

FIDUS INVESTMENT Corp  
Form 10-Q  
November 03, 2011  
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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 September 30, 2011

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)

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**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

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

**1603 Orrington Avenue, Suite 820**

**Evanston, Illinois, 60201**

(Address and zip code of principal executive offices)

**(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 November 2, 2011, the Registrant had outstanding 9,427,021 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**

	September 30, 2011 (unaudited)	December 31, 2010
<b>ASSETS</b>		
Investments, at fair value:		
Control investments (cost: \$28,859,800 and \$26,985,897, respectively)	\$ 37,336,492	\$ 29,419,402
Affiliate investments (cost: \$29,928,888 and \$24,413,389, respectively)	30,349,492	26,860,320
Non-control/non-affiliate investments (cost: \$114,415,001 and \$93,907,155, respectively)	112,429,238	85,061,756
Total investments at fair value (cost: \$173,203,689 and \$145,306,441, respectively)	180,115,222	141,341,478
Cash and cash equivalents	51,911,078	1,757,139
Interest receivable	2,323,616	1,141,357
Deferred financing costs (net of accumulated amortization of \$1,043,612 and \$812,118, respectively)	2,602,576	2,795,257
Prepaid expenses and other assets	545,126	341,558
<b>Total assets</b>	<b>\$ 237,497,618</b>	<b>\$ 147,376,789</b>
<b>LIABILITIES</b>		
SBA debentures	\$ 96,750,000	\$ 93,500,000
Accrued interest payable	417,760	1,638,862
Due to affiliates	831,089	958
Accounts payable and other liabilities	299,648	232,305
<b>Total liabilities</b>	<b>98,298,497</b>	<b>95,372,125</b>
<b>NET ASSETS</b>		
Partners' capital		52,004,664
Common stock, \$0.001 par value (100,000,000 shares authorized; 9,427,021 and 0 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively)	9,427	
Additional paid-in capital	138,648,226	
Undistributed net investment income	50,632	
Net unrealized appreciation on investments	490,836	
<b>Total net assets</b>	<b>139,199,121</b>	<b>52,004,664</b>
<b>Total liabilities and net assets</b>	<b>\$ 237,497,618</b>	<b>\$ 147,376,789</b>
<b>Net asset value per share</b>	<b>\$ 14.77</b>	<b>n/a</b>

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



**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Statements of Operations (unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Investment Income:</b>				
Interest and fee income				
Control investments	\$ 871,795	\$ 791,892	\$ 2,545,183	\$ 2,290,392
Affiliate investments	1,102,565	530,198	3,027,253	1,557,728
Non-control/non-affiliate investments	3,816,417	2,878,164	10,062,551	8,731,946
Total interest and fee income	5,790,777	4,200,254	15,634,987	12,580,066
Dividend income				
Control investments	124,697	112,815	361,073	326,668
Non-control/non-affiliate investments	11,320		11,320	208,148
Total dividend income	136,017	112,815	372,393	534,816
Interest on idle funds and other income	23,427	19,260	55,891	55,107
Total investment income	5,950,221	4,332,329	16,063,271	13,169,989
<b>Expenses:</b>				
Base management fee	705,159	1,036,213	2,740,562	3,108,333
Less: management fee offset		(49,240)	(430,208)	(339,240)
Incentive fee	535,841		535,841	
Administrative service expenses	184,069		206,242	
Interest expense	1,376,205	1,270,979	4,095,257	3,608,583
Professional fees	308,482	44,324	478,832	95,008
Other general and administrative expenses	185,749	9,860	291,870	381,822
Total expenses	3,295,505	2,312,136	7,918,396	6,854,506
<b>Net investment income</b>	<b>2,654,716</b>	<b>2,020,193</b>	<b>8,144,875</b>	<b>6,315,483</b>
<b>Net realized and unrealized gains (losses) on investments:</b>				
Realized loss on non-control/non-affiliate investments		(1,000)	(7,935,430)	(3,307)
Net change in unrealized appreciation (depreciation) on investments	490,836	1,651,382	10,876,497	(7,801,924)
<b>Net gain (loss) on investments</b>	<b>490,836</b>	<b>1,650,382</b>	<b>2,941,067</b>	<b>(7,805,231)</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 3,145,552</b>	<b>\$ 3,670,575</b>	<b>\$ 11,085,942</b>	<b>\$ (1,489,748)</b>
<b>Per common share data:<sup>(1)</sup></b>				
Net investment income per share-basic and diluted	\$ 0.28	n/a	\$ 0.86	n/a
Net increase in net assets resulting from operations per share-basic and diluted	\$ 0.33	n/a	\$ 1.18	n/a
Dividends paid per share	\$ 0.32	n/a	\$ 0.32	n/a

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Weighted average number of shares outstanding-basic and diluted	9,427,021	n/a	9,427,021	n/a
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- (1) The weighted average shares outstanding for the three and nine months ended September 30, 2011, are based on the assumption that the number of shares issued in the Formation Transactions and Offering (including the over-allotment) in June and July 2011 (9,427,021 shares of common stock) had been issued on January 1, 2011.

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

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

			Common Stock			Undistributed	Net	Total
	General	Limited	Number	Par	Additional	Net	Unrealized	Net
	Partner	Partners	Of Shares	Value	Paid In	Investment	Appreciation	Assets
					Capital	Income	On	
							Investments	
<b>Balances at</b>								
<b>December 31, 2009</b>	\$ 4,504,972	\$ 43,975,979		\$	\$	\$	\$	\$ 48,480,951
Capital distributions	(130,805)	(1,369,195)						(1,500,000)
Net investment income	792,206	5,523,277						6,315,483
Realized loss on investments	(288)	(3,019)						(3,307)
Net change in unrealized depreciation on investments	(680,355)	(7,121,569)						(7,801,924)
<b>Balances at</b>								
<b>September 30, 2010</b>	\$ 4,485,730	\$ 41,005,473		\$	\$	\$	\$	\$ 45,491,203
<b>Balances at</b>								
<b>December 31, 2010</b>	\$ 5,111,894	\$ 46,892,770		\$	\$	\$	\$	\$ 52,004,664
Capital contributions	610,424	6,389,576						7,000,000
Capital distributions	(130,805)	(1,369,195)						(1,500,000)
Net investment income through June 20, 2011	572,009	4,505,588						5,077,597
Realized loss on investments through June 20, 2011	(691,997)	(7,243,433)						(7,935,430)
Net change in unrealized appreciation on investments through June 20, 2011	905,665	9,479,996						10,385,661
Formation transactions	(6,377,190)	(58,655,302)	4,056,521	4,057	65,028,435			
Public offering of common stock, net of expenses			5,370,500	5,370	73,619,791			73,625,161
Net increase in net assets resulting from operations June 21 to September 30, 2011						3,067,278	490,836	3,558,114
Dividends paid						(3,016,646)		(3,016,646)
<b>Balances at</b>								
<b>September 30, 2011</b>	\$	\$	9,427,021	\$ 9,427	\$ 138,648,226	\$ 50,632	\$ 490,836	\$ 139,199,121

See Notes to Consolidated Financial Statements (unaudited).





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

	Nine Months Ended September 30, 2011	2010
<b>Cash Flows from Operating Activities</b>		
Net increase (decrease) in net assets resulting from operations	\$ 11,085,942	\$ (1,489,748)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net change in unrealized depreciation (appreciation) on investments	(10,876,497)	7,801,924
Realized loss on investments	7,935,430	3,307
Interest and dividend income paid-in-kind	(3,125,259)	(3,273,649)
Accretion of original issue discount	(492,048)	(479,982)
Accretion of origination fees	(3,803)	
Amortization of deferred financing costs	271,494	258,823
Purchase of investments	(37,641,858)	(13,401,778)
Principal payments received on debt securities	5,285,791	13,612,240
Proceeds from loan origination fees	144,500	
Changes in operating assets and liabilities:		
Interest receivable	(1,182,259)	(245,767)
Prepaid expenses and other assets	(203,568)	(42,229)
Accrued interest payable	(1,221,102)	(903,476)
Due to affiliates	830,131	(157,870)
Accounts payable and other liabilities	67,343	(48,005)
Net cash (used in) provided by operating activities	(29,125,763)	1,633,790
<b>Cash Flows from Financing Activities</b>		
Proceeds from initial public offering, net of expenses	73,625,161	
Proceeds from SBA debentures	3,250,000	12,500,000
Payment of deferred financing costs	(78,813)	(603,125)
Capital contributions	7,000,000	
Capital distributions	(1,500,000)	(1,500,000)
Dividends paid to stockholders	(3,016,646)	
Net cash provided by financing activities	79,279,702	10,396,875
Net increase in cash and cash equivalents	50,153,939	12,030,665
Cash and cash equivalents:		
Beginning of year	1,757,139	2,671,884
End of period	\$ 51,911,078	\$ 14,702,549
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash payments for interest	\$ 5,044,865	\$ 4,253,234

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

**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments September 30, 2011 (unaudited)**

<b>Portfolio Company / Type of Investment<sup>(1)(2)(3)</sup></b>	<b>Industry</b>	<b>Rate<sup>(4)</sup> Cash/PIK</b>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Control Investments<sup>(5)</sup></b>							
<i>Connect-Air International, Inc.</i>	Specialty Distribution						
Subordinated Note		12.5%/3.0%	9/6/2013	\$ 4,413,879	\$ 4,413,879	\$ 4,413,879	
Preferred Interest <sup>(6)</sup>		0.0%/10.0%	9/3/2014		5,004,096	5,004,096	
<b>Sub Total</b>					9,417,975	9,417,975	7%
<i>Worldwide Express Operations, LLC</i>	Transportation Services						
Subordinated Note		11.0%/3.0%	2/1/2014	8,617,975	8,617,975	8,617,975	
Subordinated Note		0.0%/14.0%	2/1/2014	10,819,042	10,553,460	10,819,042	
Warrant (213,381 units) <sup>(7)</sup>						7,158,400	
Common Units (51,946 units) <sup>(7)</sup>					270,390	1,323,100	
<b>Sub Total</b>					19,441,825	27,918,517	20%
<b>Total Control Investments</b>					28,859,800	37,336,492	27%
<b>Affiliate Investments<sup>(5)</sup></b>							
<i>Avrio Technology Group, LLC</i>	Electronic Control						
	Supplier						
Subordinated Note		13.0%/3.0%	10/15/2015	8,308,552	8,308,552	7,929,000	
Common Units (1,000 units) <sup>(7)</sup>					1,000,000	376,700	
<b>Sub Total</b>					9,308,552	8,305,700	6%
<i>Medsurant Holdings, LLC</i>	Healthcare Services						
Senior Secured Loan		14.0%/0.0%	4/12/2016	4,250,000	3,238,844	4,209,000	
Preferred Units (40,750 units) <sup>(7)</sup>							