1,666	1,224
Total assets	360,506	367,262
<b>LIABILITIES</b>		
SBA debentures	145,500	144,500
Accrued interest and fees payable	2,212	2,198
Due to affiliates	4,422	5,582
Taxes payable		3,571
Accounts payable and other liabilities	506	286
Total liabilities	152,640	156,137
<b>Net assets</b>	<b>\$ 207,866</b>	<b>\$ 211,125</b>
<b>ANALYSIS OF NET ASSETS</b>		
Common stock, \$0.001 par value (100,000,000 shares authorized, 13,775,101 and 13,755,232 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively)	\$ 14	\$ 14
Additional paid-in capital	206,516	206,123
Undistributed net investment income	3,716	3,221
Accumulated net realized gain on investments (net of taxes)	13,113	11,212
Accumulated net unrealized (depreciation) on investments	(15,493)	(9,445)

<b>Total net assets</b>	\$ 207,866	\$ 211,125
<b>Net asset value per common share</b>	\$ 15.09	\$ 15.35

*See Notes to Consolidated Financial Statements (unaudited).*

**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Statements of Operations (unaudited)****(In thousands, except shares and per share data)**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Investment income:</b>				
<b>Interest income</b>				
Control investments	\$	\$ 784	\$	\$ 1,522
Affiliate investments	2,280	2,277	4,757	4,238
Non-control/non-affiliate investments	7,026	6,529	14,100	12,840
<b>Total interest income</b>	<b>9,306</b>	<b>9,590</b>	<b>18,857</b>	<b>18,600</b>
<b>Dividend income</b>				
Control investments		124		124
Affiliate investments	31	31	61	61
Non-control/non-affiliate investments	482	195	829	524
<b>Total dividend income</b>	<b>513</b>	<b>350</b>	<b>890</b>	<b>709</b>
<b>Fee income</b>				
Control investments		177		177
Affiliate investments		147	388	206
Non-control/non-affiliate investments	783	141	1,005	488
<b>Total fee income</b>	<b>783</b>	<b>465</b>	<b>1,393</b>	<b>871</b>
Interest on idle funds and other income	(21)	71		109
<b>Total investment income</b>	<b>10,581</b>	<b>10,476</b>	<b>21,140</b>	<b>20,289</b>
<b>Expenses:</b>				
Interest and financing expenses	1,795	1,765	3,548	3,500
Base management fee	1,393	1,352	2,758	2,611
Incentive fee	853	3,352	1,695	4,509
Administrative service expenses	430	256	793	501
Professional fees	213	201	610	433
Other general and administrative expenses	376	374	753	596
<b>Total expenses</b>	<b>5,060</b>	<b>7,300</b>	<b>10,157</b>	<b>12,150</b>
<b>Net investment income before income taxes</b>	<b>5,521</b>	<b>3,176</b>	<b>10,983</b>	<b>8,139</b>
Income tax provision	12	12	30	52
<b>Net investment income</b>	<b>5,509</b>	<b>3,164</b>	<b>10,953</b>	<b>8,087</b>

Net realized and unrealized gains (losses) on investments:

Realized gains on affiliate investments			166	
Realized gains on non-control/non-affiliate investments	59	1,053	1,752	1,053
Net change in unrealized (depreciation) appreciation on investments	(2,140)	9,203	(6,048)	8,917
Income tax (provision) on realized gains on investments			(17)	
<b>Net (loss) gain on investments</b>	<b>(2,081)</b>	<b>10,256</b>	<b>(4,147)</b>	<b>9,970</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$ 3,428</b>	<b>\$ 13,420</b>	<b>\$ 6,806</b>	<b>\$ 18,057</b>
<b>Per common share data:</b>				
Net investment income per share-basic and diluted	\$ 0.40	\$ 0.23	\$ 0.80	\$ 0.61
Net increase in net assets resulting from operations per share-basic and diluted	\$ 0.25	\$ 0.98	\$ 0.49	\$ 1.36
Dividends paid per share	\$ 0.38	\$ 0.38	\$ 0.76	\$ 0.76
Weighted average number of shares outstanding basic and diluted	13,765,954	13,700,113	13,760,623	13,318,194

*See Notes to Consolidated Financial Statements (unaudited).*

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Statements of Changes in Net Assets (unaudited)**

(In thousands, except shares)

	Common Stock		Additional	Undistributed	Accumulated	Accumulated	Total
	Number of	Par	Paid in	Net Investment	Net Realized	Net Unrealized	Net
	Shares	Value	Capital	Income	Gain (Loss) of	Depreciation	Assets
					(net of	on Investments	
					taxes)		
					Investments		
<b>Balances at</b>							
<b>December 31, 2012</b>	11,953,847	\$ 12	\$ 177,498	\$ 455	\$ 1,493	\$ 3,633	\$ 183,091
Public offering of common stock, net of expenses	1,725,000	2	28,855				28,857
Net increase in net assets resulting from operations				8,087	236	9,734	18,057
Dividends paid	37,916		689	(10,403)			(9,714)
<b>Balances at June 30, 2013</b>	13,716,763	\$ 14	\$ 207,042	\$ (1,861)	\$ 1,729	\$ 13,367	\$ 220,291
<b>Balances at</b>							
<b>December 31, 2013</b>	13,755,232	\$ 14	\$ 206,123	\$ 3,221	\$ 11,212	\$ (9,445)	\$ 211,125
Net increase in net assets resulting from operations				10,953	1,901	(6,048)	6,806
Dividends paid	19,869		393	(10,458)			(10,065)
<b>Balances at June 30, 2014</b>	13,775,101	\$ 14	\$ 206,516	\$ 3,716	\$ 13,113	\$ (15,493)	\$ 207,866

*See Notes to Consolidated Financial Statements (unaudited).*



Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Statements of Cash Flows (unaudited)****(In thousands)**

	<b>Six months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash Flows from Operating Activities:</b>		
Net increase in net assets resulting from operations	\$ 6,806	\$ 18,057
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net change in unrealized depreciation (appreciation) on investments	6,048	(8,917)
Realized (gain) on investments	(1,918)	(1,053)
Interest and dividend income paid-in-kind	(2,838)	(2,683)
Accretion of original issue discount	(349)	(687)
Accretion of loan origination fees	(223)	(105)
Amortization of deferred financing costs	273	250
Purchase of investments	(24,650)	(59,263)
Proceeds from sales and repayments of investments	20,269	36,726
Proceeds from loan origination fees	169	417
Changes in operating assets and liabilities:		
Interest receivable	(1,397)	(537)
Prepaid expenses and other assets	(442)	(22)
Accrued interest and fees payable	14	55
Due to affiliates	(1,160)	2,408
Taxes payable	(684)	
Accounts payable and other liabilities	220	471
<b>Net cash provided by (used in) operating activities</b>	<b>138</b>	<b>(14,883)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from stock offering, net of expenses		28,857
Proceeds received from SBA debentures	1,000	
Payment of deferred financing costs	(917)	
Dividends paid to stockholders	(10,065)	(9,714)
Taxes paid on deemed distribution	(2,887)	
<b>Net cash (used in) provided by financing activities</b>	<b>(12,869)</b>	<b>19,143</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(12,731)</b>	<b>4,260</b>
Cash and cash equivalents:		
Beginning of period	53,418	52,042
End of period	\$ 40,687	\$ 56,302

Supplemental Disclosure of Cash Flow Information

Cash payments for interest	\$	3,261	\$	3,195
Cash payments for taxes	\$	3,618	\$	52

*See Notes to Consolidated Financial Statements (unaudited).*

**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments****June 30, 2014 (unaudited)****(In thousands, except shares)**

Portfolio Company / Type of Investment <sup>(1) (2) (3)</sup>	Industry	Rate <sup>(4)</sup> Cash/PIK	Maturity	Principal Amount	Cost	Fair Value	Net Ass
<b>Affiliate Investments <sup>(5)</sup></b>							
<i>Apex Microtechnology, Inc.</i>	Electronic						
Warrant (2,294 units)	Components Supplier				\$ 220	\$ 255	
Common Equity (11,690 units)					1,169	1,317	
Sub Total					1,389	1,572	1%
<i>Avrio Technology Group, LLC</i>	Electronic						
Subordinated Note <sup>(8)</sup>	Components Supplier	0.0%/14.0%	10/15/2015	\$ 6,508	6,508		
Preferred Equity Series B (3,704 units) <sup>(7)</sup>					3,704		
Preferred Equity Series C (872 units) <sup>(7)</sup>					436		
Preferred Equity Series D (1,917 units) <sup>(7)</sup>					639		
Common Equity (4,215 units) <sup>(7)</sup>					1,000		
Sub Total					12,287		0%
<i>AR Research Inc.</i>	Specialty						
Senior Secured Loan <sup>(12)</sup>	Chemicals	11.8%/0.0%	3/31/2019	7,600	7,564	7,564	
Revolving Loan (\$1,750 commitment) <sup>(11)</sup>		11.8%/0.0%	3/31/2019	136	128	128	
Common Equity (10 units)					1,000	1,000	
Sub Total					8,692	8,692	4%
<i>Calabar International</i>	Aerospace & Defense						
Subordinated Note	Manufacturing	12.5%/2.5%	5/21/2017	5,180	5,161	5,180	
Preferred Equity (1,494 shares) <sup>(6)</sup>		6.0%/0.0%			1,992	3,358	
Sub Total					7,153	8,538	4%
<i>Edsurant Holdings, LLC</i>	Healthcare						
Subordinated Note	Services	9.5%/4.5%	7/12/2016	9,900	9,181	9,878	
Preferred Equity (89,770 units) <sup>(7)</sup>					1,228	1,029	
Warrant (321,005 units) <sup>(7)</sup>					4,045	3,662	
Sub Total					14,454	14,569	7%
<i>Paramount Building Solutions, LLC</i>	Retail						
Subordinated Note <sup>(9)</sup>	Cleaning	7.0%/11.0%	12/31/2014	7,454	7,454	5,595	
Common Equity (107,143 units) <sup>(7)</sup>					1,500		

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Sub Total					8,954	5,595	3%
<i>Fanstiehl, Inc.</i>	Healthcare						
Subordinated Note	Products	12.0%/2.0%	9/29/2018	6,177	6,131	6,177	
Common Equity (8,500 shares) <sup>(11)</sup>					850	2,042	
Sub Total					6,981	8,219	4%
<i>Safety Products Group, LLC</i>	Safety Products						
Subordinated Note	Manufacturing	12.0%/1.5%	12/30/2018	10,000	9,961	10,000	
Preferred Equity (749 shares) <sup>(7)</sup>					749	780	
Common Equity (676 shares) <sup>(7)</sup>					1	38	
Sub Total					10,711	10,818	5%
<i>Rantech Radiator Products, Inc.</i>	Utility Equipment						
Subordinated Note <sup>(11)</sup>	Manufacturing	12.0%/1.8%	5/4/2017	9,434	9,410	9,433	
Common Equity (6,875 shares) <sup>(11)</sup>					688	1,345	
Sub Total					10,098	10,778	5%
<i>Westminster Cracker Company, Inc.</i>	Specialty Cracker						
Preferred Equity (92,607 units)	Manufacturing				70	118	
Common Equity (1,208,197 units)					1,208	1,535	
Sub Total					1,278	1,653	1%
<i>World Wide Packaging, LLC</i>	Consumer						
Subordinated Note <sup>(11)</sup>	Products	12.0%/1.8%	10/26/2018	10,007	9,968	10,007	
Common Equity (1,300,000 units) <sup>(7)</sup> <sup>(11)</sup>					1,518	1,650	
Sub Total					11,486	11,657	6%
<b>Total Affiliate Investments</b>					93,483	82,091	39%

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments****June 30, 2014 (continued) (unaudited)****(In thousands, except shares)****Portfolio Company / Type of**

<b>Investment</b> <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>	<b>Industry</b>	<b>Rate</b> <sup>(4)</sup> <b>Cash/PIK</b>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Non-Control/Non-Affiliate Investments</b> <sup>(5)</sup>							
<i>Anatrace Products, LLC</i>	Healthcare						
Senior Secured Loan	Products	11.5%/1.5%	10/11/2018	\$ 9,500	\$ 9,464	\$ 9,500	
Revolving Loan (\$500 commitment) <sup>(10)</sup>		N/A	10/11/2018		(2)	(2)	
Common Equity (360,000 shares) <sup>(11)</sup>					360	330	
Sub Total					9,822	9,828	5%
<i>Acentia, LLC</i>	Information						
Common Units (499 units)	Technology Services				500	238	0%
<i>ACFP Management, Inc.</i>	Restaurants						
Common Units (1,000,000 units) <sup>(11)</sup>					1,091	1,451	1%
<i>Brook &amp; Whittle Limited</i>	Specialty						
Subordinated Note	Printing	12.0%/4.8%	12/31/2016	7,124	7,124	7,124	
Subordinated Note		12.0%/2.0%	12/31/2016	2,228	2,228	2,228	
Warrant (1,051 shares)					285	354	
Common Equity Series A (148 shares)					110	50	
Common Equity Series D (527 shares)					53	62	
Sub Total					9,800	9,818	