

FIDUS INVESTMENT Corp
Form 10-Q
August 01, 2013
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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, 2013

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

27-5017321
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

1603 Orrington Avenue, Suite 1005

Evanston, Illinois
(Address of Principal Executive Offices)

60201
(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 July 31, 2013, the Registrant had outstanding 13,716,763 shares of common stock, \$0.001 par value.

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FIDUS INVESTMENT CORPORATION

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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)**

	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Investments, at fair value		
Control investments (cost: \$11,981 and \$20,709, respectively)	\$ 32,721	\$ 30,613
Affiliate investments (cost: \$75,913 and \$64,336, respectively)	72,586	62,938
Non-control/non-affiliate investments (cost: \$199,048 and \$175,249, respectively)	204,507	180,698
Total investments, at fair value (cost: \$286,942 and \$260,294, respectively)	309,814	274,249
Cash and cash equivalents	56,302	52,042
Interest receivable	3,844	3,307
Deferred financing costs (net of accumulated amortization of \$1,840 and \$1,590, respectively)	3,164	3,414
Prepaid expenses and other assets	859	837
Total assets	373,983	333,849
LIABILITIES		
SBA debentures	144,500	144,500
Accrued interest payable	2,192	2,137
Due to affiliates	6,053	3,646
Accounts payable and other liabilities	947	475
Total liabilities	153,692	150,758
Net assets	\$ 220,291	\$ 183,091
ANALYSIS OF NET ASSETS		
Common stock, \$0.001 par value (100,000,000 shares authorized, 13,716,763 and 11,953,847 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively)	\$ 14	\$ 12
Additional paid-in capital	207,042	177,498
Undistributed net investment income	(1,861)	455
Accumulated net realized gain on investments	1,729	1,493
Accumulated net unrealized appreciation on investments	13,367	3,633
Total net assets	\$ 220,291	\$ 183,091
Net asset value per common share	\$ 16.06	\$ 15.32

See Notes to Consolidated Financial Statement (unaudited).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Investment income:				
Interest and fee income				
Control investments	\$ 960	\$ 730	\$ 1,698	1,450
Affiliate investments	2,424	1,780	4,444	3,562
Non-control/non-affiliate investments	6,671	4,903	13,329	9,819
Total interest and fee income	10,055	7,413	19,471	14,831
Dividend income				
Control investments	124		124	
Affiliate investments	31	30	61	60
Non-control/non-affiliate investments	195	152	524	273
Total dividend income	350	182	709	333
Interest on idle funds and other income	71	34	109	61
Total investment income	10,476	7,629	20,289	15,225
Expenses:				
Interest expense	1,765	1,569	3,500	3,012
Base management fee	1,352	1,006	2,611	1,945
Incentive fee	3,352	1,046	4,509	1,923
Administrative service expenses	256	224	501	453
Professional fees	201	156	433	413
Other general and administrative expenses	374	285	596	501
Total expenses	7,300	4,286	12,150	8,247
Net investment income before income taxes	3,176	3,343	8,139	6,978
Income tax expense	12	(8)	52	6
Net investment income	3,164	3,351	8,087	6,972
Net realized and unrealized gains on investments:				
Realized gain on non-control/non-affiliate investments	1,053		1,053	
Net change in unrealized appreciation on investments	9,203	848	8,917	746
Net gain on investments	10,256	848	9,970	746
Net increase in net assets resulting from operations	\$ 13,420	\$ 4,199	\$ 18,057	\$ 7,718
Per common share data:				
Net investment income per share-basic and diluted	\$ 0.23	\$ 0.36	\$ 0.61	\$ 0.74

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Net increase in net assets resulting from operations per share-basic and diluted	\$	0.98	\$	0.45	\$	1.36	\$	0.82
Dividends declared per share	\$	0.38	\$	0.36	\$	0.76	\$	0.70
Weighted average number of shares outstanding basic and diluted		13,700,113		9,427,021		13,318,194		9,427,021

See Notes to Consolidated Financial Statement (unaudited).

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FIDUS INVESTMENT CORPORATION

Consolidated Statements of Changes in Net Assets (unaudited)

(In thousands, except shares and per share data)

	Common Stock Number of Shares	Par Value	Additional Paid in Capital	Undistributed Net Investment Income	Accumulated Net Realized Gain (Loss) on Investments	Accumulated Net Unrealized Appreciation on Investments	Total Net Assets
Balances at December 31, 2011	9,427,021	\$ 9	\$ 138,649	\$ 422	\$ (482)	\$ 1,884	\$ 140,482
Net increase in net assets resulting from operations				6,972		746	7,718
Dividends declared and paid				(6,599)			(6,599)
Balances at June 30, 2012	9,427,021	\$ 9	\$ 138,649	\$ 795	\$ (482)	\$ 2,630	\$ 141,601
Balances at December 31, 2012	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 declared and paid	37,916		689	(10,403)			(9,714)
Balances at June 30, 2013	13,716,763	\$ 14	\$ 207,042	\$ (1,861)	\$ 1,729	\$ 13,367	\$ 220,291

See Notes to Consolidated Financial Statements (unaudited).

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

	Six Months Ended June 30,	
	2013	2012
Cash Flows from Operating Activities		
Net increase in net assets resulting from operations	\$ 18,057	\$ 7,718
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Net change in unrealized appreciation on investments	(8,917)	(746)
Realized gain on investments	(1,053)	
Interest and dividend income paid-in-kind	(2,683)	(2,270)
Accretion of original issue discount	(687)	(548)
Accretion of loan origination fees	(105)	(50)
Amortization of deferred financing costs	250	211
Purchase of investments	(59,263)	(33,369)
Proceeds from sale and repayment of investments	36,726	7,398
Proceeds from loan origination fees	417	276
Changes in operating assets and liabilities:		
Interest receivable	(537)	(370)
Prepaid expenses and other assets	(22)	(203)
Accrued interest payable	55	200
Due to affiliates	2,408	279
Accounts payable and other liabilities	471	12
Net cash used in operating activities	(14,883)	(21,462)
Cash Flows from Financing Activities		
Proceeds from stock offering, net of expenses	28,857	
Proceeds received from SBA debentures		17,250
Payment of deferred financing costs		(618)
Dividends paid to stockholders	(9,714)	(6,599)
Net cash provided by financing activities	19,143	10,033
Net increase (decrease) in cash and cash equivalents	4,260	(11,429)
Cash and cash equivalents:		
Beginning of period	52,042	39,059
End of period	\$ 56,302	\$ 27,630
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 3,195	\$ 2,601

See Notes to Consolidated Financial Statements (unaudited).

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments****June 30, 2013 (unaudited)****(In thousands, except shares and per share data)**

Portfolio Company / Type of Investment ^{(1) (2) (3)}	Industry	Rate ⁽⁴⁾ Cash/PIK	Maturity	Principal Amount	Cost	Fair Value	Percent Net Assets	
Control Investments ⁽⁵⁾								
<i>Worldwide Express Operations, LLC</i>	Transportation							
Subordinated Note	Services	12.0%/2.0%	12/20/2017	\$ 11,770	\$ 11,711	\$ 11,711		
Warrant (213,382 units) ⁽⁷⁾						18,035		
Common Units (51,946 units) ⁽⁷⁾					270	2,975		
Sub Total					11,981	32,721	15%	
Total Control Investments						11,981	32,721	15%
Affiliate Investments ⁽⁵⁾								
<i>Apex Microtechnology, Inc.</i>								
Subordinated Note	Electronic	12.0%/2.0%	2/16/2018	6,200	5,962	6,200		
Warrant (2,294 units)	Control Supplier				220	304		
Common Units (11,690 units)					1,169	1,530		
Sub Total					7,351	8,034	4%	
<i>Avrio Technology Group, LLC</i>								
Subordinated Note	Electronic	0.0%/14.0%	10/15/2015	5,869	5,869	3,857		
Preferred Units Series B (3,704 units) ⁽⁷⁾	Control Supplier				3,704	208		
Preferred Units Series C (476 units) ⁽⁷⁾					238			
Common Units (3,982 units) ⁽⁷⁾					1,000			
Sub Total					10,811	4,065	2%	
<i>Malabar International</i>								
	Aerospace & Defense							
Subordinated Note	Manufacturing	12.5%/2.5%	5/21/2017	5,051	5,025	5,051		
Preferred Equity (1,494 shares) ⁽⁶⁾		6.0%/0.0%			1,989	3,413		
Sub Total					7,014	8,464	4%	
<i>Medsurant Holdings, LLC</i>								
Subordinated Note	Healthcare Services	14.0%/0.0%	7/12/2016	9,750	8,662	9,750		
Preferred Units (79,091 units) ⁽⁷⁾					1,112	1,455		
Warrant (288,239 units) ⁽⁷⁾					3,690	5,329		
Sub Total					13,464	16,534	8%	
<i>Paramount Building Solutions, LLC</i>								
Subordinated Note	Retail Cleaning	12.0%/6.0%	2/15/2014	6,732	6,732	6,695		

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Common Units (107,143 units) ⁽⁷⁾					1,500	171	
Sub Total					8,232	6,866	3%
<i>Pfanstiehl, Inc.</i>	Healthcare						
Subordinated Note	Products	12.0%/4.0%	9/29/2018	5,961	5,905	5,905	
Common Equity (8,500 shares)					850	850	
Sub Total					6,755	6,755	3%
<i>Trantech Radiator Products, Inc.</i>	Utility Equipment						
Subordinated Note	Manufacturer	12.0%/1.8%	5/4/2017	9,268	9,236	9,268	
Common Shares (6,875 shares)					688	951	
Sub Total					9,924	10,219	5%
<i>Westminster Cracker Company, Inc.</i>	Specialty Cracker						
Preferred Units (83,851 shares)	Manufacturer				70	72	
Common Units (1,208,197 units)					1,208	493	
Sub Total					1,278	565	0%
<i>WorldWide Packaging, LLC</i>	Consumer						
Subordinated Note	Products	12.0%/1.75%	10/26/2018	9,831	9,784	9,784	
Common Equity (1,300,000 units)					1,300	1,300	
Sub Total					11,084	11,084	5%
Total Affiliate Investments					75,913	72,586	33%

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments****June 30, 2013 (unaudited)****(In thousands, except shares and per share data)**

Portfolio Company / Type of Investment ^{(1) (2) (3)}	Industry	Rate ⁽⁴⁾ Cash/PIK	Maturity	Principal Amount	Cost	Fair Value	Percent of Net Assets
Non-Control/Non-Affiliate Investments ⁽⁵⁾							
<i>Acentia, LLC (f/k/a ITSolutions)</i> Common Units (499 units)	IT Services				\$ 500	\$ 239	0%
<i>ACFP Management, Inc.</i> Subordinated Note Common Units (1,000,000 units)	Restaurants	12.0%/2.0%	6/29/2017	\$ 7,629	7,602 1,091	7,629 1,064	
Sub Total					8,693	8,693	4%
<i>Brook & Whittle Limited</i> Subordinated Note Subordinated Note Warrant (1,051 shares) Common Shares (148 shares)	Specialty Printing	12.0%/4.8% 12.0%/2.0%	8/9/2016 8/9/2016	6,787 2,183	6,787 2,146 285 110	6,787 2,037 363 51	
Sub Total					9,328	9,238	4%
<i>Brook Furniture Rental, Inc.</i> Subordinated Note Warrants (2.5%)	Furniture Rental	12.0%/1.5%	9/30/2016	7,805	7,461 485	7,805 596	
Sub Total					7,946	8,401	4%
<i>Caldwell & Gregory, LLC</i> Subordinated Note Subordinated Note Common Equity (500,000 units) ⁽⁷⁾ Warrant (242,121 units) ⁽⁷⁾	Laundry Services	11.5%/1.0% 0.0%/12.0%	11/30/2018 5/31/2019	1,501 3,030	1,472 2,732 500 242	1,472 2,732 500 242	
Sub Total					4,946	4,946	2%
<i>Connect-Air International, Inc.</i> Subordinated Note Preferred Interest ⁽⁶⁾	Specialty Distribution	12.5%/3.0% 0.0%/10.0%	12/31/2014 12/31/2014	4,031	4,031 5,532	4,031 6,651	
Sub Total					9,563	10,682	5%
<i>Continental Anesthesia Management, LLC</i> Senior Secured Loan Warrant (263 shares)	Healthcare Services	14.0%/0.0%	11/10/2014	9,825	9,749 276	9,657	
Sub Total					10,025	9,657	4%
<i>Convergent Resources, Inc.</i> Subordinated Note	Debt Collection Services	13.0%/3.0%	12/27/2017	5,671	5,626	5,671	3%

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<i>EBL, LLC (EbLens)</i>							
Subordinated Note	Retail	12.0%/3.0%	2/2/2018	9,181	9,143	9,182	
Common Equity (750,000 units) ⁽⁷⁾					750	755	
Sub Total					9,893	9,937	5%
<i>FCA, LLC</i>							
Subordinated Note	Industrial Products	12.5%/1.5%	6/18/2018	1,501	1,493	1,493	
Preferred Equity (4,500,000 units) ⁽⁷⁾		11.5%/5.0%	6/18/2018		4,486	4,486	
Sub Total					5,979	5,979	3%
<i>FocusVision Worldwide, Inc.</i>							
Subordinated Note	Business Services	12.0%/1.0%	1/29/2019	15,063	14,993	14,993	7%
<i>FutureTech Holding Company</i>							
Revolving Loan (\$1,100 Commitment)	IT Services	12.0%/0.0%	6/30/2014	1,040	1,030	1,030	
Subordinated Note		13.5%/5.5%	2/28/2015	8,094	8,044	6,997	
					9,074	8,027	4%
<i>Goodrich Quality Theaters, Inc.</i>							
Subordinated Note	Movie Theaters	12.8%/0.0%	3/31/2015	12,500	12,232	12,500	
Warrant (71 shares)					750	3,100	
Sub Total					12,982	15,600	7%
<i>IOS Acquisition, Inc.</i>							
Subordinated Note	Oil & Gas	12.0%/2.0%	6/26/2018	12,125	12,016	12,125	
Common Equity (2,152 shares)	Services				500	500	
Sub Total					12,516	12,625	6%

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments****June 30, 2013 (continued) (unaudited)****(In thousands, except shares and per share data)**

Portfolio Company / Type of Investment ^{(1) (2) (3)}	Industry	Rate ⁽⁴⁾ Cash/PIK	Maturity	Principal Amount	Cost	Fair Value	Percent of Net Assets
Jacob Ash Holdings, Inc.							
Subordinated Note	Apparel Distribution	13.0%/5.0%	8/11/2016	\$ 3,500	\$ 3,489	\$ 3,500	
Subordinated Note		13.0%/1.0%	8/11/2016	1,147	1,129	1,147	
Preferred Equity (500 shares) ⁽⁶⁾		0.0%/15.0%	8/11/2016		632	155	
Warrant (129,630 shares)					67		
Sub Total					5,317	4,802	2%
K2 Industrial Services, Inc.							
Subordinated Note	Industrial Cleaning	11.8%/2.0%	5/23/2017	14,600	14,514	14,600	
Preferred Equity Series A (1,200 shares)	& Coatings				1,200	772	
Preferred Equity Series B (69 shares)					69	69	
Sub Total					15,783	15,441	7%
Lightning Diversion Systems, Inc.							
Revolving Loan (\$1,000 Commitment)	Aerospace & Defense Manufacturing	12.0%/0.0%	6/17/2017		(4)	(4)	
Senior Secured Loan		12.0%/0.0%	6/17/2017	6,313	6,283	6,313	
Common Units (600,000 units)					600	864	
Sub Total					6,879	7,173	3%
National Truck Protection Co., Inc.							
Senior Secured Loan	Financial Services	13.5%/2.0%	8/10/2017	8,953	8,897	8,953	
Common Units (531 units)					450	554	
Sub Total					9,347	9,507	4%
Nobles Manufacturing, Inc.							
Subordinated Note	Aerospace & Defense Manufacturing	12.0%/2.5%	10/6/2018	4,550	4,550	4,550	
Preferred Equity (1,300,000 shares)					867	1,510	
Common Equity (1,300,000 shares)							
Sub Total					5,417	6,060	3%
Premium Franchise Brands, LLC (f/k/a Jan-Pro Holdings, LLC)							
Subordinated Note	Commercial Cleaning	12.5%/3.5%	3/18/2017	7,745	7,745	7,745	
Preferred Equity (1,054,619 shares)					832	574	
Sub Total					8,577	8,319	4%
S.B. Restaurant Co. (dba Elephant Bar)							
Subordinated Note	Restaurants	13.0%/1.0%	1/10/2018	7,574	7,196	7,407	
Warrant (652 shares)					417	272	

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Sub Total					7,613	7,679	3%
<i>Simplex Manufacturing Co.</i>	Aerospace & Defense						
Subordinated Note	Manufacturing	14.0%/0.0%	10/31/2013	4,550	4,505	4,550	
Warrant (24 shares)					710	926	
Sub Total					5,215	5,476	2%
<i>Tulsa Inspection Resources, Inc.</i>	Oil & Gas						
Subordinated Note	Services	14.0%/0.0%	3/12/2014	4,000	3,972	4,000	
Subordinated Note		17.5%/0.0%	3/12/2014	648	648	648	
Warrant (6 shares)					193	2,414	
Common Equity (1 share)					95	166	
Sub Total					4,908	7,228	3%
<i>United Biologics, LLC</i>	Healthcare						
Senior Secured Loan	Services	12.0%/2.0%	3/5/2017	6,764	6,293	6,761	
Preferred Equity (88,968 units) ⁽⁷⁾					1,069	1,069	
Warrant (57,469 units)					566	304	
Sub Total					7,928	8,134	4%
Total Non-Control/Non-Affiliate Investments					199,048	204,507	93%
Total Investments					\$ 286,942	\$ 309,814	141%

- (1) All debt investments are income producing. Equity investments are non-income producing unless otherwise noted.
- (2) See Note 3 to the consolidated financial statements for portfolio composition by geographic location.
- (3) Equity ownership may be held in shares or units of companies related to the portfolio companies.
- (4) Rate includes the cash interest or dividend rate and paid-in-kind interest or dividend rate, if any.
- (5) See Note 2 Significant Accounting Policies, Investment Classification for definitions of Control and Affiliate classifications.
- (6) Income producing. Maturity date, if any, represents mandatory redemption date.
- (7) Investment is held by a wholly-owned subsidiary of the Company.

See Notes to Consolidated Financial Statements (unaudited).

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments****December 31, 2012****(In thousands, except shares and per share data)**

Portfolio Company / Type of Investment ^{(1) (2) (3)}	Industry	Rate (4) Cash/PIK	Maturity	Principal Amount	Cost	Fair Value	Percent of Net Assets
Control Investments ⁽⁵⁾							
<i>Worldwide Express Operations, LLC</i>	Transportation						
Subordinated Note	Services	12.0%/2.0%	2/1/2014	\$ 8,909	\$ 8,909	\$ 8,909	
Subordinated Note		12.0%/2.0%	2/1/2014	11,654	11,530	11,654	
Warrant (213,382 units) ⁽⁷⁾						8,569	
Common Units (51,946 units) ⁽⁷⁾					270	1,481	
Sub Total					20,709	30,613	17%
Total Control Investments					20,709	30,613	17%
Affiliate Investments ⁽⁵⁾							
<i>Apex Microtechnology, Inc.</i>							
Subordinated Note	Electronic	12.0%/2.0%	2/16/2018	6,200	5,937	5,937	
Warrant (2,294 units)	Control Supplier				220	220	
Common Units (11,690 units)					1,169	1,169	
Sub Total					7,326	7,326	4%
<i>Avrio Technology Group, LLC</i>	Electronic						
Subordinated Note	Control Supplier	8.0%/6.0%	10/15/2015	5,589	5,589	4,620	
Preferred Units (3,704 units) ⁽⁷⁾					3,704	823	
Common Units (3,982 units) ⁽⁷⁾					1,000		
Sub Total					10,293	5,443	3%
<i>Malabar International</i>	Aerospace & Defense						
Subordinated Note	Manufacturing	12.5%/2.5%	5/21/2017	4,988	4,959	4,988	
Preferred Equity (1,494 shares) ⁽⁶⁾		6.0%/0.0%			1,988	3,133	
Sub Total					6,947	8,121	4%
<i>Medsurant Holdings, LLC</i>	Healthcare						
Subordinated Note	Services	14.0%/0.0%	7/12/2016	9,750	8,485	9,750	
Preferred Units (79,091 units) ⁽⁷⁾					1,112	1,565	
Warrant (288,239 units) ⁽⁷⁾					3,690	5,784	
Sub Total					13,287	17,099	9%
<i>Paramount Building Solutions, LLC</i>	Retail						
Subordinated Note	Cleaning	12.0%/4.0%	2/15/2014	6,499	6,499	6,499	
Common Units (107,143 units) ⁽⁷⁾					1,500	530	

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Sub Total					7,999	7,029	4%
<i>Trantech Radiator Products, Inc.</i>	Utility Equipment						
Subordinated Note	Manufacturer	12.0%/1.8%	5/4/2017	9,187	9,151	9,187	
Common Shares (6,875 shares)					688	1,183	
Sub Total					9,839	10,370	6%
<i>Westminster Cracker Company, Inc.</i>	Specialty Cracker						
Subordinated Note	Manufacturer	14.0%/4.0%	11/17/2014	7,367	7,367	7,316	
Preferred Units (83,851 shares)					70	70	
Common Units (1,208,197 units)					1,208	164	
Sub Total					8,645	7,550	4%
Total Affiliate Investments					64,336	62,938	34%

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments**

December 31, 2012 (continued)

(In thousands, except shares and per share data)

Portfolio Company / Type of Investment ^{(1) (2) (3)}	Industry	Rate (4) Cash/PIK	Maturity	Principal Amount	Cost	Fair Value	Percent of Net Assets
Non-Control/Non-Affiliate Investments ⁽⁵⁾							
<i>Acentia, LLC (f/k/a ITSolutions)</i> Common Units (499 units)	IT Services				\$ 500	\$ 268	0%
<i>ACFP Management, Inc.</i> Subordinated Note Common Units (1,000,000 units)	Restaurants	12.0%/2.0%	6/29/2017	\$ 7,552	7,522 1,091	7,552 1,091	
Sub Total					8,613	8,643	5%
<i>Brook & Whittle Limited</i> Subordinated Note Subordinated Note Warrant (1,051 shares) Common Shares (148 shares)	Specialty Printing	12.0%/4.8% 12.0%/2.0%	8/9/2016 8/9/2016	6,626 2,162	6,626 2,095 285 111	6,526 1,965 370 51	
Sub Total					9,117	8,912	5%
<i>Brook Furniture Rental, Inc.</i> Subordinated Note Warrants (2.5%)	Furniture Rental	12.0%/1.5%	9/30/2016	7,746	7,351 485	7,746 586	
Sub Total					7,836	8,332	5%
<i>Caldwell & Gregory, LLC</i> Subordinated Note Preferred Units (11,628 units) ⁽⁷⁾ Common Units (4,464 units) ⁽⁷⁾	Laundry Services	12.5%/1.5%	4/23/2016	1,890	1,890 1,163 4	1,890 1,523 376	
Sub Total					3,057	3,789	2%
<i>Connect-Air International, Inc.</i> Subordinated Note Preferred Interest ⁽⁶⁾	Specialty Distribution	12.5%/3.0% 0.0%/10.0%	12/31/2014 12/31/2014	4,031	4,031 5,247	4,031 5,719	
Sub Total					9,278	9,750	5%
<i>Continental Anesthesia Management, LLC</i> Senior Secured Loan Warrant (263 shares)	Healthcare Services	14.0%/0.0%	11/10/2014	9,950	9,846 276	9,876 27	
Sub Total					10,122	9,903	5%
<i>Convergent Resources, Inc.</i> Subordinated Note	Debt Collection Services	13.0%/3.0%	12/27/2017	5,587	5,536	5,587	3%
<i>EBL, LLC (EbLens)</i>							

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Subordinated Note	Retail	12.0%/3.0%	2/2/2018	9,045	9,001	9,001	
Common Equity (750,000 units) ⁽⁷⁾					750	750	
Sub Total					9,751	9,751	5%
<i>FutureTech Holding Company</i>	IT Services						
Subordinated Note		13.5%/5.5%	2/29/2016	7,875	7,816	7,875	4%
<i>Goodrich Quality Theaters, Inc.</i>	Movie						
Subordinated Note	Theaters	12.8%/0.0%	3/31/2015	12,500	12,157	12,500	
Warrant (71 shares)					750	2,314	
Sub Total					12,907	14,814	8%
<i>IOS Acquisition, Inc.</i>							
Subordinated Note	Oil & Gas	12.0%/2.0%	6/26/2018	12,003	11,884	11,884	
Common Equity (2,152 shares)	Services				500	500	
Sub Total					12,384	12,384	7%

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments****December 31, 2012 (continued)****(In thousands, except shares and per share data)**

Portfolio Company / Type of Investment ^{(1) (2) (3)}	Industry	Rate (4) Cash/PIK	Maturity	Principal Amount	Cost	Fair Value	Percent of Net Assets
Jacob Ash Holdings, Inc.							
	Apparel						
Subordinated Note	Distribution	13.0%/4.0%	8/11/2016	\$ 3,500	\$ 3,487	\$ 3,500	
Subordinated Note		13.0%/0.0%	8/11/2016	1,750	1,720	1,750	
Preferred Equity (500 shares)(6)		0.0%/15.0%	8/11/2016		586	250	
Warrant (129,630 shares)					67		
Sub Total					5,860	5,500	3%
Jan-Pro Holdings, LLC							
	Commercial						
Subordinated Note	Cleaning	12.5%/3.5%	3/18/2017	7,611	7,611	7,611	
Preferred Equity (1,054,619 shares)					832	626	
Sub Total					8,443	8,237	4%
K2 Industrial Services, Inc.							
	Industrial Cleaning						
Subordinated Note	& Coatings	11.8%/2.0%	5/23/2017	12,273	12,224	12,273	
Preferred Equity (1,200 shares)					1,200	1,044	
Sub Total					13,424	13,317	7%
Lightning Diversion Systems, Inc.							
	Aerospace & Defense						
Revolving Loan (\$1,000 Commitment)	Manufacturing	12.0%/0.0%	6/17/2017		(4)	(4)	
Senior Secured Loan		12.0%/0.0%	6/17/2017	7,062	7,029	7,062	
Common Units (600,000 units)					600	600	
Sub Total					7,625	7,658	4%
National Truck Protection Co., Inc.							
	Financial						
Senior Secured Loan	Services	13.5%/2.0%	8/10/2017	9,000	8,938	8,938	
Common Units (531 units)					450	450	
Sub Total					9,388	9,388	5%
Nobles Manufacturing, Inc.							
	Aerospace & Defense						
Subordinated Note	Manufacturing	13.0%/3.0%	4/6/2016	6,825	6,825	6,825	
Preferred Equity (1,300,000 shares)					1,300	1,943	
Common Equity (1,300,000 shares)							
Sub Total					8,125	8,768	5%
S.B. Restaurant Co. (dba Elephant Bar)							
	Restaurants						
Subordinated Note		13.0%/1.0%	1/10/2018	7,537	7,117	7,117	
Warrant (652 shares)					416	416	

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Sub Total					7,533	7,533	4%
<i>Simplex Manufacturing Co.</i>	Aerospace & Defense						
Subordinated Note	Manufacturing	13.0%/0.0%	10/31/2013	4,550	4,438	4,550	
Warrant (24 shares)					710	1,058	
Sub Total					5,148	5,608	3%
<i>Tulsa Inspection Resources, Inc.</i>	Oil & Gas						
Subordinated Note	Services	14.0%/0.0%	3/12/2014	4,000	3,953	4,000	
Subordinated Note		17.5%/0.0%	3/12/2014	648	648	648	
Warrant (6 shares)					193	1,752	
Common Equity (1 share)					95	121	
Sub Total					4,889	6,521	4%
<i>United Biologics, LLC</i>	Healthcare						
Senior Secured Loan	Services	12.0%/2.0%	3/5/2017	6,864	6,331	6,864	
Preferred Equity (88,968 units) ⁽⁷⁾					1,000	1,000	
Warrant (78,148 units)					566	296	
Sub Total					7,897	8,160	4%
Total Non-Control/Non-Affiliate Investments					175,249	180,698	99%
Total Investments					\$ 260,294	\$ 274,249	150%

- (1) All debt investments are income producing. Equity investments are non-income producing unless otherwise noted.
- (2) See Note 3 to the consolidated financial statements for portfolio composition by geographic location.
- (3) Equity ownership may be held in shares or units of companies related to the portfolio companies.
- (4) Rate includes the cash interest or dividend rate and paid-in-kind interest or dividend rate, if any.
- (5) See Note 2 Significant Accounting Policies, Investment Classification for definitions of Control and Affiliate classifications.
- (6) Income producing. Maturity date, if any, represents mandatory redemption date.
- (7) Investment is held by a wholly-owned subsidiary of the Company.

See Notes to Consolidated Financial Statements (unaudited).

Table of Contents**FIDUS INVESTMENT CORPORATION****Notes to Consolidated Financial Statements (unaudited)****(In thousands, except shares and per share data)****Note 1. Organization and Nature of Business**

Fidus Investment Corporation, a Maryland corporation (FIC, and together with its subsidiaries, the Company), was formed on February 14, 2011 for the purposes of (i) acquiring 100% of the limited partnership interests of Fidus Mezzanine Capital, L.P. and its consolidated subsidiaries (collectively, Fund 1) and 100% of the membership interests of Fund 1 s general partner, Fidus Mezzanine Capital GP, LLC (FMCGP), (ii) raising capital in an initial public offering that was completed in June 2011 (the IPO) and (iii) thereafter operating as an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). Fund 1 has also elected to be regulated as a BDC under the 1940 Act. In addition, for federal income tax purposes, the Company elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code), commencing with its taxable year ended December 31, 2011.

The Company provides customized debt and equity financing solutions to lower middle-market companies. Fund 1 commenced operations on May 1, 2007, and on October 22, 2007, was granted a license to operate as a Small Business Investment Company, also called an SBIC, under the authority of the U.S. Small Business Administration (SBA). On March 29, 2013, the Company commenced operations of a new wholly-owned investment fund, Fidus Mezzanine Capital II, L.P. (Fund 2) and on May 28, 2013, was granted a second license to operate Fund 2 as an SBIC. Collectively, Fund 1 and Fund 2 are referred to as the Funds . The SBIC licenses allow the Funds to obtain leverage by issuing SBA-guaranteed debentures (SBA debentures), subject to the issuance of a leverage commitment by the SBA and other customary procedures. As an SBIC, the Funds are subject to a variety of regulations and oversight by the SBA under the Small Business Investment Act of 1958, as amended (the SBIC Act), concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments.

On June 20, 2011, FIC acquired 100% of the limited partnership interests in Fund 1 and 100% of the equity interests in FMCGP, in exchange for 4,056,521 shares of common stock in FIC (the Formation Transactions). Fund 1 became FIC s wholly-owned subsidiary, retained its SBIC license, and continues to hold its existing investments and make new investments. The IPO consisted of the sale of 5,370,500 shares of the Company s common stock at a price of \$15.00 per share resulting in net proceeds of \$73,626, after deducting underwriting fees and commissions and offering costs totaling \$6,932.

On February 8, 2013, the Company issued 1,725,000 shares in a follow-on public offering, including shares purchased by the underwriters pursuant to their exercise of the over-allotment option, at an offering price of \$17.60 per share resulting in net proceeds to the Company of \$28,857, after deducting underwriting fees and commissions and offering costs totaling \$1,504. As of June 30, 2013 and December 31, 2012, the Company had 13,716,763 and 11,953,847 shares of common stock outstanding, respectively.

Note 2. Significant Accounting Policies

Basis of presentation: The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the U.S. of America (GAAP), as established by the Financial Accounting Standards Board (FASB). These consolidated financial statements reflect the guidance in the Accounting Standards Codification (ASC), which is the single source of authoritative GAAP recognized by the FASB. In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications that are necessary for the fair presentation of financial results as of and for the periods presented. Certain prior period amounts have been reclassified to conform to the current period presentation. The current period s results of operation are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2012.

Use of estimates: The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Consolidation: The Company will generally not consolidate its investments in a company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. As a result, the consolidated financial statements

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of the Company include the accounts of the Company and its wholly-owned subsidiaries, including the Funds and Fidus Investment GP, LLC, the Fund's general partner. All significant intercompany balances and transactions have been eliminated.

Fair value of financial instruments: The Company applies fair value to substantially all of its financial instruments in accordance with ASC Topic 820 *Fair Value Measurements and Disclosures* (ASC Topic 820). ASC Topic 820 defines fair

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FIDUS INVESTMENT CORPORATION

Notes to Consolidated Financial Statements (unaudited)

(In thousands, except shares and per share data)

value, establishes a framework used to measure fair value, and requires disclosures for fair value measurements, including the categorization of financial instruments into a three-level hierarchy based on the transparency of valuation inputs. See Note 4 to the consolidated financial statements for further discussion regarding the fair value measurements and hierarchy.

Investment classification: The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, Control Investments are defined as investments in those companies where the Company owns more than 25% of the voting securities of such company or has rights to maintain greater than 50% of the board representation. Under the 1940 Act, Affiliate Investments are defined as investments in those companies where the Company owns between 5% and 25% of the voting securities of such company.

Non-Control/Non-Affiliate Investments are those that neither qualify as Control Investments nor Affiliate Investments.

Segments: In accordance with ASC Topic 280 *Segment Reporting*, the Company has determined that it has a single reporting segment and operating unit structure.

Cash and cash equivalents: Cash and cash equivalents are highly liquid investments with an original maturity of three months or less at the date of acquisition. The Company places its cash in financial institutions and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limits. The Company does not believe it is exposed to any significant credit risk.

Deferred financing costs: Deferred financing costs include SBA debenture commitment and leverage fees that have been capitalized and are amortized on a straight-line basis into interest expense over the term of the debenture agreement (10 years). Deferred financing costs also include costs related to the Company's previous revolving credit facility. These costs have been capitalized and amortized into interest expense over the term of the credit facility.

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 amortized cost basis of the investment, without regard to unrealized gains and losses previously recognized. Changes in the fair value of investments from the prior period, as determined by the board of directors of the Company (the Board) through the application of the Company's 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 the Company expects 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. Interest is accrued on a daily basis. Dividend income is recorded as dividends when declared or at the point an obligation exists for the portfolio company to make a distribution. Distributions of earnings from portfolio companies are evaluated to determine if the distribution is income or a return of capital.

The Company has investments in its portfolio that contain a payment-in-kind income provision, which represents contractual interest or dividends that are added to the principal balance and recorded as income. The Company stops accruing payment-in-kind income when it is determined that payment-in-kind income is no longer collectible. To maintain RIC tax treatment and avoid the imposition of corporate income tax, the Company must pay substantially all of its income to its stockholders in the form of distributions, regardless of whether the Company has collected all of the corresponding cash.

In connection with the Company's debt investments, the Company will sometimes receive warrants or other equity-related securities (Warrants). The Company determines 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 is treated as original issue discount (OID), and accreted into interest income based on the effective interest method over the life of the debt security.

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All transaction fees received in connection with the Company's investments are recognized as income. Such fees typically include fees for services, including structuring and advisory services, provided to portfolio companies. The Company recognizes 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. Fee income from structuring and advisory services, amendments and prepayment penalties for the three months ended June 30, 2013 and 2012 totaled \$465 and \$191, respectively. Fee income from structuring and advisory services, amendments and prepayment penalties for the six months ended June 30, 2013 and 2012 totaled \$871 and \$616, respectively.

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FIDUS INVESTMENT CORPORATION

Notes to Consolidated Financial Statements (unaudited)

(In thousands, except shares and per share data)

The Company also typically receives upfront loan origination or closing fees in connection with investments. Such upfront loan origination and closing fees are capitalized as unearned income offset against investment cost basis on our statement of assets and liabilities and amortized as additional interest income over the life of the investment. Upfront loan origination and closing fees received for the three months ended June 30, 2013 and 2012 totaled \$283 and \$107, respectively. Upfront loan origination and closing fees received for the six months ended June 30, 2013 and 2012 totaled \$417 and \$276, respectively.

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.

Partial loan sales: The Company follows the guidance in ASC 860, *Transfers and Servicing*, when accounting for loan participations and other partial loan sales. Such guidance requires a participation or other partial loan sale to meet the definition of a participating interest, as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest should remain on the Company's balance sheet and the proceeds recorded as a secured borrowing until the definition is met.

Income taxes: The Company has elected to be treated as a RIC under Subchapter M of the Code and, among other things, intends to make the required distributions to its stockholders as specified therein, which will generally relieve the Company from U.S. federal income taxes with respect to all income distributed to stockholders. In order to qualify as a RIC, the Company is required to timely distribute to its stockholders at least 90.0% of investment company taxable income, as defined by the Code, each year. Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4.0% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to the later of the filing of the final tax return related to the year in which the Company generated such taxable income or the 15th day of the 9th month following the close of such taxable year.

In the future, pursuant to SBA guidelines, the Funds may be limited by provisions of the SBA Act, and SBA regulations governing SBICs, from making certain distributions to FIC that may be necessary to enable FIC to make the minimum required distributions to its stockholders and qualify as a RIC.

The Company has certain indirect wholly-owned taxable subsidiaries (the Taxable Subsidiaries), each of which generally holds one of its portfolio investments listed on the consolidated schedule of investments. The Taxable Subsidiaries are consolidated for financial reporting purposes, such that the Company's consolidated financial statements reflect the Company's investment in the portfolio companies owned by the Taxable Subsidiaries. The purpose of the Taxable Subsidiaries is to permit the Company to hold equity investments in portfolio companies that are organized as limited liability companies (LLCs) (or other forms of pass through entities) while complying with the source-of-income requirements contained in the RIC tax provisions. The Taxable Subsidiaries are not consolidated with the Company for U.S. federal corporate income tax purposes, and each Taxable Subsidiary will be subject to U.S. federal corporate income tax on its taxable income. Any such income or expense is reflected in the consolidated statements of operations.

ASC Topic 740 *Accounting for Uncertainty in Income Taxes* (ASC Topic 740) provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. ASC Topic 740 requires the evaluation of tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax expense. There were no material uncertain income tax positions at June 30, 2013 and December 31, 2012. The 2009 through 2011 tax years remain subject to examination by U.S. federal and most state tax authorities.

Distributions to Stockholders: Distributions to stockholders are recorded on the record date. The amount, if any, to be distributed to stockholders, is determined by the Board each quarter and is generally based upon the earnings estimated by management. Net realized capital

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gains, if any, will be distributed at least annually, although the Company may decide to retain such capital gains for investment.

The determination of the tax attributes for the Company's distributions is made annually, and is based upon the Company's taxable income and distributions to its stockholders for the full year. Ordinary dividend distributions from a RIC do not qualify for the preferential tax rate applicable to qualified dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax characterization of our stockholder distributions generally will include both ordinary income and capital gains but may also include qualified dividends or return of capital.

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

The Company has adopted a dividend reinvestment plan (DRIP) that provides for the reinvestment of dividends on behalf of its stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if the Company declares a cash dividend, the Company's stockholders who have not opted out of the DRIP at least three days prior to the dividend payment date will have their cash dividend automatically reinvested into additional shares of the Company's common stock. The Company has the option to satisfy the share requirements of the DRIP through the issuance of new shares of common stock or through open market purchases of common stock by the DRIP plan administrator. Newly issued shares are valued based upon the final closing price of the Company's common stock on a date determined by the Board. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the average price of the applicable shares purchased by the DRIP plan administrator, before any associated brokerage or other costs. See Note 9 to the consolidated financial statements regarding dividend declarations and distributions.

Recent accounting pronouncements: In November 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210) (ASU 2011-11)*, containing new guidance that requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This guidance is effective for annual and interim periods beginning on or after January 1, 2013. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The Company adopted ASU 2011-11 as of January 1, 2013. The adoption of ASU 2011-11 did not have a material impact on the Company's consolidated financial position or disclosures.

In June 2013, the FASB issued ASU 2013-08, *Financial Services - Investment Companies (Topic 946) Amendments to the Scope, Measurement and Disclosure Requirements (ASU 2013-08)*, containing new guidance on assessing whether an entity is an investment company, requiring non-controlling ownership interest in investment companies to be measured at fair value and requiring certain additional disclosures. This guidance is effective for annual and interim periods beginning on or after December 15, 2013. The Company does not expect ASU 2013-08 to have a material impact on the Company's consolidated financial position or disclosures.

Note 3. Portfolio Company Investments

The Company's portfolio investments principally consist of secured and unsecured debt, equity warrants and direct equity investments in privately held companies. The debt investments may or may not be secured by either a first or second lien on the assets of the portfolio company. The debt investments generally bear interest at fixed rates, and generally mature between five and seven years from the original investment. In connection with a debt investment, the Company also often receives nominally priced equity warrants and/or makes direct equity investments. The Company's warrants or equity investments may be in a holding company related to the portfolio company. In addition, the Company periodically makes equity investments in its portfolio companies through Taxable Subsidiaries. In both situations, the name of the operating company is reflected on the consolidated schedule of investments.

As of June 30, 2013, the Company had debt and equity investments in 34 portfolio companies with an aggregate fair value of \$309,814 and a weighted average effective yield on its debt investments of 15.1%. At June 30, 2013, the Company held equity ownership in 88.2% of its portfolio companies and the average fully diluted equity ownership in those portfolio companies was 8.6%. As of December 31, 2012, the Company had debt and equity investments in 30 portfolio companies with an aggregate fair value of \$274,249 and a weighted average effective yield on its debt investments of 15.3%. At December 31, 2012, the Company held equity ownership in 93.3% of its portfolio companies and the average fully diluted equity ownership in those portfolio companies was 8.4%. The weighted average yields were computed using the effective interest rates for all debt investments at cost as of June 30, 2013 and December 31, 2012, including accretion of original issue discount but excluding any debt investments on non-accrual status.

Purchases of debt and equity investments for the six months ended June 30, 2013 and 2012 totaled \$59,263 and \$33,369, respectively. Repayments, including return of capital dividends, of portfolio investments for the six months ended June 30, 2013 and 2012 totaled \$36,726 and \$7,398, respectively.

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

Investments by type with corresponding percentage of total portfolio investments consisted of the following:

	June 30, 2013		December 31, 2012	
Cost:				
Senior secured loans	\$ 32,248	11.2%	\$ 32,140	12.4%
Subordinated notes	212,412	74.0	192,358	73.9
Equity	34,381	12.0	28,138	10.8
Warrants	7,901	2.8	7,658	2.9
Total	\$ 286,942	100.0%	\$ 260,294	100.0%
Fair value:				
Senior secured loans	\$ 32,709	10.6%	\$ 32,736	11.9%
Subordinated notes	211,822	68.3	193,691	70.6
Equity	33,398	10.8	26,430	9.7
Warrants	31,885	10.3	21,392	7.8
Total	\$ 309,814	100.0%	\$ 274,249	100.0%

All investments made by the Company as of June 30, 2013 and December 31, 2012 were made in portfolio companies located in the U.S. 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, 2013		December 31, 2012	
Cost:				
Midwest	\$ 75,699	26.4%	\$ 62,707	24.1%
Southwest	40,401	14.1	48,820	18.8
Northeast	61,741	21.5	43,261	16.6
Southeast	59,355	20.7	55,689	21.4
West	49,746	17.3	49,817	19.1
Total	\$ 286,942	100.0%	\$ 260,294	100.0%
Fair value:				
Midwest	\$ 71,957	23.2%	\$ 60,576	22.1%
Southwest	62,984	20.3	59,650	21.8
Northeast	60,366	19.5	41,369	15.1
Southeast	58,499	18.9	56,885	20.7
West	56,008	18.1	55,769	20.3

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Total	\$ 309,814	100.0%	\$ 274,249	100.0%
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At June 30, 2013 and December 31, 2012, the Company had one portfolio company investment that represented more than 10% of the total investment portfolio. Such investment represented 10.6% and 11.2% of the fair value of the portfolio and 4.2% and 8.0% of cost as of June 30, 2013 and December 31, 2012, respectfully. As of June 30, 2013 and December 31, 2012, there were no investments on non-accrual status.

Note 4. Fair Value Measurements

Investments

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. Under ASC Topic 820, portfolio investments recorded at fair value in the consolidated financial statements are classified within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value, as defined below:

Level 1 Inputs are unadjusted, quoted prices in active markets for identical assets as of the measurement date.

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Notes to Consolidated Financial Statements (unaudited)

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Level 2 Inputs include quoted prices for similar assets in active markets, or that are quoted prices for identical or similar assets in markets that are not active and inputs that are observable, either directly or indirectly, for substantially the full term, if applicable, of the investment.

Level 3 Inputs include those that are both unobservable and significant to the overall fair value measurement.

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. Therefore, the Company values all of its portfolio investments at fair value, as determined in good faith by the Board, using Level 3 inputs. Accordingly, the degree of judgment exercised by the Board in determining fair value is greatest for investments classified as Level 3. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the Board's estimate of fair value may differ significantly from the values that would have been used had a ready market for the securities existed, and those differences may be material. 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.

With respect to investments for which market quotations are not readily available, the Company's Board 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 of the Company's Investment Advisor;

the Board also engages one or more independent valuation firm(s) to conduct independent appraisals of a selection 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. The Board consulted with the independent valuation firm in arriving at the Company's determination of fair value on 12 and 12 of its portfolio company investments representing 43.6% and 44.1% of the total portfolio investments at fair value as of June 30, 2013 and December 31, 2012, respectfully.

the audit committee of the Board reviews the preliminary valuations of the Investment Advisor and of the independent valuation firm(s) and responds and supplements the valuation recommendations to reflect any comments; and

the Board discusses these 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 firm(s) 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 OID and payment-in-kind income, 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.

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The Company performs detailed valuations of its debt and equity investments, using both the market and income 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. Under the income approach, the Company typically prepares and analyzes discounted cash flow models to estimate the present value of future cash flows of either an individual debt investment or of the underlying portfolio company itself.

The Company evaluates investments in portfolio companies using the most recent portfolio company financial statements and forecasts. The Company also consults with the portfolio company's senior management to obtain further updates on the portfolio company's performance, including information such as industry trends, new product development and other operational issues.

For the Company's debt investments, including senior secured loans and subordinated notes, the primary valuation technique used to estimate the fair value is the discounted cash flow method. However, if there is deterioration in credit quality or a debt investment is in workout status, the Company may consider other methods 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. The Company's discounted cash flow models estimate a range of fair values by applying an appropriate discount rate to the future cash flow streams of its debt investments, based on future interest and principal payments as set forth in

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the associated loan agreements. The Company prepares a weighted average cost of capital for use in the discounted cash flow model for each investment, based on factors including, but not limited to: current pricing and credit metrics for similar proposed or executed investment transactions of private companies; the portfolio company's historical financial results and outlook; and the portfolio company's current leverage and credit quality as compared to leverage and credit quality as of the date the investment was made. The Company may also consider the following factors when determining the fair value of debt investments: the portfolio company's ability to make future scheduled payments; prepayment penalties; estimated remaining life; the nature and realizable value of any collateral; 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 equity investments, including equity and warrants, the Company generally uses a market approach, including valuation methodologies consistent with industry practice, to estimate the enterprise value of portfolio companies. Typically, the enterprise value of a private company is based on multiples of EBITDA, cash flows, net income, revenues, or in limited cases, book 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. Where applicable, the Company considers its ability to influence the capital structure of the portfolio company, as well as the timing of a potential exit.

The Company may also utilize an income approach when estimating the fair value of its equity securities, either as a primary methodology if consistent with industry practice or if the market approach is otherwise not applicable, or as a supporting methodology to corroborate the fair value ranges determined by the market approach. The Company typically prepares and analyzes discounted cash flow models based on projections of the future free cash flows (or earnings) of the portfolio company. 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.

The Company reviews the fair value hierarchy classifications on a quarterly basis. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur. There were no transfers among Levels 1, 2, and 3 during the six months ended June 30, 2013 and 2012.

The following tables present a reconciliation of the beginning and ending balances for fair valued investments measured using significant unobservable inputs (Level 3) for the three months ended June 30, 2013 and 2012:

	Senior Secured Loans	Subordinated Notes	Equity	Warrants	Total
Balance, December 31, 2011	\$ 14,992	\$ 157,098	\$ 18,852	\$ 13,803	\$ 204,745
Net change in unrealized appreciation on investments	(34)	(709)	(840)	2,329	746
Purchase of investments	17,110	13,000	1,893	1,366	33,369
Proceeds from repayments and sales of investments	(550)	(6,848)			(7,398)
Interest and dividend income paid-in-kind	81	1,920	269		2,270
Proceeds from loan origination fees	(146)	(130)			(276)
Accretion of loan origination fees	11	38	1		50
Accretion of original issue discount	93	453	3		549

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Balance, June 30, 2012	\$ 31,557	\$ 164,822	\$ 20,178	\$ 17,498	\$ 234,055
Balance, December 31, 2012	\$ 32,736	\$ 193,691	\$ 26,430	\$ 21,392	\$ 274,249
Net change in unrealized appreciation on investments	(135)	(1,923)	724	10,251	8,917
Realized gain on investments			1,053		1,053
Purchase of investments	1,075	50,421	7,525	242	59,263
Payments from repayments and sales of investments	(1,126)	(32,947)	(2,653)		(36,726)
Interest and dividend income paid-in-kind	68	2,278	337		2,683
Proceeds from loan origination fees	(11)	(383)	(23)		(417)
Accretion of loan origination fees	19	84	2		105
Accretion of original issue discount	83	601	3		687
Balance, June 30, 2013	\$ 32,709	\$ 211,822	\$ 33,398	\$ 31,885	\$ 309,814

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The total change in unrealized appreciation included in the consolidated statements of operations attributable to Level 3 investments still held at June 30, 2013 and 2012, was \$9,649 and \$746, respectively.

The following table presents quantitative information about the significant unobservable inputs of the Company's Level 3 debt and equity investments as of June 30, 2013:

Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at June 30, 2013	Valuation Techniques	Unobservable Inputs	Range (weighted average)
Debt investments:				
Senior secured loans	\$ 32,709	Market comparable companies	EBITDA multiples	4.5x - 7.5x (6.1x)
		Discounted cash flow	Weighted average cost of capital	12.6% - 16.6% (15.3%)
Subordinated notes	211,822	Market comparable companies	EBITDA multiples	4.5x - 18.3x (6.8x)
		Discounted cash flow	Weighted average cost of capital	13.4% - 38.9% (16.3%)
Equity investments:				
Equity	33,398	Market comparable companies	EBITDA multiples	4.5x - 18.3x (6.3x)
Warrants	31,885	Market comparable companies	EBITDA multiples	4.5x - 9.5x (8.3x)

The significant unobservable inputs used in the fair value measurement of the Company's debt investments, including senior secured loans and subordinated notes, are weighted average cost of capital and EBITDA multiples. Significant increases (or decreases) in either of these inputs in isolation could have a significant impact on estimated fair values, with the fair value of a debt investment susceptible to change in inverse relation to a change in the discount rate. Often, a change in the assumption used for the EBITDA multiple is accompanied by an inversely related change in the weighted average cost of capital.

The significant unobservable inputs used in the fair value measurement of the Company's equity investments, including equity and warrants, are EBITDA multiples. Significant increases (or decreases) in this input could result in a significantly higher (or lower) estimate of fair value.

Other Financial Assets and Liabilities

ASC Topic 820 requires disclosure of the fair value of financial instruments for which it is practical to estimate such value. The Company believes that the carrying amounts of its other financial instruments such as cash and cash equivalents, receivables and payables approximate the fair value of such items due to the short maturity of such instruments. SBA debentures are carried at cost and with their longer maturity dates, fair value is estimated by discounting remaining payments using current market rates for similar instruments and considering such factors as the legal maturity date and the ability of market participants to prepay the debentures. As of both June 30, 2013 and December 31, 2012, the fair value of the Company's SBA debentures using Level 3 inputs is estimated at \$144,500, which is the same as the Company's carrying value of the debentures.

Note 5. Related Party Transactions

Investment Advisory Agreement: Concurrent with the Formation Transactions, the Company entered into the Investment Advisory Agreement with the Investment Advisor. On June 5, 2013, the Board approved the renewal of the Investment Advisory Agreement through June 20, 2014. Pursuant to the Investment Advisory Agreement and subject to the overall supervision of the Board, 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

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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. 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 was calculated based on the initial value of the Company's total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts) at the closing of the Formation Transactions. The base management fee under the Investment Advisory Agreement for the three months ended June 30, 2013 and 2012 totaled \$1,352 and \$1,006, respectively. The base management fee under the Investment Advisory Agreement for the six months ended June 30, 2013 and 2012 totaled \$2,611 and \$1,945, respectively.

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 income, 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

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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 the calculations above equals the income incentive fee. The income incentive fee is appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the calendar quarter. The income incentive fee for the three months ended June 30, 2013 and 2012 totaled \$1,301 and \$876, respectively. The income incentive fee for the six months ended June 30, 2013 and 2012 totaled \$2,515 and \$1,774, respectively.

The second part of the incentive fee is a capital gains incentive fee that is determined and paid 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 to be paid to the Investment Advisor, the Company calculates the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses

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since the Formation Transactions, 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 to be paid 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 to be paid for such year equals 20.0% of such amount, less the aggregate amount of any capital gains incentive fees paid in all prior years. In addition, the Company accrues, but does not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. If, on a cumulative basis, the sum of net realized gains/(losses) plus net unrealized appreciation/(depreciation) decreases during a period, the Company will reverse any excess capital gains incentive fee previously accrued such that the amount of capital gains incentive fee accrued is no more than 20.0% of the sum of net realized gains/(losses) plus net unrealized appreciation/(depreciation). During the three months ended June 30, 2013 and 2012, the Company recognized accrued capital gains incentive fees totaling \$2,051 and \$170, respectively. During the six months ended June 30, 2013 and 2012, the Company recognized accrued capital gains incentive fees totaling \$1,994 and \$149, respectively.

The sum of the income incentive fee and the capital gains incentive fee is the incentive fee and is reported in the consolidated statement of operations. Accrued management fees, income incentive fees and capital gains incentive fees are reported in the due to affiliates line in the consolidated statement of assets and liabilities.

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 Board 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: Concurrent with the Formation Transactions, the Company also entered into an administration agreement (the Administration Agreement) with the Investment Advisor. On June 5, 2013, the Board approved the renewal of the Administrative Agreement through June 20, 2014. Under the Administration Agreement, the Investment Advisor furnishes the Company with office facilities and equipment, provides it clerical, bookkeeping and record keeping services at such facilities and provides the Company with other administrative services necessary to conduct its day-to-day operations. The Company reimburses the Investment Advisor for the allocable portion of overhead expenses incurred in performing its obligations under the Administration Agreement, including rent 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, administrative expenses for services provided for the three months ended June 30, 2013 and 2012 totaled \$256 and \$224, respectively. Under the Administration Agreement, administrative expenses for services provided for the six months ended June 30, 2013 and 2012 totaled \$501 and \$453, respectively.

Note 6. Debt

SBA debentures: The Company uses debenture leverage provided through the SBA to fund a portion of its investment purchases. The SBA has made commitments to issue \$150,000 in the form of debenture securities to the Company on or before December 31, 2016. Unused commitments as of June 30, 2013 were \$5,500. 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, 2013 and December 31, 2012, the Company's issued and outstanding SBA debentures mature as follows:

Pooling Date(1)	Maturity Date	Fixed Interest Rate	June 30, 2013	December 31, 2012
3/26/2008	3/1/2018	6.188%	\$ 24,750	\$ 24,750
9/24/2008	9/1/2018	6.442	11,950	11,950
3/25/2009	3/1/2019	5.337	19,750	19,750
9/23/2009	9/1/2019	4.950	10,000	10,000
3/24/2010	3/1/2020	4.825	13,000	13,000
9/22/2010	9/1/2020	3.932	12,500	12,500
3/29/2011	3/1/2021	4.801	1,550	1,550
9/21/2011	9/1/2021	3.594	3,250	3,250
3/21/2012	3/1/2022	3.483	3,250	3,250
3/21/2012	3/1/2022	3.051	19,000	19,000
9/19/2012	9/1/2022	2.530	11,000	11,000
9/19/2012	9/1/2022	3.049	11,500	11,500
3/27/2013	3/1/2023	3.155	3,000	3,000
			\$ 144,500	\$ 144,500

(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.

Interest on SBA debentures is payable semi-annually on March 1 and September 1. For the three months ended June 30, 2013 and 2012, interest and fee amortization expense on outstanding SBA debentures amounted to \$1,765 and \$1,569, respectively. For the six months ended June 30, 2013 and 2012, interest and fee amortization expense on outstanding SBA debentures amounted to \$3,500 and \$3,012, respectively. As of June 30, 2013 and December 31, 2012, accrued interest payable totaled \$2,192 and \$2,137, respectively. The weighted average fixed interest rate for all SBA debentures as of June 30, 2013 and December 31, 2012 was 4.6% and 4.5%, respectively.

Deferred financing costs as of June 30, 2013 and December 31, 2012, are as follows:

	June 30, 2013	December 31, 2012
SBA debenture commitment fees	\$ 1,500	\$ 1,500
SBA debenture leverage fees	3,504	3,504
Subtotal	5,004	5,004
Accumulated amortization	(1,840)	(1,590)
Net deferred financing costs	\$ 3,164	\$ 3,414

Note 7. Commitments and Contingencies

Commitments: As of June 30, 2013, the Company had two outstanding revolving loan commitments to portfolio companies of which \$1,060 was unfunded. As of December 31, 2012, the Company had one outstanding revolving loan commitment to a portfolio company for \$1,000 that was unfunded. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with financial and nonfinancial covenants.

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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The following is a schedule of financial highlights for the six months ended June 30, 2013 and 2012:

	Six Months Ended June 30,	
	2013	2012
Per share data:		
Net asset value at beginning of period	\$ 15.32	\$ 14.90
Net investment income ⁽¹⁾	0.61	0.74
Net realized gain on investments ⁽¹⁾	0.08	
Change in net unrealized appreciation on investments ⁽¹⁾	0.67	(0.08)
Total increase from investment operations⁽¹⁾	1.36	0.82
Accretive effect of share issuance above NAV	0.16	
Dividends to stockholders	(0.76)	(0.70)
Other ⁽²⁾	(0.02)	
Net asset value at end of period	\$ 16.06	\$ 15.02
Market value at end of period	\$ 18.71	\$ 15.17
Shares outstanding at end of period	13,716,763	9,427,021
Weighted average shares outstanding during the period	13,318,194	9,427,021
Ratios to average net assets (annualized):		
Expenses other than incentive fee	7.5%	9.0%
Incentive fee	4.3%	2.7%
Total expenses	11.8%	11.7%
Net investment income	7.9%	9.9%
Total return⁽³⁾	18.4%	22.4%
Net assets at end of period	\$ 220,291	\$ 141,601
Average debt outstanding	\$ 144,500	\$ 114,750
Average debt per share ⁽¹⁾	\$ 10.85	\$ 12.17
Portfolio turnover ratio (annualized)	25.1%	6.8%

(1) Weighted average per share data.

(2) Represents the impact of different share amounts used in calculating per share data as a result of calculating certain per share data based on weighted average shares outstanding during the period and certain per share data based on shares outstanding as of a period end or transaction date.

(3) The total return for the six months ended June 30, 2013 and 2012 equals the change in the ending market value of the Company's common stock plus dividends paid per share during the period, divided by the beginning common stock price and is not annualized.

Note 9. Dividends and Distributions

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The Company's dividends and distributions are recorded on the record date. The following table summarizes the Company's dividend declaration and distribution during the three months ended March 31, 2013 and 2012.

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued
--------------------------	------------------------	-------------------------	-----------------------------	------------------------------	-----------------------------------