FIDUS INVESTMENT Corp
Form 10-Q
May 02, 2019
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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 March 31, 2019**

**OR**

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

**For the transition period from _____ to _____**

**Commission file number 814-00861**

**Fidus Investment Corporation**

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

| **Maryland** | **27-5017321** |
|---|---|
| **(State or Other Jurisdiction of** | **(I.R.S. Employer** |
| **Incorporation or Organization)** | **Identification No.)** |

**1603 Orrington Avenue, Suite 1005**

| **Evanston, Illinois** | **60201** |
|---|---|
| **(Address of Principal Executive Offices)** | **(Zip Code)** |

**(847) 859-3940**

**(Registrant s telephone number, including area code)**

**n/a**

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

| | |
|---|---|
| Large accelerated filer | Accelerated filer |
| Non-accelerated filer | Smaller reporting company |
| | Emerging growth company |

If an emerging growth company, indicate by check mark if the registrant has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, par value $0.001 per share | The NASDAQ Global Select Market (trading symbol: FDUS) |
| 5.875% Notes due 2023 | The NASDAQ Global Select Market (trading symbol: FDUSL) |
| 6.000% Notes due 2024 | The NASDAQ Global Select Market (trading symbol: FDUSZ) |

As of April 30, 2019, the Registrant had outstanding 24,463,119 shares of common stock, $0.001 par value.

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## 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)**

| | March 31, 2019 (unaudited) | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| Investments, at fair value | | |
| Control investments (cost: $7,338 and $22,697, respectively) | $ 5,098 | $ 18,820 |
| Affiliate investments (cost: $66,636 and $70,924, respectively) | 121,522 | 123,051 |
| Non-control/non-affiliate investments (cost: $548,730 and $505,129, respectively) | 543,861 | 501,111 |
| Total investments, at fair value (cost: $622,704 and $598,750, respectively) | 670,481 | 642,982 |
| Cash and cash equivalents | 26,209 | 42,015 |
| Interest receivable | 7,308 | 7,528 |
| Prepaid expenses and other assets | 851 | 1,351 |
| **Total assets** | $ 704,849 | $ 693,876 |
| **LIABILITIES** | | |
| SBA debentures, net of deferred financing costs (Note 6) | $ 167,332 | $ 186,734 |
| Public Notes, net of deferred financing costs (Note 6) | 115,087 | 48,411 |
| Borrowings under Credit Facility, net of deferred financing costs (Note 6) | (84) | 36,358 |
| Accrued interest and fees payable | 1,717 | 2,812 |
| Base management fee payable due to affiliate | 2,871 | 2,927 |
| Income incentive fee payable due to affiliate | 2,485 | 2,785 |
| Capital gains incentive fee payable due to affiliate | 9,770 | 9,415 |
| Administration fee payable and other due to affiliate | 375 | 474 |
| Taxes payable | 215 | 803 |
| Accounts payable and other liabilities | 265 | 172 |
| **Total liabilities** | 300,033 | 290,891 |
| Commitments and contingencies (Note 7) | | |
| **NET ASSETS** | | |
| Common stock, $0.001 par value (100,000,000 shares authorized, 24,463,119 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively) | 24 | 24 |

| | | | | |
|---|---|---|---|---|
| Additional paid-in capital | | 366,278 | | 366,278 |
| Total distributable earnings | | 38,514 | | 36,683 |
| **Total net assets** | | 404,816 | | 402,985 |
| **Total liabilities and net assets** | $ | 704,849 | $ | 693,876 |
| **Net asset value per common share** | $ | 16.55 | $ | 16.47 |

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

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Statements of Operations (unaudited)**

**(in thousands, except shares and per share data)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Investment Income:** | | |
| Interest income | | |
| Control investments | $ 282 | $ 57 |
| Affiliate investments | 1,520 | 1,655 |
| Non-control/non-affiliate investments | 13,450 | 13,023 |
| Total interest income | 15,252 | 14,735 |
| Payment-in-kind interest income | | |
| Control investments | 1,237 | 153 |
| Affiliate investments | 83 | 400 |
| Non-control/non-affiliate investments | 1,310 | 1,126 |
| Total payment-in-kind interest income | 2,630 | 1,679 |
| Dividend income | | |
| Control investments | | |
| Affiliate investments | 368 | 444 |
| Non-control/non-affiliate investments | (73) | (106) |
| Total dividend income | 295 | 338 |
| Fee income | | |
| Control investments | 349 | |
| Affiliate investments | 22 | (4) |
| Non-control/non-affiliate investments | 1,728 | 1,441 |
| Total fee income | 2,099 | 1,437 |
| Interest on idle funds and other income | 54 | 44 |
| Total investment income | 20,330 | 18,233 |
| **Expenses:** | | |
| Interest and financing expenses | 3,724 | 2,932 |
| Base management fee | 2,871 | 2,685 |
| Incentive fee - income | 2,485 | 2,224 |
| Incentive fee - capital gains | 355 | 1,530 |
| Administrative service expenses | 399 | 399 |
| Professional fees | 590 | 510 |
| Other general and administrative expenses | 305 | 295 |

| | | |
|---|---|---|
| Total expenses | 10,729 | 10,575 |
| Net investment income before income taxes | 9,601 | 7,658 |
| Income tax provision (benefit) | 2 | 131 |
| **Net investment income** | 9,599 | 7,527 |
| **Net realized and unrealized gains (losses) on investments:** | | |
| Net realized gains (losses): | | |
| Control investments | (1,268) | |
| Affiliate investments | 35 | 6,973 |
| Non-control/non-affiliate investments | (358) | 305 |
| Total net realized gain (loss) on investments | (1,591) | 7,278 |
| Income tax (provision) benefit from realized gains on investments | 8 | (1,747) |
| Net change in unrealized appreciation (depreciation): | | |
| Control investments | 1,637 | 73 |
| Affiliate investments | 2,759 | 6,385 |
| Non-control/non-affiliate investments | (851) | (4,341) |
| Total net change in unrealized appreciation (depreciation) on investments | 3,545 | 2,117 |
| **Net gain on investments** | 1,962 | 7,648 |
| **Realized losses on extinguishment of debt** | (189) | (150) |
| **Net increase in net assets resulting from operations** | $ 11,372 | $ 15,025 |
| **Per common share data:** | | |
| Net investment income per share-basic and diluted | $ 0.39 | $ 0.31 |
| Net increase in net assets resulting from operations per share basic and diluted | $ 0.46 | $ 0.61 |
| Dividends declared per share | $ 0.39 | $ 0.39 |
| Weighted average number of shares outstanding basic and diluted | 24,463,119 | 24,498,041 |

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

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Statements of Changes in Net Assets (unaudited)**

**(in thousands, except shares)**

| | Common Stock | | Additional paid-in capital | Total distributable earnings | Total net assets |
|---|---|---|---|---|---|
| | Number of shares | Par value | | | |
| **Balances at December 31, 2017** | 24,507,940 | $ 24 | $ 370,796 | $ 22,453 | $ 393,273 |
| Repurchases of common stock under Stock Repurchase Program (Note 8) | (44,821) | | (582) | | (582) |
| Net investment income | | | | 7,527 | 7,527 |
| Net realized gain (loss) on investments, net of taxes | | | | 5,531 | 5,531 |
| Net unrealized appreciation (depreciation) on investments | | | | 2,117 | 2,117 |
| Realized losses on extinguishment of debt | | | | (150) | (150) |
| Dividends declared | | | | (9,558) | (9,558) |
| **Balances at March 31, 2018** | 24,463,119 | $ 24 | $ 370,214 | $ 27,920 | $ 398,158 |
| **Balances at December 31, 2018** | 24,463,119 | $ 24 | $ 366,278 | $ 36,683 | $ 402,985 |
| Net investment income | | | | 9,599 | 9,599 |
| Net realized gain (loss) on investments, net of taxes | | | | (1,583) | (1,583) |
| Net unrealized appreciation (depreciation) on investments | | | | 3,545 | 3,545 |
| Realized losses on extinguishment of debt | | | | (189) | (189) |
| Dividends declared | | | | (9,541) | (9,541) |
| **Balances at March 31, 2019** | 24,463,119 | $ 24 | $ 366,278 | $ 38,514 | $ 404,816 |

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

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Statements of Cash Flows (unaudited)**

**(in thousands)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Cash Flows from Operating Activities:** | | |
| Net increase in net assets resulting from operations | $ 11,372 | $ 15,025 |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used for) operating activities: | | |
| Net change in unrealized (appreciation) depreciation on investments | (3,545) | (2,117) |
| Net realized (gain) loss on investments | 1,591 | (7,278) |
| Interest and dividend income paid-in-kind | (2,630) | (1,724) |
| Accretion of original issue discount | (13) | (57) |
| Accretion of loan origination fees | (367) | (214) |
| Purchase of investments | (80,473) | (60,913) |
| Proceeds from sales and repayments of investments | 57,352 | 36,093 |
| Proceeds from loan origination fees | 586 | 323 |
| Realized losses on extinguishment of debt | 189 | 150 |
| Amortization of deferred financing costs | 415 | 317 |
| Changes in operating assets and liabilities: | | |
| Interest receivable | 220 | 1,256 |
| Prepaid expenses and other assets | 482 | (293) |
| Accrued interest and fees payable | (1,095) | (1,662) |
| Base management fee payable due to affiliate | (56) | 99 |
| Income incentive fee payable due to affiliate | (300) | 70 |
| Capital gains incentive fee payable due to affiliate | 355 | 1,530 |
| Administration fee payable and other due to affiliate | (99) | (137) |
| Taxes payable | (588) | 1,635 |
| Accounts payable and other liabilities | 93 | 122 |
| **Net cash provided by (used for) operating activities** | (16,511) | (17,775) |
| **Cash Flows from Financing Activities:** | | |
| Proceeds received from SBA debentures | | 27,000 |
| Repayments of SBA debentures | (19,750) | (43,800) |
| Proceeds received from issuance of Public Notes | 69,000 | 50,000 |
| Proceeds received from (repayments of) borrowings under Credit Facility, net | (36,500) | (11,500) |
| Payment of deferred financing costs | (2,504) | (2,560) |
| Dividends paid to stockholders, including expenses | (9,541) | (9,558) |
| Repurchases of common stock under Stock Repurchase Program | | (582) |
| **Net cash provided by (used for) financing activities** | 705 | 9,000 |

| | | | | |
|---|---|---|---|---|
| **Net increase (decrease) in cash and cash equivalents** | | (15,806) | | (8,775) |
| **Cash and cash equivalents:** | | | | |
| Beginning of period | | 42,015 | | 41,572 |
| End of period | $ | 26,209 | $ | 32,797 |
| **Supplemental disclosure of cash flow information**: | | | | |
| Cash payments for interest | $ | 4,404 | $ | 4,277 |
| Cash payments for taxes, net of tax refunds received | $ | 582 | $ | 243 |

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

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments (unaudited)**

**March 31, 2019**

**(in thousands, except shares)**

| Portfolio Company (a)(b) Investment Type (c) | Industry | Rate (d) Cash/PIK | Maturity | Principal Amount | Cost | Fair Value (e) | Percent of Net Assets |
|---|---|---|---|---|---|---|---|
| **Control Investments (t)** | | | | | | | |
| *FDS Avionics Corp. (dba Flight Display Systems)* | Aerospace & Defense Manufacturing | | | | | | |
| Second Lien Debt | | 4.00%/11.00% | 4/1/2020 | $ 6,373 | $ 6,369 | $ 4,877 | |
| Revolving Loan ($50 commitment) | | 4.00%/11.00% | 4/1/2020 | 221 | 221 | 221 | |
| Common Equity (7,478 shares) (j) | | | | | 748 | | |
| | | | | | 7,338 | 5,098 | 1% |
| **Total Control Investments** | | | | | $ 7,338 | $ 5,098 | 1% |
| **Affiliate Investments (l)** | | | | | | | |
| *FAR Research Inc. (n)* | Specialty Chemicals | | | | | | |
| Common Equity (1,396 units) | | | | | $ | $ 46 | 0% |
| *Fiber Materials, Inc.* | Aerospace & Defense Manufacturing | | | | | | |
| Common Equity (10 units) | | | | | 645 | 2,900 | 1% |
| *Medsurant Holdings, LLC* | Healthcare Services | | | | | | |
| Second Lien Debt | | 13.00%/0.00% | 6/30/2020 | 8,823 | 8,799 | 8,823 | |
| Preferred Equity (126,662 units) (h) | | | | | 1,345 | 2,126 | |
| Warrant (505,176 units) (h)(m) | | | | | 4,516 | 7,671 | |
| | | | | | 14,660 | 18,620 | 5% |
| *Microbiology Research Associates, Inc.* | Healthcare Services | | | | | | |
| Subordinated Debt | | 11.00%/1.50% | 3/13/2022 | 8,830 | 8,817 | 8,225 | |
| Common Equity (1,625,731 units) (j) | | | | | 1,939 | 1,944 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | 10,756 | 10,169 | 2% |
| *Mirage Trailers LLC* | Utility Equipment Manufacturing | | | | | | |
| Second Lien Debt (k)(f) | | 13.98%/1.50% | 11/25/2020 | 6,131 | 6,102 | 6,131 | |
| Common Equity (2,500,000 shares) (g) | | | | | 2,180 | 3,154 | |
| | | | | | 8,282 | 9,285 | 2% |
| *Pfanstiehl, Inc.* | Healthcare Products | | | | | | |
| Subordinated Debt | | 10.50%/0.00% | 9/29/2022 | 6,208 | 6,198 | 6,208 | |
| Common Equity (8,500 units) (j) | | | | | 850 | 15,348 | |
| | | | | | 7,048 | 21,556 | 5% |
| *Pinnergy, Ltd.* | Oil & Gas Services | | | | | | |
| Second Lien Debt (k) | | 12.00%/0.00% | 1/24/2020 | 4,000 | 3,995 | 4,000 | |
| Common Equity - Class A-2 (42,500 units) (k) | | | | | 3,000 | 36,535 | |
| Common Equity - Class B (1,000 units) (k) | | | | | 3,000 | 3,000 | |
| | | | | | 9,995 | 43,535 | 11% |
| *Steward Holding LLC (dba Steward Advanced Materials)* | Aerospace & Defense Manufacturing | | | | | | |
| Second Lien Debt | | 12.00%/1.50% | 5/12/2021 | 7,581 | 7,568 | 7,581 | |
| Common Equity (1,000,000 units) | | | | | 1,000 | 1,485 | |
| | | | | | 8,568 | 9,066 | 2% |
| *Trantech Radiator Products, Inc.* | Utility Equipment Manufacturing | | | | | | |
| Second Lien Debt (j) | | 13.75%/0.00% | 12/31/2019 | 5,994 | 5,994 | 5,994 | |
| Common Equity (6,875 shares) (j) | | | | | 688 | 351 | |
| | | | | | 6,682 | 6,345 | 2% |
| **Total Affiliate Investments** | | | | | $ 66,636 | $ 121,522 | 30% |

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments (unaudited)**

**March 31, 2019**

**(in thousands, except shares)**

| folio Company (a)(b)<br>stment Type (c) | Industry | Rate (d)<br>Cash/PIK | Maturity | Principal Amount | Cost | Fair Value | Per Net Asset (e) |
|---|---|---|---|---|---|---|---|
| **control/Non-affiliate Investments** | | | | | | | |
| *nt Food Services, LLC* | Vending Equipment Manufacturing | | | | | | |
| nd Lien Debt (k) | | 10.00%/5.00% | 5/30/2022 | $ 30,687 | $ 30,588 | $ 29,409 | |
| mon Equity (7,885 units) (h)(j) | | | | | 800 | 400 | |
| | | | | | 31,388 | 29,809 | |
| *d 100 Group, Inc.* | Healthcare Products | | | | | | |
| mon Equity (1,250,000 units) (j) | | | | | 1,250 | 1,520 | |
| *eimer s Research and Treatment er* | Healthcare Services | | | | | | |
| Lien Debt (j)(x) | | 8.58%/0.00% | 10/23/2023 | 6,500 | 6,454 | 6,454 | |
| mon Equity (1,000 units) (h)(j) | | | | | 1,000 | 1,000 | |
| | | | | | 7,454 | 7,454 | |
| *rican AllWaste LLC (dba eWater Transport Services)* | Environmental Industries | | | | | | |
| nd Lien Debt (j) | | 11.00%/1.50% | 11/30/2023 | 12,041 | 11,983 | 12,041 | |
| yed Draw Commitment ($2,104 mitment) (i)(j) | | 11.00%/1.50% | 11/30/2019 | | (5) | | |
| rred Equity (500 units) (j) | | | | | 500 | 618 | |
| | | | | | 12,478 | 12,659 | |
| *Turboserve Corporation* | Business Services | | | | | | |
| nd Lien Debt (j)(y) | | 12.56%/0.00% | 6/28/2023 | 15,000 | 14,929 | 14,929 | |
| *Investors, LLC (dba Auveco)* | Specialty Distribution | | | | | | |
| nd Lien Debt (k) | | 11.50%/0.00% | 7/3/2023 | 22,500 | 22,411 | 22,500 | |
| mon Equity (5,000 units) (j) | | | | | 500 | 605 | |
| | | | | | 22,911 | 23,105 | |
| *Roadway and Security Solutions,* | Component Manufacturing | | | | | | |
| nd Lien Debt | | 10.50%/1.50% | 8/27/2023 | 10,167 | 10,122 | 9,188 | |
| mon Equity (50,000 units) ($133 mitment) (h)(j) | | | | | 500 | 275 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | 10,622 | 9,463 |
| *Group Holdings, Inc.* | Information Technology Services | | | | | |
| rdinated Debt | | 11.00%/1.00% | 4/11/2023 | 18,032 | 17,859 | 17,859 |
| mon Equity (451 Shares) | | | | | 1 | 1 |
| rred Equity (37 Shares) | | | | | 374 | 374 |
| | | | | | 18,234 | 18,234 |
| *One Group Holdings, Inc.* | Information Technology Services | | | | | |
| rdinated Debt (k) | | 11.00%/0.00% | 7/3/2024 | 27,000 | 26,870 | 26,870 |
| mon Equity (2,286 shares) | | | | | 2 | 2 |
| rred Equity (133 shares) | | | | | 1,330 | 1,330 |
| | | | | | 28,202 | 28,202 |
| *ord Precision Parts LLC* | Specialty Distribution | | | | | |
| Lien Debt (j)(s) | | 8.85%/0.00% | 3/12/2024 | 5,000 | 4,963 | 4,963 |
| mon Equity (500,000 units) (h)(j) | | | | | 500 | 500 |
| | | | | | 5,463 | 5,463 |
| *board Box LLC (dba Anthony s Fired Pizza)* | Restaurants | | | | | |
| mon Equity (521,021 units) (j) | | | | | 521 | 166 |
| *rolScan, Inc.* | Information Technology Services | | | | | |
| rdinated Debt (j) | | 11.00%/0.00% | 1/28/2023 | 6,750 | 6,727 | 6,750 |
| mon Equity (3,704 shares) (j) | | | | | 4 | 638 |
| rred Equity (100 shares) (j) | | | | | 996 | 996 |
| | | | | | 7,727 | 8,384 |
| *Solutions Holdings, LLC (dba CRS s)* | Business Services | | | | | |
| nd Lien Debt | | 10.50%/1.00% | 9/14/2023 | 9,096 | 9,060 | 9,096 |
| mon Equity (750,000 units) (j) | | | | | 750 | 838 |
| | | | | | 9,810 | 9,934 |
| *rsified Search LLC* | Business Services | | | | | |
| Lien Debt (r) | | 8.74%/0.00% | 2/7/2024 | 10,000 | 9,871 | 9,871 |
| mon Equity (500 units) (h)(j) | | | | | 500 | 500 |
| | | | | | 10,371 | 10,371 |
| *LLC (EbLens)* | Retail | | | | | |
| nd Lien Debt (j) | | 12.00%/1.00% | 1/13/2023 | 9,412 | 9,349 | 9,412 |
| mon Equity (75,000 units) (j) | | | | | 750 | 675 |
| | | | | | 10,099 | 10,087 |

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments (unaudited)**

**March 31, 2019**

**(in thousands, except shares)**

| Portfolio Company (a)(b)<br>Investment Type (c) | Industry | Rate (d)<br>Cash/PIK | Maturity | Principal Amount | Cost | Fair Value | Percent of Net Asse |
|---|---|---|---|---|---|---|---|
| *Global Plasma Solutions, Inc.* | Component Manufacturing | | | | | | |
| First Lien Debt (j)(v) | | 7.80%/0.00% | 9/21/2023 | $ 8,178 | $ 8,108 | $ 8,178 | |
| Preferred Equity (947 shares) (j) | | | | | 360 | 375 | |
| Common Equity (947 shares) (j) | | | | | 15 | 61 | |
| | | | | | 8,483 | 8,614 | 2% |
| *Gurobi Optimization, LLC* | Information Technology Services | | | | | | |
| Common Equity (5 shares) | | | | | 1,500 | 2,473 | 1% |
| *Hilco Plastics Holdings, LLC (dba Hilco Technologies)* | Component Manufacturing | | | | | | |
| Second Lien Debt | | 11.50%/1.50% | 12/31/2019 | 9,983 | 9,970 | 9,573 | |
| Preferred Equity (1,000,000 units) (h)(j) | | | | | 1,000 | 1,152 | |
| Common Equity (72,507 units) (h)(j) | | | | | 473 | 204 | |
| | | | | | 11,443 | 10,929 | 3% |
| *Hub Acquisition Sub, LLC (dba Hub Pen)* | Promotional products | | | | | | |
| Second Lien Debt (k) | | 12.25%/0.00% | 9/23/2021 | 25,000 | 24,925 | 25,000 | |
| Common Equity (7,500 units) | | | | | 249 | 1,413 | |
| | | | | | 25,174 | 26,413 | 7% |
| *Hunter Defense Technologies, Inc.* | Aerospace & Defense Manufacturing | | | | | | |
| First Lien Debt (j)(w) | | 9.60%/0.00% | 3/29/2023 | 9,747 | 9,658 | 9,747 | 2% |
| *IBH Holdings, LLC (fka Inflexxion, Inc.)* | Business Services | | | | | | |
| Common Equity (150,000 units) | | | | | | | 0% |
| *inthinc Technology Solutions, Inc. (n)* | Information Technology Services | | | | | | |
| Royalty Rights | | | 4/24/2020 | | 185 | | 0% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| *K2 Merger Agreement Agent, LLC (fka K2 Industrial Services, Inc.) (n)* | Industrial Cleaning & Coatings | | | | | | |
| Second Lien Debt | | 0.00%/10.00% | 1/28/2021 | 2,502 | 2,502 | 2,502 | 1% |
| *The Kyjen Company, LLC (dba Outward Hound)* | Consumer Products | | | | | | |
| Second Lien Debt (k) | | 12.00%/0.00% | 6/8/2024 | 15,000 | 14,939 | 13,792 | |
| Common Equity (765 shares) (j) | | | | | 765 | 752 | |
| | | | | | 15,704 | 14,544 | 4% |
| *LNG Indy, LLC (dba Kinetrex Energy)* | Oil & Gas Distribution | | | | | | |
| Second Lien Debt (k) | | 11.50%/0.00% | 11/12/2021 | 5,000 | 4,987 | 5,000 | |
| Common Equity (1,000 units) | | | | | 1,000 | 1,679 | |
| | | | | | 5,987 | 6,679 | 2% |
| *Marco Group International OpCo, LLC* | Industrial Cleaning & Coatings | | | | | | |
| Second Lien Debt | | 10.50%/0.75% | 1/21/2023 | 12,156 | 12,114 | 12,090 | |
| Common Equity (750,000 units) (h)(j) | | | | | 750 | 765 | |
| | | | | | 12,864 | 12,855 | 3% |
| *Mesa Line Services, LLC* | Utilities: Services | | | | | | |
| Second Lien Debt (j) | | 10.50%/1.00% | 8/1/2024 | 17,046 | 16,944 | 17,046 | |
| Delayed Draw Commitment ($2,160 commitment) (i)(j) | | 10.50%/1.00% | 12/31/2019 | | (10) | | |
| Common Equity (833 shares) (j) | | | | | 1,000 | 1,553 | |
| | | | | | 17,934 | 18,599 | 5% |
| *Midwest Transit Equipment, Inc.* | Transportation services | | | | | | |
| Warrant (14,384 shares) (j)(m) | | | | | 361 | 156 | |
| Warrant (9.59% of Junior Subordinated Notes) (j)(q) | | | | | 381 | 443 | |
| | | | | | 742 | 599 | 0% |
| *New Era Technology, Inc.* | Information Technology Services | | | | | | |
| Common Equity (197,369 shares) (j) | | | | | 750 | 1,317 | |
| Preferred Equity (632 shares) (j) | | | | | 77 | 155 | |
| | | | | | 827 | 1,472 | 0% |
| *NGT Acquisition Holdings, LLC (dba Techniks Industries)* | Component Manufacturing | | | | | | |
| Subordinated Debt | | 12.50%/2.00% | 3/21/2022 | 5,304 | 5,270 | 5,304 | |
| Common Equity (378 units) (j) | | | | | 500 | 144 | |

| | | | |
|---|---|---|---|
| | 5,770 | 5,448 | 1% |

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments (unaudited)**

**March 31, 2019**

**(in thousands, except shares)**

| Portfolio Company (a)(b)<br>Investment Type (c) | Industry | Rate (d)<br>Cash/PIK | Maturity | Principal Amount | Cost | Fair Value (e) | Percent of Net Asse |
|---|---|---|---|---|---|---|---|
| *Daktree Medical Centre, P.C. (dba Pain Management Associates)* | Healthcare Services | | | | | | |
| First Lien Debt (j)(u) | | 14.50%/0.00% | 1/1/2018 | $ 571 | $ 649 | $ 550 | |
| First Lien Debt (j)(aa) | | 10.00%/12.00% | 1/1/2018 | 7,751 | 8,338 | 6,437 | |
| Subordinated Debt (j) | | 7.00%/0.00% | 1/1/2020 | 88 | 88 | | |
| Revolving Loan (j)(u) | | 14.50%/0.00% | 1/1/2018 | 2,500 | 2,699 | 2,481 | |
| Revolving Loan (j)(u) | | 14.50%/0.00% | 1/31/2019 | 200 | 200 | 184 | |
| Revolving Loan ($500 Commitment) (j) | | 14.50%/0.00% | 4/15/2019 | 1,250 | 1,250 | 1,149 | |
| | | | | | 13,224 | 10,801 | 3% |
| *OMC Investors, LLC (dba Ohio Medical Corporation)* | Healthcare Products | | | | | | |
| Second Lien Debt | | 12.00%/0.00% | 7/15/2021 | 10,000 | 9,958 | 9,094 | |
| Common Equity (5,000 Units) | | | | | 500 | 205 | |
| | | | | | 10,458 | 9,299 | 2% |
| *Palisade Company, LLC* | Information Technology Services | | | | | | |
| Subordinated Debt (j) | | 11.75%/0.00% | 5/15/2024 | 6,500 | 6,470 | 6,470 | |
| Common Equity (100 Shares) (j) | | | | | 1,000 | 1,000 | |
| | | | | | 7,470 | 7,470 | 2% |
| *Palmetto Moon, LLC* | Retail | | | | | | |
| First Lien Debt | | 11.50%/2.50% | 10/31/2021 | 5,497 | 5,477 | 5,497 | |
| Common Equity (499 Units) (j) | | | | | 494 | 48 | |
| | | | | | 5,971 | 5,545 | 1% |
| *Power Grid Components, Inc.* | Specialty Distribution | | | | | | |
| Second Lien Debt (k) | | 11.00%/1.00% | 5/20/2023 | 11,311 | 11,265 | 11,311 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Preferred Equity (392 shares) (j) | | | | | 392 | 433 | |
| Common Equity (9,695 shares) (j) | | | | | 358 | 253 | |
| | | | | | 12,015 | 11,997 | 3% |
| *Pugh Lubricants, LLC* | Specialty Distribution | | | | | | |
| Second Lien Debt (k) | | 12.25%/0.00% | 5/10/2022 | 23,581 | 23,503 | 23,581 | |
| Common Equity (6,125 units) (h)(j) | | | | | 612 | 1,162 | |
| | | | | | 24,115 | 24,743 | 6% |
| *Revenue Management Solutions, LLC* | Information Technology Services | | | | | | |
| Common Equity (2,250,000 shares) | | | | | 2,250 | 4,212 | 1% |
| *Rhino Assembly Company, LLC* | Specialty Distribution | | | | | | |
| Second Lien Debt (k) | | 12.00%/1.00% | 2/11/2023 | 11,353 | 11,306 | 11,353 | |
| Delayed Draw Commitment ($875 commitment) (i)(j) | | 12.00%/1.00% | 5/17/2022 | | | | |
| Preferred Equity (8,864 units) (h)(j) | | | | | 945 | 1,180 | |
| | | | | | 12,251 | 12,533 | 3% |
| *Road Safety Services, Inc.* | Business Services | | | | | | |
| Second Lien Debt | | 11.25%/1.50% | 3/18/2024 | 10,106 | 10,062 | 10,106 | |
| Common Equity (655 units) | | | | | 620 | 744 | |
| | | | | | 10,682 | 10,850 | 3% |
| *Rohrer Corporation* | Packaging | | | | | | |
| Subordinated Debt (j) | | 10.50%/1.00% | 4/1/2024 | 13,769 | 13,707 | 13,646 | |
| Common Equity (400 shares) | | | | | 779 | 676 | |
| | | | | | 14,486 | 14,322 | 4% |
| *SES Investors, LLC (dba SES Foam)* | Building Products Manufacturing | | | | | | |
| Second Lien Debt | | 15.00%/0.00% | 12/29/2020 | 3,095 | 3,072 | 2,743 | |
| Common Equity (6,000 units) (h)(j) | | | | | 600 | 367 | |
| | | | | | 3,672 | 3,110 | 1% |
| *Simplex Manufacturing Co.* | Aerospace & Defense Manufacturing | | | | | | |
| Subordinated Debt | | 14.00%/0.00% | 7/31/2019 | 4,050 | 4,050 | 4,050 | |
| Warrant (29 shares) (m) | | | | | 1,155 | 2,776 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | 5,205 | 6,826 | 2% |
| *oftware Technology, LLC* | Information Technology Services | | | | | | |
| ubordinated Debt (k) | | 11.00%/0.00% | 6/23/2023 | 10,000 | 9,966 | 10,000 | |
| ommon Equity (12 hares) | | | | | 1,291 | 1,433 | |
| | | | | | 11,257 | 11,433 | 3% |
| *pendMend LLC* | Business Services | | | | | | |
| econd Lien Debt (k) | | 11.00%/1.00% | 7/8/2023 | 10,427 | 10,384 | 10,427 | |
| ommon Equity 1,000,000 units) | | | | | 1,000 | 1,341 | |
| | | | | | 11,384 | 11,768 | 3% |

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments (unaudited)**

**March 31, 2019**

**(in thousands, except shares)**

| Portfolio Company (a)(b) Investment Type (c) | Industry | Rate (d) Cash/PIK | Maturity | Principal Amount | Cost | Fair Value (e) | Percent of Net Assets |
|---|---|---|---|---|---|---|---|
| *Thermoforming Technology Group LLC (dba Brown Machine Group) (n)* | Capital Equipment Manufacturing | | | | | | |
| Common Equity (3,760 units) (h)(j) | | | | | $ | $ 10 | 0% |
| *TransGo, LLC* | Component Manufacturing | | | | | | |
| Second Lien Debt | | 13.25%/0.00% | 8/28/2022 | 9,500 | 9,471 | 9,500 | |
| Common Equity (1,000 units) | | | | | 998 | 944 | |
| | | | | | 10,469 | 10,444 | 2% |
| *The Tranzonic Companies* | Specialty Distribution | | | | | | |
| Subordinated Debt (j) | | 10.00%/1.50% | 3/27/2025 | 6,844 | 6,784 | 6,770 | |
| Preferred Equity (5,653 units) (j) | | | | | 565 | 539 | |
| Common Equity (1 units) (j) | | | | | | | |
| | | | | | 7,349 | 7,309 | 2% |
| *UBEO, LLC* | Business Services | | | | | | |
| Subordinated Debt (j) | | 11.00%/0.00% | 10/3/2024 | 13,100 | 12,984 | 13,100 | |
| Delayed Draw Commitment ($1,500 commitment) (j)(i)(z) | | 11.00%/0.00% | 8/7/2019 | | (7) | | |
| Common Equity (705,000 units) (j) | | | | | 705 | 990 | |
| | | | | | 13,682 | 14,090 | 3% |
| *United Biologics, LLC* | Healthcare Services | | | | | | |
| Preferred Equity (98,377 units) (h)(j) | | | | | 1,008 | 48 | |
| Warrant (57,469 units) (m) | | | | | 566 | 40 | |
| | | | | | 1,574 | 88 | 0% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| *US GreenFiber, LLC* | Building Products Manufacturing | | | | | | |
| Second Lien Debt (k)(p) | | 12.00%/2.00% | 7/15/2019 | 14,363 | 14,359 | 5,191 | |
| Second Lien Debt (p) | | 0.00%/16.00% | 7/15/2019 | 1,000 | 1,000 | 1,000 | |
| Common Equity (2,522 units) (h)(j) | | | | | 586 | | |
| | | | | | 15,945 | 6,191 | 2% |
| *US Pack Logistics LLC* | Transportation services | | | | | | |
| Second Lien Debt (k) | | 12.00%/1.75% | 3/28/2023 | 7,444 | 7,430 | 7,169 | |
| Common Equity (5,833 units) (h)(j) | | | | | 555 | | |
| Preferred Equity (9,458 units) (h)(j) | | | | | 927 | 761 | |
| | | | | | 8,912 | 7,930 | 2% |
| *Vanguard Dealer Services, L.L.C.* | Business Services | | | | | | |
| Common Equity (6,000 units) | | | | | 154 | 1,014 | |
| Common Equity (2,380 units) (j) | | | | | 327 | 402 | |
| | | | | | 481 | 1,416 | 0% |
| *Virginia Tile Company, LLC* | Specialty Distribution | | | | | | |
| Second Lien Debt (k) | | 12.25%/0.00% | 4/7/2022 | 12,000 | 11,982 | 12,000 | |
| Common Equity (17 units) | | | | | 342 | 1,165 | |
| | | | | | 12,324 | 13,165 | 3% |
| *The Wolf Organization, LLC* | Building Products Manufacturing | | | | | | |
| Common Equity (175 shares) | | | | | 664 | 3,818 | 1% |
| *Worldwide Express Operations, LLC* | Transportation services | | | | | | |
| Second Lien Debt (j)(o) | | 10.86%/0.00% | 2/3/2025 | 20,000 | 19,702 | 20,000 | |
| Common Equity (4,000 units) (h)(j) | | | | | 2,956 | 3,837 | |
| | | | | | 22,658 | 23,837 | 6% |
| **Total Non-control/Non-affiliate Investments** | | | | | $ 548,730 | $ 543,861 | 135% |
| **Total Investments** | | | | | $ 622,704 | $ 670,481 | 166% |

(a) See Note 3 to the consolidated financial statements for portfolio composition by geographic location.

(b) Equity ownership may be held in shares or units of companies related to the portfolio companies.
(c) All debt investments are income producing, unless otherwise indicated. Equity investments are non-income producing unless otherwise noted.
(d) Rate includes the cash interest or dividend rate and paid-in-kind interest or dividend rate, if any, as of March 31, 2019. Generally, payment-in-kind interest can be paid-in-kind or all in cash.
(e) The Company s investment portfolio is comprised entirely 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 of directors, using significant unobservable Level 3 inputs.
(f) The investment bears cash interest at a variable rate that is determined by reference to one-month LIBOR, which is reset monthly. The cash interest rate is set as one-month LIBOR + 11.50% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of March 31, 2019.
(g) Income producing. Maturity date, if any, represents mandatory redemption date.
(h) Investment is held by a wholly-owned subsidiary of the Company, other than the Funds.
(i) The disclosed commitment represents the unfunded amount as of March 31, 2019. The Company is earning 0.50% interest on the unfunded balance of the commitment. The interest rate disclosed represents the rate which will be earned if the commitment is funded.

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments (unaudited)**

**March 31, 2019**

**(in thousands, except shares)**

(j) Investment pledged as collateral for the Credit Facility and, as a result, is not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company s obligations under the Credit Facility (see Note 6 to the consolidated financial statements).

(k) The portion of the investment not held by the Funds is pledged as collateral for the Credit Facility and, as a result, is not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company s obligations under the Credit Facility (see Note 6 to the consolidated financial statements).

(l) As defined in the 1940 Act, the Company is deemed to be an Affiliated Person of this portfolio company because it owns 5% or more of the portfolio company s outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company. Transactions in which the issuer was an Affiliated Person are detailed in Note 3 to the consolidated financial statements.

(m) Warrants entitle the Company to purchase a predetermined number of shares or units of common equity, and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date, if any.

(n) Investment in portfolio company that has sold its operations and is in the process of winding down.

(o) The investment bears interest at a variable rate that is determined by reference to six-month LIBOR, which is reset semi-annually. The interest rate is set as six-month LIBOR + 8.00% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of March 31, 2019.

(p) Investment was on non-accrual status as of March 31, 2019, meaning the Company has ceased recognizing interest income on the investment.

(q) Warrant entitles the Company to purchase 9.59% of the outstanding principal of Junior Subordinated Notes prior to exercise, and is non-income producing.

(r) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR. The interest rate is set as three-month LIBOR + 6.00% and is subject to a 1.75% LIBOR interest rate floor. In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.81% on its last out tranche of the portfolio company s senior term debt, which was previously syndicated into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(s) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR. The interest rate is set as three-month LIBOR + 6.25% and is subject to a 2.00% LIBOR interest rate floor. In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 4.06% on its last out tranche of the portfolio company s senior term debt, which was previously syndicated into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(t) As defined in the 1940 Act, the Company is deemed to be both an Affiliated Person of and Control this portfolio company because it owns 25% or more of the portfolio company s outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company. Transactions in which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control are detailed in Note 3 to the consolidated financial statements.

(u) The debt investment continues to pay interest, including the default rate, while the portfolio company pursues refinancing options.

(v) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR. The interest rate is set as three-month LIBOR + 5.00% and is subject to a 2.00% LIBOR interest rate floor. In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.49% on its last out tranche of the portfolio company s senior term debt, which was previously syndicated into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(w) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR, which is reset quarterly. The interest rate is set as three-month LIBOR + 7.00% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of March 31, 2019.

(x) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR. The interest rate is set as three-month LIBOR + 5.75% and is subject to a 2.00% LIBOR interest rate floor. In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 4.15% on its last out tranche of the portfolio company s senior term debt, which was previously syndicated into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(y) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR, which is reset quarterly. The interest rate is set as three-month LIBOR + 9.75% and is subject to a 2.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of March 31, 2019.

(z) The maturity date presented represents the final termination date of the commitment. $707 of the commitment expires on May 7, 2019.

(aa) Investment was on PIK-only non-accrual status as of March 31, 2019, meaning the Company has ceased recognizing PIK interest income on the investment.

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

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments**

**December 31, 2018**

**(in thousands, except shares)**

| Portfolio Company (a)(b) Investment Type (c) | Industry | Rate (d) Cash/PIK | Maturity | Principal Amount | Cost | Fair Value (e) | Percent of Net Asse |
|---|---|---|---|---|---|---|---|
| **Control Investments (t)** | | | | | | | |
| *FDS Avionics Corp. (dba Flight Display Systems)* | Aerospace & Defense Manufacturing | | | | | | |
| Second Lien Debt | | 4.00%/11.00% | 4/1/2020 | $ 6,203 | $ 6,196 | $ 5,397 | |
| Revolving Loan ($50 commitment) | | 4.00%/11.00% | 4/1/2020 | 215 | 215 | 215 | |
| Common Equity (7,478 shares) (j) | | | | | 748 | | |
| | | | | | 7,159 | 5,612 | 2% |
| *K2 Industrial Services, Inc.* | Industrial Cleaning & Coatings | | | | | | |
| Second Lien Debt (p) | | 0.00%/15.00% | 6/25/2020 | 10,453 | 10,423 | 10,453 | |
| Second Lien Debt (p) | | 0.00%/12.00% | 6/25/2020 | 2,261 | 2,255 | 1,155 | |
| Second Lien Debt (p) | | 0.00%/19.00% | 6/25/2020 | 1,600 | 1,592 | 1,600 | |
| Common Equity (1,673 shares) | | | | | 1,268 | | |
| | | | | | 15,538 | 13,208 | 3% |
| **Total Control Investments** | | | | | $ 22,697 | $ 18,820 | 5% |
| **Affiliate Investments (l)** | | | | | | | |
| *FAR Research Inc. (n)* | Specialty Chemicals | | | | | | |
| Common Equity (1,396 units) | | | | | $ | $ 116 | 0% |
| *Fiber Materials, Inc.* | Aerospace & Defense Manufacturing | | | | | | |
| Second Lien Debt | | 12.00%/0.00% | 5/30/2022 | $ 4,044 | 4,032 | 4,044 | |
| Common Equity (10 units) | | | | | 1,000 | 2,104 | |
| | | | | | 5,032 | 6,148 | 2% |
| *Medsurant Holdings, LLC* | Healthcare Services | | | | | | |
| Second Lien Debt | | 13.00%/0.00% | 6/30/2020 | 8,823 | 8,795 | 8,823 | |
| | | | | | 1,346 | 2,703 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Preferred Equity (126,662 units) (h) | | | | | | | |
| Warrant (505,176 units) (h)(m) | | | | | 4,516 | 9,820 | |
| | | | | | 14,657 | 21,346 | 5% |
| *Microbiology Research Associates, Inc.* | Healthcare Services | | | | | | |
| Subordinated Debt | | 11.00%/1.50% | 3/13/2022 | 8,798 | 8,783 | 8,122 | |
| Common Equity (1,625,731 units) (j) | | | | | 1,938 | 1,924 | |
| | | | | | 10,721 | 10,046 | 3% |
| *Mirage Trailers LLC* | Utility Equipment Manufacturing | | | | | | |
| Second Lien Debt (k)(f) | | 13.85%/1.50% | 11/25/2020 | 6,109 | 6,075 | 6,109 | |
| Common Equity (2,500,000 shares) (g) | | | | | 2,179 | 3,174 | |
| | | | | | 8,254 | 9,283 | 2% |
| *Pfanstiehl, Inc.* | Healthcare Products | | | | | | |
| Subordinated Debt | | 10.50%/0.00% | 9/29/2022 | 6,208 | 6,197 | 6,208 | |
| Common Equity (8,500 units) (j) | | | | | 850 | 13,815 | |
| | | | | | 7,047 | 20,023 | 5% |
| *Pinnergy, Ltd.* | Oil & Gas Services | | | | | | |
| Second Lien Debt (k) | | 12.00%/0.00% | 1/24/2020 | 4,000 | 3,993 | 4,000 | |
| Common Equity - Class A-2 (42,500 units) (k) | | | | | 3,000 | 33,878 | |
| Common Equity - Class B (1,000 units) (k) | | | | | 3,000 | 3,000 | |
| | | | | | 9,993 | 40,878 | 10% |
| *Steward Holding LLC (dba Steward Advanced Materials)* | Aerospace & Defense Manufacturing | | | | | | |
| Second Lien Debt | | 12.00%/1.50% | 5/12/2021 | 7,553 | 7,538 | 7,553 | |
| Common Equity (1,000,000 units) | | | | | 1,000 | 1,357 | |
| | | | | | 8,538 | 8,910 | 2% |
| *Trantech Radiator Products, Inc.* | Utility Equipment Manufacturing | | | | | | |
| Second Lien Debt (j) | | 13.75%/0.00% | 12/31/2019 | 5,994 | 5,994 | 5,994 | |
| Common Equity (6,875 shares) (j) | | | | | 688 | 307 | |
| | | | | | 6,682 | 6,301 | 2% |
| | | | | | $ 70,924 | $ 123,051 | 31% |

| **Total Affiliate Investments** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments**

**December 31, 2018**

**(in thousands, except shares)**

| Portfolio Company (a)(b)<br>Investment Type (c) | Industry | Rate (d)<br>Cash/PIK | Maturity | Principal Amount | Cost | Fair Value (e) | Percent of Net Asse |
|---|---|---|---|---|---|---|---|
| **Non-control/Non-affiliate Investments** | | | | | | | |
| *Accent Food Services, LLC* | Vending Equipment Manufacturing | | | | | | |
| Second Lien Debt (k) | | 10.00%/5.00% | 5/30/2022 | $ 30,312 | $ 30,205 | $ 28,879 | |
| Common Equity (7,885 units) (h)(j) | | | | | 800 | 462 | |
| | | | | | 31,005 | 29,341 | 7% |
| *Allied 100 Group, Inc.* | Healthcare Products | | | | | | |
| Common Equity (1,250,000 units) (j) | | | | | 1,250 | 1,744 | 0% |
| *Alzheimer s Research and Treatment Center* | Healthcare Services | | | | | | |
| First Lien Debt (j)(x) | | 8.23%/0.00% | 10/23/2023 | 6,500 | 6,451 | 6,451 | |
| Common Equity (1,000 units) (h)(j) | | | | | 1,000 | 1,000 | |
| | | | | | 7,451 | 7,451 | 2% |
| *American AllWaste LLC (dba WasteWater Transport Services)* | Environmental Industries | | | | | | |
| Second Lien Debt (j) | | 11.00%/1.50% | 11/30/2023 | 11,826 | 11,765 | 11,826 | |
| Delayed Draw Commitment ($2,276 commitment) (i)(j) | | 11.00%/1.50% | 11/30/2019 | | (7) | | |
| Preferred Equity (500 units) (j) | | | | | 500 | 615 | |
| | | | | | 12,258 | 12,441 | 3% |
| *Argo Turboserve Corporation* | Business Services | | | | | | |
| Second Lien Debt (j)(y) | | 12.56%/0.00% | 6/28/2023 | 15,000 | 14,925 | 14,925 | 4% |
| *AVC Investors, LLC (dba Auveco)* | Specialty Distribution | | | | | | |
| Second Lien Debt (k) | | 11.50%/0.00% | 7/3/2023 | 22,500 | 22,406 | 22,500 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Common Equity (5,000 units) (j) | | | | | 500 | 682 | |
| | | | | | 22,906 | 23,182 | 6% |
| *B&B Roadway and Security Solutions, LLC* | Component Manufacturing | | | | | | |
| Second Lien Debt | | 10.50%/1.50% | 8/27/2023 | 10,129 | 10,080 | 9,524 | |
| Common Equity (50,000 units) ($133 commitment) (h)(j) | | | | | 500 | 304 | |
| | | | | | 10,580 | 9,828 | 2% |
| *Cardboard Box LLC (dba Anthony s Coal Fired Pizza)* | Restaurants | | | | | | |
| Common Equity (521,021 units) (j) | | | | | 521 | 108 | 0% |
| *Consolidated Infrastructure Group Holdings, LP* | Business Services | | | | | | |
| Common Equity (298 units) | | | | | 378 | 49 | 0% |
| *ControlScan, Inc.* | Information Technology Services | | | | | | |
| Subordinated Debt (j) | | 11.00%/0.00% | 1/28/2023 | 6,750 | 6,725 | 6,750 | |
| Common Equity (3,704 shares) (j) | | | | | 4 | 620 | |
| Preferred Equity (100 shares) (j) | | | | | 996 | 996 | |
| | | | | | 7,725 | 8,366 | 2% |
| *CRS Solutions Holdings, LLC (dba CRS Texas)* | Business Services | | | | | | |
| Second Lien Debt | | 10.50%/1.00% | 9/14/2023 | 9,073 | 9,035 | 9,073 | |
| Common Equity (750,000 units) (j) | | | | | 750 | 757 | |
| | | | | | 9,785 | 9,830 | 2% |
| *EBL, LLC (EbLens)* | Retail | | | | | | |
| Second Lien Debt (j) | | 12.00%/1.00% | 1/13/2023 | 9,389 | 9,321 | 9,389 | |
| Common Equity (75,000 units) (j) | | | | | 750 | 742 | |
| | | | | | 10,071 | 10,131 | 3% |
| *Global Plasma Solutions, Inc.* | Component Manufacturing | | | | | | |
| First Lien Debt (j)(v) | | 7.40%/0.00% | 9/21/2023 | 8,703 | 8,629 | 8,629 | |
| Preferred Equity (947 shares) (j) | | | | | 360 | 360 | |
| Common Equity (947 shares) (j) | | | | | 15 | 15 | |
| | | | | | 9,004 | 9,004 | 2% |
| *Gurobi Optimization, LLC* | Information Technology Services | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Subordinated Debt (k) | | 11.00%/0.00% | 6/19/2023 | 20,000 | 19,920 | 20,400 | |
| Common Equity (5 shares) | | | | | 1,500 | 2,323 | |
| | | | | | 21,420 | 22,723 | 6% |
| *Hilco Plastics Holdings, LLC (dba Hilco Technologies)* | Component Manufacturing | | | | | | |
| Second Lien Debt | | 11.50%/1.50% | 12/31/2019 | 9,940 | 9,922 | 9,439 | |
| Preferred Equity (1,000,000 units) (h)(j) | | | | | 1,000 | 1,112 | |
| Common Equity (72,507 units) (h)(j) | | | | | 473 | 227 | |
| | | | | | 11,395 | 10,778 | 3% |

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments**

**December 31, 2018**

**(in thousands, except shares)**

| Portfolio Company (a)(b) Investment Type (c) | Industry | Rate (d) Cash/PIK | Maturity | Principal Amount | Cost | Fair Value (e) | Percent of Net Asse |
|---|---|---|---|---|---|---|---|
| *Hub Acquisition Sub, LLC (dba Hub Pen)* | Promotional products | | | | | | |
| Second Lien Debt (k) | | 12.25%/0.00% | 9/23/2021 | $ 25,000 | $ 24,918 | $ 25,000 | |
| Common Equity (7,500 units) | | | | | 249 | 1,417 | |
| | | | | | 25,167 | 26,417 | 7% |
| *Hunter Defense Technologies, Inc.* | Aerospace & Defense Manufacturing | | | | | | |
| First Lien Debt (j)(w) | | 9.80%/0.00% | 3/29/2023 | 9,747 | 9,653 | 9,653 | 2% |
| *IBH Holdings, LLC (fka Inflexxion, Inc.)* | Business Services | | | | | | |
| Common Equity (150,000 units) | | | | | | | 0% |
| *Inthinc Technology Solutions, Inc. (n)* | Information Technology Services | | | | | | |
| Royalty Rights | | | 4/24/2020 | | 185 | | 0% |
| *The Kyjen Company, LLC (dba Outward Hound)* | Consumer Products | | | | | | |
| Second Lien Debt (k) | | 12.00%/0.00% | 6/8/2024 | 15,000 | 14,937 | 13,950 | |
| Common Equity (765 shares) (j) | | | | | 765 | 754 | |
| | | | | | 15,702 | 14,704 | 4% |
| *LNG Indy, LLC (dba Kinetrex Energy)* | Oil & Gas Distribution | | | | | | |
| Second Lien Debt (k) | | 11.50%/0.00% | 9/28/2021 | 5,000 | 4,985 | 5,000 | |
| Common Equity (1,000 units) | | | | | 1,000 | 1,561 | |
| | | | | | 5,985 | 6,561 | 2% |
| *Marco Group International OpCo, LLC* | Industrial Cleaning & Coatings | | | | | | |
| Second Lien Debt | | 10.50%/0.75% | 1/21/2023 | 12,133 | 12,089 | 12,133 | |
| | | | | | 750 | 800 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Common Equity (750,000 units) (h)(j) | | | | | | | |
| | | | | | 12,839 | 12,933 | 3% |
| *Mesa Line Services, LLC* | Utilities: Services | | | | | | |
| Second Lien Debt (j) | | 10.50%/0.50% | 5/31/2023 | 10,014 | 9,963 | 10,014 | |
| Delayed Draw Commitment ($3,160 commitment) (i)(j) | | 10.50%/0.50% | 5/31/2019 | | (4) | | |
| Common Equity (500 shares) (j) | | | | | 500 | 676 | |
| | | | | | 10,459 | 10,690 | 3% |
| *Midwest Transit Equipment, Inc.* | Transportation services | | | | | | |
| Warrant (14,384 shares) (j)(m) | | | | | 361 | 436 | |
| Warrant (9.59% of Junior Subordinated Notes) (j)(q) | | | | | 381 | 398 | |
| | | | | | 742 | 834 | 0% |
| *New Era Technology, Inc.* | Information Technology Services | | | | | | |
| Common Equity (197,369 shares) (j) | | | | | 750 | 990 | 0% |
| *NGT Acquisition Holdings, LLC (dba Techniks Industries)* | Component Manufacturing | | | | | | |
| Subordinated Debt | | 12.50%/2.00% | 3/21/2022 | 11,579 | 11,542 | 10,460 | |
| Common Equity (378 units) (j) | | | | | 500 | 72 | |
| | | | | | 12,042 | 10,532 | 3% |
| *Oaktree Medical Centre, P.C. (dba Pain Management Associates)* | Healthcare Services | | | | | | |
| First Lien Debt (j)(u) | | 14.50%/0.00% | 1/1/2018 | 571 | 649 | 566 | |
| First Lien Debt (j)(u) | | 10.00%/12.00% | 1/1/2018 | 7,751 | 8,338 | 8,133 | |
| Revolving Loan (j)(u) | | 14.50%/0.00% | 1/1/2018 | 2,500 | 2,699 | 2,490 | |
| Revolving Loan (j)(u) | | 14.50%/0.00% | 1/31/2019 | 200 | 200 | 200 | |
| | | | | | 11,886 | 11,389 | 3% |
| *OMC Investors, LLC (dba Ohio Medical Corporation)* | Healthcare Products | | | | | | |
| Second Lien Debt | | 12.00%/0.00% | 7/15/2021 | 10,000 | 9,954 | 8,748 | |
| Common Equity (5,000 units) | | | | | 500 | 139 | |
| | | | | | 10,454 | 8,887 | 2% |
| *Palisade Company, LLC* | Information Technology Services | | | | | | |
| Subordinated Debt (j) | | 11.75%/0.00% | 5/15/2024 | 6,500 | 6,468 | 6,468 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Common Equity (100 shares) (j) | | | | | 1,000 | 1,000 | |
| | | | | | 7,468 | 7,468 | 2% |
| *Palmetto Moon, LLC* | Retail | | | | | | |
| First Lien Debt | | 11.50%/2.50% | 10/31/2021 | 5,512 | 5,490 | 5,512 | |
| Common Equity (499 units) (j) | | | | | 494 | 108 | |
| | | | | | 5,984 | 5,620 | 1% |

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**FIDUS INVESTMENT CORPORATION**

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**December 31, 2018**

**(in thousands, except shares)**

| Portfolio Company (a)(b)<br>Investment Type (c) | Industry | Rate (d)<br>Cash/PIK | Maturity | Principal Amount | Cost | Fair Value (e) | Percent of Net Asset |
|---|---|---|---|---|---|---|---|
| *Power Grid Components, Inc.* | Specialty Distribution | | | | | | |
| Second Lien Debt (k) | | 11.00%/1.00% | 5/20/2023 | $ 11,282 | $ 11,234 | $ 11,282 | |
| Preferred Equity (392 shares) (j) | | | | | 392 | 422 | |
| Common Equity (9,695 shares) (j) | | | | | 358 | 260 | |
| | | | | | 11,984 | 11,964 | 3% |
| *Pugh Lubricants, LLC* | Specialty Distribution | | | | | | |
| Second Lien Debt (k) | | 12.25%/0.00% | 5/10/2022 | 18,581 | 18,523 | 18,581 | |
| Common Equity (6,125 units) (h)(j) | | | | | 612 | 1,000 | |
| | | | | | 19,135 | 19,581 | 5% |
| *Revenue Management Solutions, LLC* | Information Technology Services | | | | | | |
| Common Equity (2,250,000 shares) | | | | | 2,250 | 3,888 | 1% |
| *Rhino Assembly Company, LLC* | Specialty Distribution | | | | | | |
| Second Lien Debt (k) | | 12.00%/1.00% | 2/11/2023 | 11,324 | 11,275 | 11,324 | |
| Delayed Draw Commitment ($875 commitment) (i)(j) | | 12.00%/1.00% | 5/17/2022 | | | | |
| Preferred Equity (8,864 units) (j)(s) | | | | | 945 | 1,272 | |
| | | | | | 12,220 | 12,596 | 3% |
| *Road Safety Services, Inc.* | Business Services | | | | | | |
| Second Lien Debt | | 11.25%/1.50% | 3/18/2024 | 10,068 | 10,022 | 10,022 | |
| Common Equity (655 units) | | | | | 621 | 621 | |
| | | | | | 10,643 | 10,643 | 2% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| *Rohrer Corporation* | Packaging | | | | | | |
| Subordinated Debt (j) | | 10.50%/1.00% | 4/1/2024 | 13,735 | 13,670 | 13,670 | |
| Common Equity (400 shares) | | | | | 780 | 724 | |
| | | | | | 14,450 | 14,394 | 4% |
| *SES Investors, LLC (dba SES Foam)* | Building Products Manufacturing | | | | | | |
| Second Lien Debt | | 15.00%/0.00% | 12/29/2020 | 3,095 | 3,069 | 2,703 | |
| Common Equity (6,000 units) (h)(j) | | | | | 600 | 167 | |
| | | | | | 3,669 | 2,870 | 1% |
| *Simplex Manufacturing Co.* | Aerospace & Defense Manufacturing | | | | | | |
| Subordinated Debt | | 14.00%/0.00% | 7/31/2019 | 4,050 | 4,050 | 4,050 | |
| Warrant (29 shares) (m) | | | | | 1,155 | 3,036 | |
| | | | | | 5,205 | 7,086 | 2% |
| *Software Technology, LLC* | Information Technology Services | | | | | | |
| Subordinated Debt (k) | | 11.00%/0.00% | 6/23/2023 | 10,000 | 9,964 | 10,000 | |
| Common Equity (12 shares) | | | | | 1,291 | 1,364 | |
| | | | | | 11,255 | 11,364 | 3% |
| *SpendMend LLC* | Business Services | | | | | | |
| Second Lien Debt (k) | | 11.00%/1.00% | 7/8/2023 | 10,401 | 10,355 | 10,401 | |
| Common Equity (1,000,000 units) | | | | | 1,000 | 1,179 | |
| | | | | | 11,355 | 11,580 | 3% |
| *The Wolf Organization, LLC* | Building Products Manufacturing | | | | | | |
| Common Equity (175 shares) | | | | | 753 | 3,711 | 1% |
| *Thermoforming Technology Group LLC (dba Brown Machine Group) (n)* | Capital Equipment Manufacturing | | | | | | |
| Common Equity (3,760 units) (h)(j) | | | | | | 10 | 0% |
| *Tile Redi, LLC* | Building Products Manufacturing | | | | | | |
| First Lien Debt (j)(r) | | 12.80%/0.00% | 6/16/2022 | 10,194 | 10,122 | 10,156 | 2% |
| *TransGo, LLC* | Component Manufacturing | | | | | | |
| Second Lien Debt | | 13.25%/0.00% | 8/28/2022 | 9,500 | 9,468 | 9,500 | |
| Common Equity (1,000 units) | | | | | 998 | 905 | |
| | | | | | 10,466 | 10,405 | 3% |
| *The Tranzonic Companies* | Specialty Distribution | | | | | | |
| Subordinated Debt (j) | | 10.00%/1.50% | 3/27/2025 | 5,664 | 5,614 | 4,997 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Preferred Equity (5,000 units) (j) | | | | | 500 | 391 | |
| Common Equity (1 units) (j) | | | | | | | |
| | | | | | 6,114 | 5,388 | 1% |
| *UBEO, LLC* | Business Services | | | | | | |
| Subordinated Debt (j) | | 11.00%/0.00% | 10/3/2024 | 13,100 | 12,979 | 13,100 | |
| Delayed Draw Commitment ($1,500 commitment) (j)(i)(z) | | 11.00%/0.00% | 8/7/2019 | | (12) | | |
| Common Equity (705,000 units) (j) | | | | | 705 | 1,027 | |
| | | | | | 13,672 | 14,127 | 3% |

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**FIDUS INVESTMENT CORPORATION**

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**December 31, 2018**

**(in thousands, except shares)**

| Portfolio Company (a)(b)<br>Investment Type (c) | Industry | Rate (d)<br>Cash/PIK | Maturity | Principal Amount | Cost | Fair Value (e) | Percent of Net Asset |
|---|---|---|---|---|---|---|---|
| *United Biologics, LLC* | Healthcare Services | | | | | | |
| Preferred Equity (98,377 units) (h)(j) | | | | | $ 1,008 | $ 64 | |
| Warrant (57,469 units) (m) | | | | | 566 | 53 | |
| | | | | | 1,574 | 117 | 0% |
| *US GreenFiber, LLC* | Building Products Manufacturing | | | | | | |
| Second Lien Debt (k)(p) | | 12.00%/2.00% | 5/31/2019 | $ 14,363 | 14,359 | 6,549 | |
| Second Lien Debt (p) | | 0.00%/16.00% | 5/31/2019 | 1,000 | 1,000 | 1,000 | |
| Common Equity (2,522 units) (h)(j) | | | | | 586 | | |
| | | | | | 15,945 | 7,549 | 2% |
| *US Pack Logistics LLC* | Transportation services | | | | | | |
| Second Lien Debt (k) | | 12.00%/1.75% | 3/28/2023 | 7,412 | 7,396 | 7,412 | |
| Common Equity (5,833 units) (h)(j) | | | | | 555 | 178 | |
| Preferred Equity (9,458 units) (h)(j) | | | | | 927 | 1,046 | |
| | | | | | 8,878 | 8,636 | 2% |
| *Vanguard Dealer Services, L.L.C.* | Business Services | | | | | | |
| Common Equity (6,000 units) | | | | | 154 | 851 | |
| Common Equity (2,380 units) (j) | | | | | 327 | 338 | |
| | | | | | 481 | 1,189 | 0% |
| *Virginia Tile Company, LLC* | Specialty Distribution | | | | | | |
| Second Lien Debt (k) | | 12.25%/0.00% | 4/7/2022 | 12,000 | 11,980 | 12,000 | |
| Common Equity (17 units) | | | | | 342 | 1,455 | |
| | | | | | 12,322 | 13,455 | 3% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| *Worldwide Express Operations, LLC* | Transportation services | | | | | | |
| Second Lien Debt (j)(o) | | 10.86%/0.00% | 2/3/2025 | 20,000 | 19,690 | 20,000 | |
| Common Equity (4,000 units) (h)(j) | | | | | 2,956 | 3,823 | |
| | | | | | 22,646 | 23,823 | 6% |
| **Total Non-control/Non-affiliate Investments** | | | | | $ 505,129 | $ 501,111 | 124% |
| **Total Investments** | | | | | $ 598,750 | $ 642,982 | 160% |

(a) See Note 3 to the consolidated financial statements for portfolio composition by geographic location.
(b) Equity ownership may be held in shares or units of companies related to the portfolio companies.
(c) All debt investments are income producing, unless otherwise indicated. Equity investments are non-income producing unless otherwise noted.
(d) Rate includes the cash interest or dividend rate and paid-in-kind interest or dividend rate, if any, as of December 31, 2018. Generally, payment-in-kind interest can be paid-in-kind or all in cash.
(e) The Company s investment portfolio is comprised entirely 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 of directors, using significant unobservable Level 3 inputs.
(f) The investment bears cash interest at a variable rate that is determined by reference to one-month LIBOR, which is reset monthly. The cash interest rate is set as one-month LIBOR + 11.50% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of December 31, 2018.
(g) Income producing. Maturity date, if any, represents mandatory redemption date.
(h) Investment is held by a wholly-owned subsidiary of the Company, other than the Funds.
(i) The disclosed commitment represents the unfunded amount as of December 31, 2018. The Company is earning 0.50% interest on the unfunded balance of the commitment. The interest rate disclosed represents the rate which will be earned if the commitment is funded.
(j) Investment pledged as collateral for the Credit Facility and, as a result, is not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company s obligations under the Credit Facility (see Note 6 to the consolidated financial statements).
(k) The portion of the investment not held by the Funds is pledged as collateral for the Credit Facility and, as a result, is not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company s obligations under the Credit Facility (see Note 6 to the consolidated financial statements).
(l) As defined in the 1940 Act, the Company is deemed to be an Affiliated Person of this portfolio company because it owns 5% or more of the portfolio company s outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company. Transactions in which the issuer was an Affiliated Person are detailed in Note 3 to the consolidated financial statements.
(m) Warrants entitle the Company to purchase a predetermined number of shares or units of common equity, and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date, if any.
(n) Investment in portfolio company that has sold its operations and is in the process of winding down.
(o) The investment bears interest at a variable rate that is determined by reference to six-month LIBOR, which is reset semi-annually. The interest rate is set as six-month LIBOR + 8.00% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of December 31, 2018.

(p) Investment was on non-accrual status as of December 31, 2018, meaning the Company has ceased recognizing interest income on the investment.

(q) Warrant entitles the Company to purchase 9.59% of the outstanding principal of Junior Subordinated Notes prior to exercise, and is non-income producing.

(r) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR, which is reset quarterly. The interest rate is set as three-month LIBOR + 10.00% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of December 31, 2018.

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**(in thousands, except shares)**

(s) A portion of the investment is held by a wholly-owned subsidiary of the Company, other than the Funds.

(t) As defined in the 1940 Act, the Company is deemed to be both an Affiliated Person of and Control this portfolio company because it owns 25% or more of the portfolio company s outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company. Transactions in which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control are detailed in Note 3 to the consolidated financial statements.

(u) The debt investment continues to pay interest, including the default rate, while the portfolio company pursues refinancing options.

(v) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR. The interest rate is set as three-month LIBOR + 5.00% and is subject to a 2.00% LIBOR interest rate floor. In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.54% on its last out tranche of the portfolio company s senior term debt, which was previously syndicated into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(w) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR, which is reset quarterly. The interest rate is set as three-month LIBOR + 7.00% and is subject to a 1.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of December 31, 2018.

(x) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR. The interest rate is set as three-month LIBOR + 5.75% and is subject to a 2.00% LIBOR interest rate floor. In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 4.15% on its last out tranche of the portfolio company s senior term debt, which was previously syndicated into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(y) The investment bears interest at a variable rate that is determined by reference to three-month LIBOR, which is reset quarterly. The interest rate is set as three-month LIBOR + 9.75% and is subject to a 2.00% LIBOR interest rate floor. The Company has provided the interest rate in effect as of December 31, 2018.

(z) The maturity date presented represents the final termination date of the commitment. $707 of the commitment expires on May 7, 2019.

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

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**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 ( FIC, and together with its subsidiaries, the Company ), a Maryland Corporation, operates as an externally managed, closed-end, non-diversified business development company ( BDC ) under the Investment Company Act of 1940, as amended ( 1940 Act ). FIC completed its initial public offering, or IPO, in June 2011. 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 ).

The Company provides customized debt and equity financing solutions to lower middle-market companies, and may make investments directly or through its three wholly-owned investment company subsidiaries, Fidus Mezzanine Capital, L.P. ( Fund I ), Fidus Mezzanine Capital II, L.P. ( Fund II ) and Fidus Mezzanine Capital III, L.P. ( Fund III ) (collectively Fund I, Fund II and Fund III are referred to as the Funds ). The Funds are licensed by the U.S. Small Business Administration (the SBA ) as small business investment companies ( SBIC ). The SBIC licenses allow the Funds to obtain leverage by issuing SBA-guaranteed debentures ( SBA debentures ), subject to the issuance of leverage commitments by the SBA and other customary procedures. As SBICs, 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.

We believe that utilizing both FIC and the Funds as investment vehicles provides us with access to a broader array of investment opportunities. Given our access to lower cost capital through the SBA s SBIC debenture program, we expect that the majority of our investments will continue to be made through the Funds until the Funds reach their borrowing limit under the program. For three or more SBICs under common control, the maximum amount of outstanding SBA debentures cannot exceed $350,000.

Fund I has also elected to be regulated as a BDC under the 1940 Act. Fund II and Fund III are not registered under the 1940 Act and rely on the exclusion from the definition of investment company contained in Section 3(c)(7) of the 1940 Act.

The Company pays a quarterly base management fee and an incentive fee to Fidus Investment Advisors, LLC (the Investment Advisor ) under an investment advisory agreement (the Investment Advisory Agreement ).

**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 United States of America ( GAAP ) pursuant to the requirements for reporting on Form 10-Q, Accounting Standards Codification ( ASC ) 946, *Financial Services Investment Companies* ( ASC 946), and Articles 6 or 10 of Regulation S-X. 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, 2018.

*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:* Pursuant to Article 6 of Regulation S-X and ASC 946, 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 of the Company include only the accounts of the Company and its wholly-owned subsidiaries, including the Funds. All significant intercompany balances and transactions have been eliminated.

*Investment risks:* The Company s investments are subject to a variety of risks. These risks may include, but are not limited to the following:

*Market risk* - In contrast to investment-grade bonds (the market prices of which change primarily as a reaction to changes in interest rates), the market prices of high-yield bonds (which are also affected by changes in interest rates) are influenced much more by credit factors and financial results of the issuer as well as general economic factors that influence the financial markets as a whole. The portfolio companies in which the Company invests may be unseasoned, unprofitable and/or have little established operating history or earnings. These companies may also lack technical, marketing, financial, and other resources or may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of a manager or management team, as compared to larger, more established

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entities. The failure of a single product, service or distribution channel, or the loss or the ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Furthermore, these companies may be more vulnerable to competition and to overall economic conditions than larger, more established entities.

*Credit risk* - Credit risk represents the risk that the Company would incur if the counterparties failed to perform pursuant to the terms of their agreements with the Company. Issues of high-yield debt securities in which the Company invests are more likely to default on interest or principal than are issues of investment-grade securities.

*Liquidity risk* - Liquidity risk represents the possibility that the Company may not be able to sell its investments quickly or at a reasonable price (given the lack of an established market).

*Interest rate risk* - Interest rate risk represents the likelihood that a change in interest rates could have an adverse impact on the fair value of an interest-bearing financial instrument.

*Prepayment risk* - Certain of the Company s debt investments allow for prepayment of principal without penalty. Downward changes in market interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the debt investments and making the instrument less likely to be an income producing instrument through the stated maturity date.

*Off-Balance sheet risk* - Some of the Company s financial instruments contain off-balance sheet risk. Generally, these financial instruments represent future commitments to purchase other financial instruments at defined terms at defined future dates. See Note 7 for further details.

*Fair value of financial instruments:* The Company measures and discloses fair value with respect 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 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 its cash balances are exposed to any significant credit risk.

*Deferred financing costs:* Deferred financing costs consist of fees and expenses paid in connection with the Credit Facility (as defined in Note 6) and SBA debentures. Deferred financing costs are capitalized and amortized to interest and financing expenses over the term of the debt agreement using the effective interest method. Unamortized deferred financing costs are presented as an offset to the corresponding debt liabilities on the consolidated statements of assets and liabilities.

*Realized losses on extinguishment of debt:* Upon the repayment of debt obligations which are deemed to be extinguishments, the difference between the principal amount due at maturity adjusted for any unamortized deferred financing costs is recognized as a loss (i.e., the unamortized deferred financing costs are recognized as a loss upon extinguishment of the underlying debt obligation). In 2019, the Company elected to change the manner in which it presents the derecognition of unamortized deferred financing costs upon extinguishment of the related debt obligation. Previously, the Company classified the extinguishment as a component of interest and financing expenses on the consolidated statements of operations. Comparative prior periods presented have been reclassified retrospectively to conform to the revised presentation. There is no change in historical net increase in net assets resulting from operations due to this change in presentation.

*Deferred offering costs:* Deferred offering costs include registration expenses related to shelf filings. These expenses primarily consist of U.S. Securities and Exchange Commission ( SEC ) registration fees, legal fees and accounting fees incurred. These expenses are included in prepaid expenses and other assets on the Consolidated Statements of Assets and Liabilities. Upon the completion of an equity offering or a debt offering, the deferred expenses are charged to additional paid-in capital or deferred financing costs, respectively. If no offering is completed prior to the expiration of the registration statement, the deferred costs are charged to expense.

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*Realized gains or losses and unrealized appreciation or depreciation on investments:* Realized gains or losses on investments are recorded upon the sale or disposition of a portfolio investment and are calculated as the difference between the net proceeds from the sale or disposition and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation on the consolidated statements of operations includes changes in the fair value of investments from the prior period, as determined in good faith by the Company s board of directors (the Board ) through the application of the Company s valuation policy, as well as reclassifications of any prior period unrealized appreciation or depreciation on exited investments to realized gains or losses on investments.

*Interest 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 is accrued daily based on the outstanding principal amount and the contractual terms of the debt. Dividend income is recorded as dividends are declared or at the point an obligation exists for the portfolio company to make a distribution, and is generally recognized when received. Distributions from portfolio companies are evaluated to determine if the distribution is a distribution of earnings or a return of capital. Distributions of earnings are included in dividend income while a return of capital is recorded as a reduction in the cost basis of the investment. Estimates are adjusted as necessary after the relevant tax forms are received from the portfolio company.

*PIK income:* Certain of the Company s investments contain a payment-in-kind ( PIK ) income provision. The PIK income, computed at the contractual rate specified in the applicable investment agreement, is added to the principal balance of the investment, rather than being paid in cash, and recorded as interest or dividend income, as applicable, on the consolidated statements of operations. Generally, PIK can be paid-in-kind or all in cash. The Company stops accruing PIK income when there is reasonable doubt that PIK income will be collected. PIK income that has been contractually capitalized to the principal balance of the investment prior to the non-accrual designation date is not reserved against interest or dividend income, but rather is assessed through the valuation of the investment (with corresponding adjustments to unrealized depreciation, as applicable). PIK income is included in the Company s taxable income and, therefore, affects the amount the Company is required to pay to shareholders in the form of dividends in order to maintain the Company s tax treatment as a RIC and to avoid corporate federal income tax, even though the Company has not yet collected the cash.

*Non-accrual:* Debt investments or preferred equity investments (for which we are accruing PIK dividends) 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 and dividend payments received on non-accrual investments may be recognized as interest or dividend income or may be applied to the investment principal balance based on management s judgment. Non-accrual investments are restored to accrual status when past due principal, interest or dividends are paid and, in management s judgment, payments are likely to remain current.

*Origination and closing fees:* The Company also typically receives debt investment origination or closing fees in connection with such investments. Such debt investment origination and closing fees are capitalized as unearned income and offset against investment cost basis on the consolidated statements of assets and liabilities and accreted

into interest income over the life of the investment. Upon the prepayment of a debt investment, any unaccreted debt investment origination and closing fees are accelerated into interest income.

*Warrants*: In connection with the Company s debt investments, the Company will sometimes receive warrants or other equity-related securities from the borrower ( 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 using the effective interest method over the term of the debt investment. Upon the prepayment of a debt investment, any unaccreted OID is accelerated into interest income.

*Fee income*: Transaction fees earned in connection with the Company s investments are recognized as fee income and are generally non-recurring. 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 debt investment, any prepayment penalties are recorded as fee income when earned.

*Partial loan sales:* The Company follows the guidance in ASC 860, *Transfers and Servicing,* when accounting for loan (debt investment) 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 consolidated statement of assets and liabilities and the proceeds recorded as a secured borrowing until the definition is met. Management has determined that all participations and other partial loan sale transactions entered into by the Company have met the definition of a participating interest. Accordingly, the Company uses sale treatment in accounting for such transactions.

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*Income taxes:* The Company has elected to be treated as a RIC under Subchapter M of the Code, which will generally relieve the Company from U.S. federal income taxes with respect to all income distributed to stockholders. To maintain the tax treatment of a RIC, the Company is required to timely distribute to its stockholders at least 90.0% of investment company taxable income, as defined by Subchapter M of 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; however, the Company will pay a 4.0% excise tax if it does not distribute at least 98.0% of the current year s ordinary taxable income. Any such carryover taxable income must be distributed through a dividend declared prior to the later of the date on which the final tax return related to the year in which the Company generated such taxable income is filed or the 15th day of the 10th month following the close of such taxable year. In addition, the Company will be subject to federal excise tax if it does not distribute at least 98.2% of its net capital gains realized, computed for any one year period ending October 31.

In the future, the Funds may be limited by provisions of the SBIC Act and SBA regulations governing SBICs from making certain distributions to FIC that may be necessary to enable FIC to make the minimum distributions required to maintain the tax treatment of a RIC.

The Company has certain wholly-owned taxable subsidiaries (the Taxable Subsidiaries ), each of which generally holds one or more of the Company s portfolio investments listed on the consolidated schedules 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 company investments 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 taxed as partnerships for U.S. federal income tax purposes (such as entities 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.

U.S. federal income tax regulations differ from GAAP, and as a result, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized under GAAP. Differences may be permanent or temporary. Permanent differences may arise as a result of, among other items, a difference in the book and tax basis of certain assets and nondeductible federal income taxes. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

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 respected by the applicable tax authorities. 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 included in the income tax provision, if any. There were no material uncertain income tax positions at March 31, 2019

and December 31, 2018. The Company s tax returns are generally subject to examination by U.S. federal and most state tax authorities for a period of three years from the date the respective returns are filed, and, accordingly, the Company s 2015 through 2017 tax years remain subject to examination.

*Dividends to stockholders:* Dividends to stockholders are recorded on the record date with respect to such distributions. 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 gains, if any, may 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 paid to its stockholders for the full year. Ordinary dividend distributions from a RIC do not qualify for the preferential tax rate on 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 the Company s distributions generally includes both ordinary income and capital gains but may also include qualified dividends or return of capital.

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 two 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

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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.

*Earnings and net asset value per share:* The earnings per share calculations for the three months ended March 31, 2019 and 2018, are computed utilizing the weighted average shares outstanding for the period. Net asset value per share is calculated using the number of shares outstanding as of the end of the period.

*Stock Repurchase Program:* The Company has an open market stock repurchase program (the Stock Repurchase Program ) under which the Company may acquire up to $5,000 of its outstanding common stock. Under the Stock Repurchase Program, the Company may, but is not obligated to, repurchase outstanding common stock in the open market from time to time provided that the Company complies with the prohibitions under its insider trading policies and the requirements of Rule 10b-18 of the Securities Exchange Act of 1934, as amended, including certain price, market value and timing constraints. The timing, manner, price and amount of any share repurchases will be determined by the Company s management, in its discretion, based upon the evaluation of economic and market conditions, stock price, capital availability, applicable legal and regulatory requirements and other corporate considerations. On October 30, 2018, the Board extended the Stock Repurchase Program through December 31, 2019, or until the approved dollar amount has been used to repurchase shares. The Stock Repurchase Program does not require the Company to repurchase any specific number of shares and the Company cannot assure that any shares will be repurchased under the Stock Repurchase Program. The Stock Repurchase Program may be suspended, extended, modified or discontinued at any time. The Company did not make any repurchases of common stock during the three months ended March 31, 2019. During the three months ended March 31, 2018, the Company repurchased 44,821 shares of common stock on the open market for $582. Refer to Note 8 for additional information concerning stock repurchases.

*Recent accounting pronouncements:*

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact this ASU will have on the Company s consolidated financial position or disclosures.

In March 2019, the SEC issued Final Rule Release No. 33-10618, *FAST Act Modernization and Simplification of Regulation S-K*, which amends certain SEC disclosure requirements. The amendments are intended to simplify certain disclosure requirements, improve readability and navigability of disclosure documents, and discourage repetition and disclosure of immaterial information. The amendments are effective for all filings submitted on or after May 2, 2019. The Company adopted the amendments effective May 2, 2019. As it pertains to the Company for this Form 10-Q, the amendments include certain presentation changes that are not significant to the Company s consolidated financial

position or disclosures. The Company is still evaluating the impact this amendment will have on its other future periodic filings and registration statements.

**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 may receive nominally priced equity warrants and/or make a direct equity investment in the portfolio company. The Company s warrants or equity investments may be investments 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 investment is generally reported under the name of the operating company on the consolidated schedules of investments.

As of March 31, 2019, the Company had active investments in 61 portfolio companies and residual investments in four portfolio companies that have sold its underlying operations. The aggregate fair value of the total portfolio was $670,481 and the weighted average effective yield on the Company s debt investments was 12.4% as of such date. As of March 31, 2019, the Company held equity investments in 93.8% of its portfolio companies and the weighted average fully diluted equity ownership in those portfolio companies was 6.4%. The weighted average fully diluted equity ownership was computed using the fully diluted equity ownership for equity investments (including warrants) at cost as of March 31, 2019.

As of December 31, 2018, the Company had active investments in 60 portfolio companies and residual investments in three portfolio companies that have sold their underlying operations. The aggregate fair value of the total portfolio was $642,982 and the weighted average effective yield on the Company s debt investments was 12.6% as of such date. As of December 31, 2018, the Company held equity investments in 93.7% of its portfolio companies and the weighted average fully diluted equity ownership in those portfolio companies was 6.6%. The weighted average fully diluted equity ownership was computed using the fully diluted equity ownership for equity investments (including warrants) at cost as of December 31, 2018.

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The weighted average yield of the Company s debt investments is not the same as a return on investment for its stockholders but, rather, relates to a portion of the Company s investment portfolio and is calculated before the payment of all of the Company s and its subsidiaries fees and expenses. The weighted average yields were computed using the effective interest rates for debt investments at cost as of March 31, 2019 and December 31, 2018, including accretion of OID and debt investment origination fees, but excluding investments on non-accrual status, if any.

Purchases of debt and equity investments for the three months ended March 31, 2019 and 2018 totaled $80,473 and $60,913, respectively. Proceeds from sales and repayments, including principal, return of capital distributions and realized gains, of portfolio investments for the three months ended March 31, 2019 and 2018 totaled $57,352 and $36,093, respectively.

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

| | Fair Value | | | | Cost | | | |
|---|---|---|---|---|---|---|---|---|
| | March 31, 2019 | | December 31, 2018 | | March 31, 2019 | | December 31, 2018 | |
| Second Lien Debt | $ 362,680 | 54.0% | $ 366,517 | 57.0% | $ 377,350 | 60.6% | $ 379,973 | 63.5% |
| Subordinated Debt | 125,252 | 18.7 | 104,225 | 16.2 | 125,783 | 20.2 | 105,900 | 17.7 |
| First Lien Debt | 55,511 | 8.3 | 51,790 | 8.1 | 57,667 | 9.3 | 52,231 | 8.7 |
| Equity | 115,952 | 17.3 | 106,707 | 16.6 | 54,740 | 8.8 | 53,482 | 8.9 |
| Warrants | 11,086 | 1.7 | 13,743 | 2.1 | 6,979 | 1.1 | 6,979 | 1.2 |
| Royalty Rights | | | | | 185 | | 185 | |
| Total | $ 670,481 | 100.0% | $ 642,982 | 100.0% | $ 622,704 | 100.0% | $ 598,750 | 100.0% |

All investments made by the Company as of March 31, 2019 and December 31, 2018 were made in portfolio companies headquartered in the U.S. The following table shows portfolio composition by geographic region at fair value and cost 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.

| | Fair Value | | | | Cost | | | |
|---|---|---|---|---|---|---|---|---|
| | March 31, 2019 | | December 31, 2018 | | March 31, 2019 | | December 31, 2018 | |
| Midwest | $ 149,133 | 22.3% | $ 161,067 | 25.1% | $ 134,355 | 21.5% | $ 152,607 | 25.5% |
| Southeast | 171,626 | 25.6 | 176,819 | 27.5 | 151,185 | 24.3 | 155,271 | 25.9 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Northeast | 148,874 | 22.2 | 89,661 | 13.9 | 142,227 | 22.8 | 84,246 | 14.1 |
| West | 59,719 | 8.9 | 62,824 | 9.8 | 54,505 | 8.8 | 54,469 | 9.1 |
| Southwest | 141,129 | 21.0 | 152,611 | 23.7 | 140,432 | 22.6 | 152,157 | 25.4 |
| Total | $ 670,481 | 100.0% | $ 642,982 | 100.0% | $ 622,704 | 100.0% | $ 598,750 | 100.0% |

The following table shows portfolio composition by type and by geographic region at fair value as a percentage of net assets.

| **By Type** | | | **By Geographic Region** | | |
|---|---|---|---|---|---|
| | **March 31, 2019** | **December 31, 2018** | | **March 31, 2019** | **December 31, 2018** |
| Second Lien Debt | 89.7% | 90.9% | Midwest | 36.7% | 40.0% |
| Subordinated Debt | 30.9 | 25.9 | Southeast | 42.4 | 43.9 |
| First Lien Debt | 13.7 | 12.9 | Northeast | 36.8 | 22.2 |
| Equity | 28.6 | 26.5 | West | 14.8 | 15.6 |
| Warrants | 2.7 | 3.4 | Southwest | 34.9 | 37.9 |
| Royalty Rights | | | | | |
| Total | 165.6% | 159.6% | Total | 165.6% | 159.6% |

As of March 31, 2019 and December 31, 2018, the Company had no portfolio company investments that represented more than 10% of the total investment portfolio on a fair value or cost basis.

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As of March 31, 2019 and December 31, 2018, the Company had debt investments in two portfolio companies on non-accrual status, respectively:

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| **Portfolio Company** | **Fair Value** | **Cost** | **Fair Value** | **Cost** |
| K2 Industrial Services, Inc. | $ [1] | $ [1] | $ 13,208 | $ 14,270 |
| Oaktree Medical Centre, P.C. (dba Pain Management Associates) | 6,437[3] | 8,338[3] | [2] | [2] |
| US GreenFiber, LLC | 6,191 | 15,359 | 7,549 | 15,359 |
| Total | $ 12,628 | $ 23,697 | $ 20,757 | $ 29,629 |

(1) Portfolio company was no longer held at period end. Interest earned while on non-accrual was paid in full at exit.
(2) Portfolio company debt investments were not on non-accrual status at period end.
(3) Portfolio company last-out debt investment was on PIK-only on non-accrual status at period end, meaning the Company has ceased recognizing PIK interest income on the investment.

*Consolidated Schedule of Investments In and Advances To Affiliates*

The table below represents the fair value of control and affiliate investments as of December 31, 2018 and any additions and reductions made to such investments during the three months ended March 31, 2019, the ending fair value as of March 31, 2019, and the total investment income earned on such investments during the period.

| **Portfolio Company** [1] | **March 31, 2019 Principal Amount - Debt Investments** | **December 31, 2018 Fair Value** | **Gross Additions** [2] | **Gross Reductions** [3] | **March 31, 2019 Fair Value** | **Three M Net Realized Gains (Losses)** | **Net Cl Unre Appre (Depre** [4] |
|---|---|---|---|---|---|---|---|
| **Control Investments** | | | | | | | |
| FDS Avionics Corp. (dba Flight Display Systems) | $ 6,594 | $ 5,612 | $ 179 | $ (693) | $ 5,098 | $ | $ |
| K2 Industrial Services, Inc. | | 13,208 | 3,435 | (16,643) | | (1,268) | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Total Control Investments** | $ 6,594 | $ 18,820 | $ 3,614 | $ (17,336) | $ 5,098 | $ (1,268) | $ |
| **Affiliate Investments** | | | | | | | |
| FAR Research Inc. | $ | $ 116 | $ | $ (70) | $ 46 | $ | $ |
| Fiber Materials, Inc. | | 6,148 | 1,152 | (4,400) | 2,900 | | |
| Medsurant Holdings, LLC | 8,823 | 21,346 | 6 | (2,732) | 18,620 | | (2 |
| Microbiology Research Associates, Inc. | 8,830 | 10,046 | 124 | (1) | 10,169 | | |
| Mirage Trailers LLC | 6,131 | 9,283 | 28 | (26) | 9,285 | | |
| Pfanstiehl, Inc. | 6,208 | 20,023 | 1,533 | | 21,556 | | |
| Pinnergy, Ltd. | 4,000 | 40,878 | 2,657 | | 43,535 | | 2 |
| Steward Holding LLC (dba Steward Advanced Materials) | 7,581 | 8,910 | 156 | | 9,066 | | |
| Trantech Radiator Products, Inc. | 5,994 | 6,301 | 44 | | 6,345 | | |
| **Total Affiliate Investments** | $ 47,567 | $ 123,051 | $ 5,700 | $ (7,229) | $ 121,522 | $ | $ 2 |

(1) The investment type, industry, ownership detail for equity investments, and if the investment is income producing is disclosed in the consolidated schedule of investments.

(2) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments, accrued PIK interest and PIK dividend income, accretion of OID and origination fees, and net unrealized appreciation recognized during the period. Gross additions also include transfers of portfolio companies into the control or affiliate classification during the period, as applicable.

(3) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and net unrealized (depreciation) recognized during the period. Gross reductions also include transfers of portfolio companies out of the control or affiliate classification during the period, as applicable.

(4) The schedule does not reflect realized gains or losses on escrow receivables for investments which were previously exited and were not held during the period presented. Gains and losses on escrow receivables are classified in the consolidated statements of operations according to the control classification at the time the investment was exited.

**Note 4. Fair Value Measurements**

*Investments*

The Board 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 and consistent with the requirements of the 1940 Act. Fair value is the price, determined at the measurement date, that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. 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 described below 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.

*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.

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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 entirely 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. The degree of judgment exercised by the Board in determining fair value is greatest for investments classified as Level 3 inputs. Due to the inherent uncertainty of determining the fair values of investments that do not have readily available market values, the Board s estimate of fair values 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 amounts 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 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 Investment Advisor responsible for the portfolio investment;

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

- the Board engages one or more independent valuation firm(s) to conduct independent appraisals of a selection of our portfolio investments for which market quotations are not readily available. Each portfolio company investment is generally appraised by the valuation firm(s) at least once every calendar year and each new portfolio company investment is appraised at least once in the twelve-month period following the initial investment. In certain instances, the Company may determine that it is not cost-effective, and as a result it is not in the Company s stockholders best interest, to request the independent appraisal of certain portfolio company investments. Such instances include, but are not limited to, situations where the Company determines that the fair value of the portfolio company investment is relatively insignificant to the fair value of the total portfolio. The Board consulted with the independent valuation firm(s) in arriving at the Company s determination of fair value for 12 and 16 of its portfolio company investments representing 28.3% and 36.0% of the total portfolio investments at fair value (exclusive of new portfolio company investments made during the three months ended March 31, 2019 and December 31, 2018, respectively) as of March 31, 2019 and December 31, 2018, respectively.

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 Board starts with the cost basis of the security. 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.

Consistent with the policies and methodologies adopted by the Board, the Company performs detailed valuations of its debt and equity investments, including an analysis on the Company s unfunded debt investment commitments, 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 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 the associated debt investment 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:

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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 and other fees; estimated remaining life; the nature and realizable value of any collateral securing such debt investment; 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 debt investments to maturity. However, if the Company has information available to it that the debt investment 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, 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 the Company s 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 fair value of the Company s royalty rights are calculated based on projected future cash flows and the specific provisions contained in the pertinent agreements. The determination of the fair value of such royalty rights is not a significant component of the Company s valuation process.

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 three months ended March 31, 2019 and 2018.

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 March 31, 2019 and 2018:

| | Second Lien Debt | Subordinated Debt | First Lien Debt | Equity | Warrants | Royalty Rights | Total |
|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2017** | $ 341,279 | $ 126,481 | $ 28,911 | $ 84,585 | $ 15,052 | $ | $ 596,308 |
| Net realized gains (losses) on investments | | | | 7,278 | | | 7,278 |
| Net change in unrealized appreciation (depreciation) on investments | (5,752) | (561) | 1,070 | 8,061 | (701) | | 2,117 |
| Purchase of investments | 51,500 | 5,600 | | 3,813 | | | 60,913 |
| Proceeds from sales and repayments of investments | (10,595) | (17,025) | (647) | (7,826) | | | (36,093) |
| Interest and dividend income paid-in-kind | 1,111 | 289 | 279 | 45 | | | 1,724 |
| Proceeds from loan origination fees | (267) | (56) | | | | | (323) |
| Accretion of loan origination fees | 110 | 93 | 9 | 2 | | | 214 |
| Accretion of original issue discount | 19 | 36 | | 2 | | | 57 |
| **Balance, March 31, 2018** | $ 377,405 | $ 114,857 | $ 29,622 | $ 95,960 | $ 14,351 | $ | $ 632,195 |
| **Balance, December 31, 2018** | $ 366,517 | $ 104,225 | $ 51,790 | $ 106,707 | $ 13,743 | $ | $ 642,982 |
| Net realized gains (losses) on investments | | | | (1,591) | | | (1,591) |
| Net change in unrealized appreciation (depreciation) on investments | (1,214) | 1,144 | (1,715) | 7,987 | (2,657) | | 3,545 |
| Purchase of investments | 14,630 | 46,243 | 16,250 | 3,350 | | | 80,473 |
| Proceeds from sales and repayments of investments | (19,419) | (26,663) | (10,768) | (502) | | | (57,352) |
| Interest and dividend income paid-in-kind | 2,083 | 511 | 36 | | | | 2,630 |
| Proceeds from loan origination fees | (88) | (327) | (171) | | | | (586) |
| Accretion of loan origination fees | 163 | 119 | 84 | 1 | | | 367 |
| Accretion of original issue discount | 8 | | 5 | | | | 13 |
| **Balance, March 31, 2019** | $ 362,680 | $ 125,252 | $ 55,511 | $ 115,952 | $ 11,086 | $ | $ 670,481 |

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Net change in unrealized appreciation of $1,538 and $6,085 for the three months ended March 31, 2019 and 2018, respectively, was attributable to Level 3 investments held at March 31, 2019 and 2018, respectively.

The following tables summarize the significant unobservable inputs by valuation technique used to determine the fair value of the Company s Level 3 debt and equity investments as of March 31, 2019 and December 31, 2018. The tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the Company s determination of fair values.

| | Fair Value at March 31, 2019 | Valuation Techniques | Unobservable Inputs | Range (weighted average) |
|---|---|---|---|---|
| **Debt investments:** | | | | |
| Second Lien Debt | $ 353,986 | Discounted cash flow | Weighted average cost of capital | 11.1% - 30.0% (13.4%) |
| | 6,192 | Enterprise value | EBITDA multiples | 2.5x - 2.5x (2.5x) |
| | 2,502 | Enterprise value | Asset Coverage | 1.2x - 1.2x (1.2x) |
| Subordinated Debt | 125,252 | Discounted cash flow | Weighted average cost of capital | 10.9% - 16.5% (12.1%) |
| First Lien Debt | 49,074 | Discounted cash flow | Weighted average cost of capital | 10.0% - 15.6% (12.4%) |
| | 6,437 | Enterprise value | EBITDA multiples | 5.1x - 5.1x (5.1x) |
| **Equity investments:** | | | | |
| Equity | 115,952 | Enterprise value | EBITDA multiples | 2.5x - 17.3x (7.0x) |
| Warrants | 11,086 | Enterprise value | EBITDA multiples | 4.0x - 7.0x (6.5x) |
| Royalty Rights | | Discounted cash flow | Weighted average cost of capital | N/A |

| | Fair Value at December 31, 2018 | Valuation Techniques | Unobservable Inputs | Range (weighted average) |
|---|---|---|---|---|
| **Debt investments:** | | | | |
| Second Lien Debt | $ 357,813 | Discounted cash flow | Weighted average cost of capital | 11.2% - 30.0% (13.5%) |
| | 8,704 | Enterprise value | EBITDA multiples | 5.0x - 5.9x (5.1x) |
| Subordinated Debt | 104,225 | Discounted cash flow | Weighted average cost of capital | 10.9% - 16.5% (12.5%) |

| | | | | |
|---|---|---|---|---|
| First Lien Debt | 51,790 | Discounted cash flow | Weighted average cost of capital | 10.2% - 20.7% (12.3%) |
| **Equity investments:** | | | | |
| Equity | 106,707 | Enterprise value | EBITDA multiples | 3.5x - 17.3x (7.0x) |
| Warrants | 13,743 | Enterprise value | EBITDA multiples | 4.0x - 8.0x (7.2x) |
| Royalty Rights | | Discounted cash flow | Weighted average cost of capital | N/A |

The significant unobservable input used in determining the fair value under the discounted cash flow technique is the weighted average cost of capital of each security. Significant increases (or decreases) in this input would likely result in significantly lower (or higher) fair value estimates.

The significant unobservable inputs used in determining fair value under the enterprise value technique are revenue and EBITDA multiples, as well as asset coverage. Significant increases (or decreases) in these inputs could result in significantly higher (or lower) fair value estimates.

*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, interest receivable and accounts payable and other liabilities approximate the fair value of such items due to the short maturity of such instruments. The Company s borrowings under the Credit Facility (as defined in Note 6), SBA debentures, and Public Notes (as defined in Note 6) are recorded at their respective carrying values.

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The following tables summarize the carrying value and fair value of the Company s debt obligations as of March 31, 2019 and December 31, 2018.

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Carrying Value [1] | Fair Value | Carrying Value [1] | Fair Value |
| SBA debentures [2] | $ 171,250 | $ 171,250 | $ 191,000 | $ 191,000 |
| Credit Facility borrowings [3] | | | 36,500 | 36,500 |
| 2023 Notes [4] | 50,000 | 51,235 | 50,000 | 51,492 |
| 2024 Notes [4] | 69,000 | 69,911 | | |
| Total | $ 290,250 | $ 292,396 | $ 277,500 | $ 278,992 |

(1) Carrying value represents the outstanding principal balance of the debt obligation.
(2) The fair value of SBA debentures is estimated by discounting the 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, which are Level 3 inputs under ASC Topic 820.
(3) The fair value of borrowings under the Credit Facility, if valued under ASC Topic 820, are based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model.
(4) The Public Notes, if valued under ASC Topic 820, are valued using available market quotes, which is a Level 1 input.

The following table summarizes the inputs used to value the Company s debt obligations if measured at fair value as of March 31, 2019 and December 31, 2018.

| | Fair Value | |
|---|---|---|
| Valuation Inputs | March 31, 2019 | December 31, 2018 |
| Level 1 | $ 121,146 | $ 51,492 |
| Level 2 | | |
| Level 3 | 171,250 | 227,500 |
| Total | $ 292,396 | $ 278,992 |

**Note 5. Related Party Transactions**

*Investment Advisory Agreement:* The Company has entered into an Investment Advisory Agreement with the Investment Advisor. On June 7, 2018, the Board approved the renewal of the Investment Advisory Agreement through June 20, 2019. 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 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. The base management fee under the Investment Advisory Agreement was $2,871 and $2,685, for the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019 and December 31, 2018, the base management fee payable was $2,871 and $2,927, respectively.

The incentive fee consists of two parts. The first 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 excise taxes on realized gains). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as market discount, debt instruments with PIK income, preferred stock with PIK 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 collects.

Pre-incentive fee net investment income does not include any realized capital gains, taxes associated with such 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 generates 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 a net loss on investments.

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Pre-incentive fee net investment income, expressed as a rate of return on the value of the Company s weighted average 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 pays the Investment Advisor an incentive fee with respect to pre-incentive fee net investment income in each calendar quarter as follows:

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

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

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

The sum of 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 was $2,485 and $2,224, for the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019 and December 31, 2018, the income incentive fee payable was $2,485 and $2,785, 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 capital gains as of the end of the fiscal year. In determining the capital gains incentive fee to be paid in cash to the Investment Advisor, the Company calculates the cumulative aggregate realized capital gains and losses since the Formation Transactions (realized capital gains and losses include realized gains and losses on investments, net of income tax provision from realized gains on investments, and realized losses on extinguishment of debt), and the aggregate unrealized capital depreciation on investments as of the date of the calculation. 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 on investments, less cumulative aggregate realized capital losses on investments, less aggregate unrealized capital depreciation on investments, and less cumulative aggregate realized losses on extinguishment of debt. If this number is positive at the end of such year, then the capital gains incentive fee to be paid in cash for such year equals 20.0% of such amount, less the aggregate amount of any capital gains incentive fees paid in all prior years. As of March 31, 2019 and December 31, 2018, the capital gains incentive fee payable in cash was $0 (as cumulative aggregate realized capital gains and losses on investments plus aggregate unrealized capital depreciation on investments plus realized losses on extinguishment of debt was negative as of each period). The aggregate amount of capital gains incentive fees paid from the IPO through March 31, 2019 was $348.

In addition, the Company accrues, but does not pay in cash, a capital gains incentive fee in connection with any unrealized capital appreciation on investments, as applicable. If, on a cumulative basis, the sum of (i) net realized gains/(losses) on investments plus (ii) net unrealized appreciation/(depreciation) on investments plus (iii) realized losses on extinguishment of debt 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 (i) net realized gains/(losses) on investments plus (ii) net unrealized appreciation/(depreciation) on investments plus (iii) realized losses on extinguishment of debt. The capital gains incentive fee accrued (reversed) during the three months ended March 31, 2019 and 2018 was $355 and $1,530, respectively. As of March 31, 2019 and December 31, 2018, the accrued capital gains incentive fee payable was $9,770 and $9,415, respectively.

Unless terminated earlier as described below, the Investment Advisory Agreement will continue in effect from year to year 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 Independent Directors. 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.

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*Administration Agreement:* The Company also entered into an administration agreement (the Administration Agreement ) with the Investment Advisor. On June 7, 2018, the Board approved the renewal of the Administration Agreement through June 20, 2019. Under the Administration Agreement, the Investment Advisor furnishes the Company with office facilities and equipment, provides 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 and the Company reimburses the Investment Advisor for fees and expenses incurred with providing such services. In addition, the Company reimburses the Investment Advisor for fees and expenses incurred while performing due diligence on the Company s prospective portfolio companies, including dead deal expenses. Under the Administration Agreement, administrative service expenses for the three months ended March 31, 2019 and 2018 were $399 and $399, respectively. As of March 31, 2019 and December 31, 2018, the accrued administrative service expense was $375 and $474, respectively.

**Note 6. Debt**

*Revolving Credit Facility*: On June 16, 2014, FIC entered into a senior secured revolving credit agreement (the Credit Facility ) with ING Capital LLC ( ING ), as the administrative agent, collateral agent, and lender. The Credit Facility is secured by certain portfolio investments held by the Company, but portfolio investments held by the Funds are not collateral for the Credit Facility. On December 29, 2017, the Company entered into an amendment to the Credit Facility to, among other things, extend the maturity date from June 16, 2018 to June 16, 2019. On June 5, 2018, the Company entered into an incremental commitment agreement, whereby the amount available for borrowing under the Credit Facility was increased from $50,000 to $75,000. On October 19, 2018, the Company executed an amendment and incremental commitment agreement to the Credit Facility, whereby the amount available for borrowing under the Credit Facility was increased from $75,000 to $90,000, with allowance for future increases in the commitments up to $100,000.

Amounts available to borrow under the Credit Facility are subject to a minimum borrowing/collateral base that applies an advance rate to certain investments held by the Company, excluding investments held by the Funds. The Company is subject to limitations with respect to the investments securing the Credit Facility, including, but not limited to, restrictions on sector concentrations, loan size, payment frequency and status and collateral interests, as well as restrictions on portfolio company leverage, which may also affect the borrowing base and therefore amounts available to borrow.

Borrowings under the Credit Facility bear interest, subject to the Company s election, on a per annum basis equal to (i) the alternate base rate plus 2.5% or (ii) the applicable London Interbank Offered Rate, or LIBOR, which varies depending on the period of the borrowing under the Credit Facility, plus 3.5%. The alternate base rate is equal to the greater of (i) prime rate, (ii) the federal funds rate plus 0.5% or (iii) the three-month LIBOR plus 1.0%. The Company

pays a commitment fee between 0.5% and 1.0% per annum based on the size of the unused portion of the Credit Facility.

The Company has made customary representations and warranties and is required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities. These covenants are subject to important limitations and exceptions that are described in the documents governing the Credit Facility. As of March 31, 2019 and December 31, 2018, the Company was in compliance in all material respect with the terms of the Credit Facility.

*SBA debentures:* The Company uses debenture leverage provided through the SBA to fund a portion of its investment purchases.

Under the SBA debenture program, the SBA commits to purchase debentures issued by SBICs; such debentures have 10-year terms with the entire principal balance due at maturity and are guaranteed by the SBA. Interest on SBA debentures is payable semi-annually on March 1 and September 1. As of March 31, 2019 and December 31, 2018, the Company did not have any remaining approved and unused SBA debenture commitments. 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 March 31, 2019 and December 31, 2018, the Company s issued and outstanding SBA debentures mature as follows:

| Pooling Date [1] | Maturity Date | Fixed Interest Rate | March 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| 9/21/2011 | 9/1/2021 | 3.594% | $ | $ 2,000 |
| 3/21/2012 | 3/1/2022 | 3.051 | | 8,000 |
| 9/19/2012 | 9/1/2022 | 2.530 | 8,750 | 11,000 |
| 9/19/2012 | 9/1/2022 | 3.049 | 11,500 | 11,500 |
| 3/27/2013 | 3/1/2023 | 3.155 | | 3,000 |
| 9/24/2014 | 9/1/2024 | 3.775 | 1,000 | 1,000 |
| 3/25/2015 | 3/1/2025 | 3.321 | 1,000 | 5,500 |
| 3/25/2015 | 3/1/2025 | 3.277 | 22,500 | 22,500 |
| 9/23/2015 | 9/1/2025 | 3.571 | 16,700 | 16,700 |
| 3/23/2016 | 3/1/2026 | 3.267 | 1,500 | 1,500 |
| 3/23/2016 | 3/1/2026 | 3.249 | 21,800 | 21,800 |
| 9/21/2016 | 9/1/2026 | 2.793 | 500 | 500 |
| 3/29/2017 | 3/1/2027 | 3.587 | 10,000 | 10,000 |
| 9/20/2017 | 9/1/2027 | 3.260 | 1,000 | 1,000 |
| 9/20/2017 | 9/1/2027 | 3.190 | 33,000 | 33,000 |
| 3/21/2018 | 3/1/2028 | 3.859 | 16,000 | 16,000 |
| 3/21/2018 | 3/1/2028 | 3.534 | 15,500 | 15,500 |
| 9/19/2018 | 9/1/2028 | 3.895 | 9,500 | 9,500 |
| 9/19/2018 | 9/1/2028 | 4.220 | 1,000 | 1,000 |
| Total outstanding SBA debentures | | | $ 171,250 | $ 191,000 |

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

*Public Notes:* On February 2, 2018, the Company closed the public offering of approximately $43,478 in aggregate principal amount of its 5.875% notes due 2023, or the 2023 Notes. On February 22, 2018, the underwriters exercised their option to purchase an additional $6,522 in aggregate principal of the 2023 Notes. The total net proceeds to the Company from the 2023 Notes, including the exercise of the underwriters option, after deducting underwriting discounts of approximately $1,500 and offering expenses of $438, were approximately $48,062.

The 2023 Notes mature on February 1, 2023 and bear interest at a rate of 5.875%. The 2023 Notes may be redeemed in whole or in part at any time or from time to time at the Company s option on or after February 1, 2020. Interest on the 2023 Notes is payable quarterly on February 1, May 1, August 1 and November 1 of each year. The 2023 Notes are listed on the NASDAQ Global Select Market under the trading symbol FDUSL.

On February 8, 2019, the Company closed the public offering of approximately $60,000 in aggregate principal amount of its 6.000% notes due 2024, or the 2024 Notes (and collectively with the 2023 Notes, the Public Notes ). On February 19, 2019, the underwriters exercised their option to purchase an additional $9,000 in aggregate principal of the 2024 Notes. The total net proceeds to the Company from the 2024 Notes, including the exercise of the underwriters option, after deducting underwriting discounts of approximately $2,070 and estimated offering expenses of $418, were approximately $66,512.

The 2024 Notes mature on February 15, 2024 and bear interest at a rate of 6.000%. The 2024 Notes may be redeemed in whole or in part at any time or from time to time at the Company s option on or after February 15, 2021. Interest on the 2024 Notes is payable quarterly on February 15, May 15, August 15 and November 15 of each year, beginning May 15, 2019. The 2024 Notes are listed on the NASDAQ Global Select Market under the trading symbol FDUSZ.

The Public Notes are unsecured obligations of the Company and rank pari passu with the Company s future unsecured indebtedness; effectively subordinated to all of the Company s existing and future secured indebtedness; and structurally subordinated to all existing and future indebtedness and other obligations of any of its subsidiaries, financing vehicles, or similar facilities the Company may form in the future, with respect to claims on the assets of any such subsidiaries, financing vehicles, or similar facilities.

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**FIDUS INVESTMENT CORPORATION**

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

**(in thousands, except shares and per share data)**

*Interest and Financing Expenses*

Interest and fees related to the Company s debt for the three months ended March 31, 2019 and 2018 which are included in interest and financing expenses on the consolidated statements of operations, were as follows:

| | Three Months Ended March 31, 2019 | | | | Three Months Ended March 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | SBA debentures | Credit Facility | Public Notes | Total | SBA debentures | Credit Facility | Public Notes | Total |
| Stated interest expense | $ 1,522 | $ 473 | $ 1,314 | $ 3,309 | $ 1,947 | $ 224 | $ 444 | $ 2,615 |
| Amortization of deferred financing costs | 159 | 92 | 164 | 415 | 193 | 65 | 59 | 317 |
| Total interest and financing expenses | $ 1,681 | $ 565 | $ 1,478 | $ 3,724 | $ 2,140 | $ 289 | $ 503 | $ 2,932 |
| Weighted average stated interest rate, period end | 3.369% | N/A | 5.947% | 4.426% | 3.311% | N/A | 5.875% | 3.796% |
| Unused commitment fee rate, period end | N/A | 1.000% | N/A | 1.000% | N/A | 1.000% | N/A | 1.000% |

*Realized Losses on Extinguishment of Debt*

During the three months ended March 31, 2019 and 2018, the Company prepaid $19,750 and $43,800 of SBA debentures, respectively, which were scheduled to mature on dates ranging from 2021 to 2025 and 2019 to 2022, respectively. As part of the prepayments, the Company recognized realized losses on extinguishment of debt of $189 and $150, respectively, equal to the write-off of the related unamortized deferred financing costs.

*Deferred Financing Costs*

Deferred financing costs are amortized into interest and financing expenses on the consolidated statements of operations, using the effective interest method, over the term of the respective financing instrument. Deferred financing costs related to the Credit Facility, SBA debentures, and Public Notes as of March 31, 2019 and December 31, 2018 were as follows:

| | March 31, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | SBA debentures | Credit Facility | Public Notes | Total | SBA debentures | Credit Facility | Public Notes | Total |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SBA debenture commitment fees | $ 3,000 | $ | $ | $ 3,000 | $ 3,000 | $ | $ | $ 3,000 |
| SBA debenture leverage fees | 7,276 | | | 7,276 | 7,276 | | | 7,276 |
| Credit Facility upfront fees | | 1,635 | | 1,635 | | 1,601 | | 1,601 |
| Public Notes underwriting discounts | | | 3,570 | 3,570 | | | 1,500 | 1,500 |
| Public Notes debt issue costs | | | 856 | 856 | | | 438 | 438 |
| Total deferred financing costs | 10,276 | 1,635 | 4,426 | 16,337 | 10,276 | 1,601 | 1,938 | 13,815 |
| Less: accumulated amortization | (6,358) | (1,551) | (513) | (8,422) | (6,010) | (1,459) | (349) | (7,818) |
| Unamortized deferred financing costs | $ 3,918 | $ 84 | $ 3,913 | $ 7,915 | $ 4,266 | $ 142 | $ 1,589 | $ 5,997 |

Unamortized deferred financing costs are presented as a direct offset to the SBA debentures, Credit Facility and Public Notes liabilities on the consolidated statements of assets and liabilities. The following table summarizes the outstanding debt net of unamortized deferred financing costs as of March 31, 2019 and December 31, 2018:

| | March 31, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **SBA debentures** | **Credit Facility** | **Public Notes** | **Total** | **SBA debentures** | **Credit Facility** | **Public Notes** | **Total** |
| Outstanding debt | $ 171,250 | $ | $ 119,000 | $ 290,250 | $ 191,000 | $ 36,500 | $ 50,000 | $ 277,500 |
| Less: unamortized deferred financing costs | (3,918) | (84) | (3,913) | (7,915) | (4,266) | (142) | (1,589) | (5,997) |
| Debt, net of deferred financing costs | $ 167,332 | $ (84) | $ 115,087 | $ 282,335 | $ 186,734 | $ 36,358 | $ 48,411 | $ 271,503 |

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**FIDUS INVESTMENT CORPORATION**

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

**(in thousands, except shares and per share data)**

As of March 31, 2019, the Company s debt liabilities are scheduled to mature as follows[1]:

| Year | SBA debentures | Credit Facility [2] | Public Notes | Total |
|---|---|---|---|---|
| 2019 | $ | $ | $ | $ |
| 2020 | | | | |
| 2021 | | | | |
| 2022 | 20,250 | | | 20,250 |
| 2023 | | | 50,000 | 50,000 |
| 2024 | 1,000 | | 69,000 | 70,000 |
| 2025 | 40,200 | | | 40,200 |
| 2026 | 23,800 | | | 23,800 |
| 2027 | 44,000 | | | 44,000 |
| 2028 | 42,000 | | | 42,000 |
| Total | $ 171,250 | $ | $ 119,000 | $ 290,250 |

(1) The table above presents scheduled maturities of the Company s outstanding debt liabilities as of a point in time pursuant to the terms of those instruments. The timing of actual repayments of outstanding debt liabilities may not ultimately correspond with the scheduled maturity dates depending on the terms of the underlying instruments and the potential for earlier prepayments.

(2) The Company s Credit Facility matures on June 16, 2019. As of March 31, 2019, there were no outstanding borrowings under the Credit Facility. For more information on the Credit Facility, please refer to Note 11.

**Note 7. Commitments and Contingencies**

*Commitments:* The Company had outstanding commitments to portfolio companies to fund various undrawn revolving loans, other debt investments and capital commitments totaling $10,174 and $10,846 as of March 31, 2019 and December 31, 2018, respectively. Such outstanding commitments are summarized in the following table:

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Portfolio Company - Investment | Total Commitment | Unfunded Commitment | Total Commitment | Unfunded Commitment |
| American AllWaste LLC (dba WasteWater Transport Services) - Delayed Draw | $ 3,000 | $ 2,104 | $ 3,000 | $ 2,276 |

| | | | | |
|---|---|---|---|---|
| Commitment - Term Loan-B | | | | |
| B&B Roadway and Security Solutions, LLC - Common Equity (Units) | 133 | 133 | 133 | 133 |
| FDS Avionics Corp. (dba Flight Display Systems) - Revolving Loan | 250 | 50 | 250 | 50 |
| Mesa Line Services, LLC - Delayed Draw Term Loan Commitment | 3,000 | 2,160 | 4,000 | 3,160 |
| Oaktree Medical Centre, P.C. (dba Pain Management Associates) - Senior Secured Revolving Loan | 1,750 | 500 | | |
| Rhino Assembly Company, LLC - Delayed Draw Commitment | 875 | 875 | 875 | 875 |
| Safety Products Group, LLC - Common Equity (Units) | 2,852[(1)] | 2,852[(1)] | 2,852[(1)] | 2,852[(1)] |
| UBEO, LLC - Delayed Draw Term Loan Commitment | 1,500 | 1,500 | 1,500 | 1,500 |
| Total | $ 13,360 | $ 10,174 | $ 12,610 | $ 10,846 |

(1) Portfolio company was no longer held at period end. The commitment represents the Company s maximum potential liability related to certain guaranteed obligations stemming from the prior sale of the portfolio company s underlying operations.

Additional detail for each of the commitments above is provided in the Company s consolidated schedules of investments.

The commitments are generally subject to the borrowers meeting certain criteria such as compliance with financial and nonfinancial covenants. Since commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

*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. In addition, in connection with the disposition of an investment in a portfolio company, the Company may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. The Company may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. 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.

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**FIDUS INVESTMENT CORPORATION**

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

**(in thousands, except shares and per share data)**

*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.

**Note 8. Common Stock**

*Public Offerings of Common Stock*

The following table summarizes the total shares issued, offering price and net proceeds received in public offerings of the Company s common stock since the IPO:

| Offering Date | Number of Shares | Gross Proceeds | Underwriting Fees and Commissions and Offering Costs | Offering Price |
|---|---|---|---|---|
| September 11, 2012 | 2,472,500 | $ 39,807 | $ 1,855 | $ 16.10 |
| February 8, 2013 | 1,725,000 | 30,361 | 1,504 | 17.60 |
| September 30, 2014 | 2,083,414(1) | 35,418 | 1,747 | 17.00 |
| May 27, 2016 | 2,875,000(2) | 43,755 | 56(5) | 15.22(6) |
| November 29, 2016 | 3,220,000(3) | 53,446 | 2,319 | 16.60(7) |
| June 20, 2017 | 2,012,500(4) | 33,810 | 1,508 | 16.80 |

(1) Includes 83,414 shares purchased by underwriters pursuant to the over-allotment option on October 21, 2014.
(2) Includes 375,000 shares purchased by underwriters pursuant to the over-allotment option on June 10, 2016.
(3) Includes 420,000 shares purchased by underwriters pursuant to the over-allotment option on December 13, 2016.
(4) Includes 262,500 shares purchased by underwriters pursuant to the over-allotment option on June 29, 2017.
(5) Fidus Investment Advisors, LLC agreed to bear up to $169 of the offering costs associated with this offering. Fidus Investment Advisors, LLC has also agreed to bear $1,756, or 100%, of the underwriting fees and commissions in connection with this offering and the exercise of the over-allotment option. All payments made by Fidus Investment Advisors, LLC are not subject to reimbursement by the Company.
(6) Represents the weighted average offering price of shares issued, including the shares issued pursuant to the over-allotment option. Shares were issued on May 27, 2016 at an offering price of $15.27. The offering price of the over-allotment option shares was adjusted for the $0.39 dividend to shareholders of record on June 10, 2016.
(7) Represents the weighted average offering price of shares issued, including the shares issued pursuant to the over-allotment option. Shares were issued on November 29, 2016 at an offering price of $16.65. The offering price of the over-allotment option shares was adjusted for the $0.43 dividend to shareholders of record on

November 30, 2016.

*Common Stock ATM Program*

On August 21, 2014, the Company entered into an equity distribution agreement with Raymond James & Associates, Inc. and Robert W. Baird & Co. Incorporated through which the Company could sell, by means of at-the-market offerings from time to time, shares of the Company s common stock having an aggregate offering price of up to $50,000 (the ATM Program ). There were no issuances of common stock under the ATM program during the last two fiscal years and for the three months ended March 31, 2019.

*Stock Repurchase Program*

As described in Note 2, the Company has a Stock Repurchase Program under which the Company may acquire up to $5,000 of its outstanding common stock. The Company did not make any repurchases of common stock during the three months ended March 31, 2019. During the three months ended March 31, 2018, the Company repurchased 44,821 shares of common stock on the

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**FIDUS INVESTMENT CORPORATION**

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

**(in thousands, except shares and per share data)**

open market for $582. The Company s NAV per share increased by approximately $0.01 for the three months ended March 31, 2018 as a result of the share repurchases. The following table summarizes the Company s share repurchases under the Stock Repurchase Program for the three months ended March 31, 2019 and 2018:

| | Three Months Ended March 31, | |
|---|---|---|
| **Repurchases of Common Stock** | **2019** | **2018** |
| Number of shares repurchased | | 44,821 |
| Cost of shares repurchased, including commissions | $ | $ 582 |
| Weighted average price per share | $ | $ 12.94 |
| Weighted average discount to net asset value at quarter end prior to repurchases | N/A | 19.4% |

Refer to Note 9 for additional information regarding the issuance of shares under the DRIP.

The Company had 24,463,119 shares of common stock outstanding as of March 31, 2019 and December 31, 2018.

**Note 9. Dividends and Distributions**

The Company s dividends and distributions are recorded on the record date. The following table summarizes the dividends paid during the last two fiscal years and for the three months ended March 31, 2019.

| Date Declared | Record Date | Payment Date | Amount Per Share | Total Distribution | Cash Distribution | DRIP Shares Value | DRIP Shares | DRIP Share Issue Price |
|---|---|---|---|---|---|---|---|---|
| **Fiscal Year Ended December 31, 2017:** | | | | | | | | |
| 2/14/2017 | 3/10/2017 | 3/24/2017 | $ 0.39 | $ 8,754 | $ 8,556 | $ 198 | 11,500 | $ 17.17 |
| 5/1/2017 | 6/9/2017 | 6/23/2017 | 0.39 | 8,758 | 8,582 | 176 | 10,548 | 16.74 |
| 7/31/2017 | 9/8/2017 | 9/22/2017 | 0.39 | 9,548 | 9,353 | 195 | 12,256 | 15.90 |
| 10/30/2017 | 12/20/2017 | 12/27/2017 | 0.39 | 9,552 | 9,343 | 209 | 13,659 | 15.30 |
| 10/30/2017 (1) | 12/20/2017 | 12/27/2017 | 0.04 | 980 | 959 | 21 | 1,401 | 15.30 |
| | | | $ 1.60 | $ 37,592 | $ 36,793 | $ 799 | 49,364 | |
| **Fiscal Year Ended December 31, 2018:** | | | | | | | | |
| 2/13/2018 | 3/9/2018 | 3/23/2018 | $ 0.39 | $ 9,558 | $ 9,558 | $ (2) | (2) | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 4/30/2018 | 6/8/2018 | 6/22/2018 | 0.39 | 9,541 | 9,541 | (2) | (2) |
| 7/30/2018 | 9/7/2018 | 9/21/2018 | 0.39 | 9,540 | 9,540 | (2) | (2) |
| 10/30/2018 | 12/7/2018 | 12/21/2018 | 0.39 | 9,541 | 9,541 | (2) | (2) |
| 10/30/2018 (1) | 12/7/2018 | 12/21/2018 | 0.04 | 978 | 978 | (2) | (2) |
| | | | $ 1.60 | $ 39,158 | $ 39,158 | $ | |
| **Three Months Ended March 31, 2019:** | | | | | | | |
| 1/31/2019 | 3/8/2019 | 3/22/2019 | $ 0.39 | $ 9,541 | $ 9,541 | $ (2) | (2) |
| | | | $ 0.39 | $ 9,541 | $ 9,541 | $ | |

(1) Special dividend.

(2) During the three months ended March 31, 2019 and the year ended December 31, 2018, the Company directed the DRIP program plan administrator to repurchase shares on the open market in order to satisfy the DRIP obligation to deliver shares of common stock in lieu of issuing new shares. Accordingly, the Company purchased and reissued shares to satisfy the DRIP obligation as follows:

| Fiscal Year Ended December 31, 2018: | Number of Shares Purchased and Reissued | Average Price Paid Per Share | Total Amount Paid |
|---|---|---|---|
| January 1, 2018 through March 31, 2018 | 16,503 | $ 12.97 | $ 214 |
| April 1, 2018 through June 30, 2018 | 16,216 | 14.48 | 235 |
| July 1, 2018 through September 30, 2018 | 16,207 | 14.83 | 240 |
| October 1, 2018 through December 31, 2018 | 29,152 | 11.85 | 346 |
| Total | 78,078 | $ 13.25 | $ 1,035 |

| Three Months Ended March 31, 2019: | Number of Shares Purchased and Reissued | Average Price Paid Per Share | Total Amount Paid |
|---|---|---|---|
| January 1, 2019 through March 31, 2019 | 21,855 | $ 15.25 | $ 333 |
| Total | 21,855 | $ 15.25 | $ 333 |

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**FIDUS INVESTMENT CORPORATION**

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

**(in thousands, except shares and per share data)**

## Note 10. Financial Highlights

The following is a schedule of financial highlights for the three months ended March 31, 2019 and 2018:

| | Three Months Ended March 31, 2019 | 2018 |
|---|---|---|
| **Per share data:** | | |
| Net asset value at beginning of period | $ 16.47 | $ 16.05 |
| Net investment income [1] | 0.39 | 0.31 |
| Net realized gain (loss) on investments, net of tax (provision) [1] | (0.06) | 0.22 |
| Net unrealized appreciation (depreciation) on investments [1] | 0.14 | 0.09 |
| Realized losses on extinguishment of debt [1] | (0.01) | (0.01) |
| Total increase from investment operations [1] | 0.46 | 0.61 |
| Accretive (dilutive) effect of share issuances and repurchases | | 0.01 |
| Dividends to stockholders | (0.39) | (0.39) |
| Other [2] | 0.01 | |
| Net asset value at end of period | $ 16.55 | $ 16.28 |
| Market value at end of period | $ 15.33 | $ 12.88 |
| Shares outstanding at end of period | 24,463,119 | 24,463,119 |
| Weighted average shares outstanding during the period | 24,463,119 | 24,498,041 |
| Net assets at end of period | $ 404,816 | $ 398,158 |
| Average net assets [7] | $ 403,901 | $ 395,716 |
| **Ratios to average net assets:** | | |
| Total expenses [3][5][10] | 10.6% | 10.8% |
| Net investment income [3][6] | 9.5% | 7.5% |
| Total return based on market value [4] | 32.1% | (14.7%) |
| Total return based on net asset value [9] | 2.8% | 3.8% |
| Portfolio turnover ratio [3] | 34.8% | 23.5% |
| **Supplemental Data:** | | |
| Average debt outstanding [8] | $ 283,875 | $ 253,650 |

| | | |
|---|---|---|
| Average debt per share [1] | $ 11.60 | $ 10.35 |

(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 the shares outstanding as of a period end or transaction date, or other rounding.
(3) Annualized.
(4) Total return based on market value equals the change in the market value of the Company s common stock per share during the period divided by the market value per share at the beginning of the period, and assumes reinvestment of dividends at prices obtained by our dividend reinvestment plan during the period. The return does not reflect any sales load that may be paid by an investor.
(5) The total expenses to average net assets ratio is calculated using the total expenses caption as presented on the consolidated statements of operations, which includes incentive fee and excludes the income tax provision.
(6) The net investment income to average net assets ratio is calculated using the net investment income caption as presented on the consolidated statements of operations, which includes incentive fee.
(7) Average net assets is calculated as the average of the net asset balances as of each quarter end during the fiscal year and the prior year end.
(8) Average debt outstanding is calculated as the average of the outstanding debt balances as of each quarter end during the fiscal year and the prior year end.
(9) Total return based on net asset value per share equals the change in net asset value per share during the period, plus dividends paid per share during the period, less other non-operating changes during the period, and divided by beginning net asset value per share for the period. Non-operating changes include any items that affect net asset value per share other than increase from investment operations, such as the effects of share issuances and repurchases and other miscellaneous items.
(10) The following is a schedule of supplemental expense ratios to average net assets:

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**FIDUS INVESTMENT CORPORATION**

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

**(in thousands, except shares and per share data)**

| | Three Months Ended March 31, | |
|---|---|---|
| **Ratio to average net assets:** | **2019** | **2018** |
| Expenses other than incentive fee [3] | 7.8% | 7.0% |
| Incentive fee [3] | 2.8% | 3.8% |
| Total expenses [3][5] | 10.6% | 10.8% |

**Note 11. Subsequent Events**

On April 24, 2019, the Company executed an amendment and restatement of its Credit Facility, whereby, among other things, the total commitments under the Credit Facility increased from $90,000 to $100,000, the final maturity date was extended from June 16, 2019 to April 24, 2023, and the pricing on the Credit Facility was reduced from LIBOR plus 3.50% to LIBOR plus 3.00%. The amendment also includes an expansion of the accordion feature to $250,000 to accommodate further growth of the Company, and modifies certain covenants to the Credit Facility.

On April 29, 2019, the Board declared a regular quarterly dividend of $0.39 per share payable on June 21, 2019 to stockholders of record as of June 7, 2019.

On April 29, 2019, our Board, including a majority of the non-interested directors, approved a minimum asset coverage ratio of 150% under Sections 18(a)(1) and 18(a)(2) of the 1940 Act. As a result, the Company will become subject to the 150% asset coverage ratio effective as of April 29, 2020. At present time, the Company does not intend to seek stockholder approval to reduce its asset coverage requirement. See Item IA. Risk Factors Recent legislation may allow us to incur additional leverage.

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**Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Fidus Investment Corporation s consolidated financial statements and related notes appearing in our annual report on Form 10-K for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission ( SEC ) on February 28, 2019. The information contained in this section should also be read in conjunction with our unaudited consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q.*

*Except as otherwise specified, references to we, us, our, Fidus and FIC refer to Fidus Investment Corporation and its consolidated subsidiaries.*

**Forward Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about Fidus Investment Corporation, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as anticipates, expects, intends, plans, will, may, co believes, seeks, estimates, would, could, should, targets, projects and variations of these words and sim are intended to identify forward-looking statements. The forward-looking statements contained in this Quarterly Report on Form 10-Q involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financing and investments;
- the adequacy of our cash resources and working capital; and

the timing of cash flows, if any, from the operations of our portfolio companies.

These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

an economic downturn could impair our portfolio companies ability to continue to operate, which could lead to the loss of some or all of our investments in such portfolio companies;

a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities;

interest rate volatility could adversely affect our results, particularly because we use leverage as part of our investment strategy;

currency fluctuations could adversely affect the results of our investments in foreign companies, particularly to the extent that we receive payments denominated in foreign currency rather than the U.S. dollars; and,

the risks, uncertainties and other factors we identify in *Item 1A. Risk Factors* contained in our Annual Report on Form 10-K for the year ended December 31, 2018, elsewhere in this Quarterly Report on Form 10-Q and in our other filings with the SEC.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new debt investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Quarterly Report on Form 10-Q should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in *Item 1.A Risk Factors* contained in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 28, 2019. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q.

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**Overview**

*General and Corporate Structure*

We provide customized debt and equity financing solutions to lower middle-market companies, which we define as U.S. based companies having revenues between $10.0 million and $150.0 million. Our investment objective is to provide attractive risk-adjusted returns by generating both current income from our debt investments and capital appreciation from our equity related investments. Our investment strategy includes partnering with business owners, management teams and financial sponsors by providing customized financing for ownership transactions, recapitalizations, strategic acquisitions, business expansion and other growth initiatives. We seek to maintain a diversified portfolio of investments in order to help mitigate the potential effects of adverse economic events related to particular companies, regions or industries.

FIC was formed as a Maryland corporation on February 14, 2011. We completed our initial public offering, or IPO, in June 2011.

On June 20, 2011, FIC acquired all of the limited partnership interests of Fund I and membership interests of Fidus Mezzanine Capital GP, LLC, its general partner, resulting in Fund I becoming our wholly-owned SBIC subsidiary. Immediately following the acquisition, we and Fund I elected to be treated as business development companies, or BDCs, under the 1940 Act and our investment activities have been managed by Fidus Investment Advisors, LLC, our investment advisor, and supervised by our board of directors, a majority of whom are independent of us. On March 29, 2013, we commenced operations of a second wholly-owned subsidiary, Fund II. On April 18, 2018, we commenced operations of a third wholly-owned subsidiary, Fund III. Fund I, Fund II and Fund III are collectively referred to as the Funds.

Fund I, Fund II and Fund III received their SBIC licenses on October 22, 2007, May 28, 2013, and March 21, 2019, respectively. We plan to continue to operate the Funds as SBICs, subject to SBA approval, and to utilize the proceeds of the sale of SBA-guaranteed debentures to enhance returns to our stockholders. We have also made, and continue to make, investments directly through FIC. We believe that utilizing FIC and the Funds as investment vehicles provides us with access to a broader array of investment opportunities.

We have certain wholly-owned taxable subsidiaries (the Taxable Subsidiaries ), each of which generally holds one or more of our portfolio investments listed on the consolidated schedules of investments. The Taxable Subsidiaries are consolidated for financial reporting purposes, such that the our consolidated financial statements reflect our investment in the portfolio company investments owned by the Taxable Subsidiaries. The purpose of the Taxable Subsidiaries is to permit us to hold equity investments in portfolio companies that are taxed as partnerships for U.S. federal income tax purposes (such as entities 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 us 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.

*Investments*

We seek to create a diversified investment portfolio that primarily includes debt investments and, to a lesser extent, equity securities. Our investments typically range between $5.0 million to $30.0 million per portfolio company, although this investment size may vary proportionately with the size of our capital base. Our investment objective is to provide attractive risk-adjusted returns by generating both current income from our debt investments and capital appreciation from our equity related investments. We may invest in the equity securities of our portfolio companies,

such as preferred stock, common stock, warrants and other equity interests, either directly or in conjunction with our debt investments.

*Second Lien Debt.* The majority of our debt investments take the form of second lien debt, which includes senior subordinated notes. Second lien debt investments obtain security interests in the assets of the portfolio company as collateral in support of the repayment of such loans. Second lien debt typically is senior on a lien basis to other liabilities in the issuer s capital structure and has the benefit of a security interest over assets of the issuer, though ranking junior to first lien debt secured by those assets. First lien lenders and second lien lenders typically have separate liens on the collateral, and an intercreditor agreement provides the first lien lenders with priority over the second lien lenders liens on the collateral. These loans typically provide for no contractual loan amortization, with all amortization deferred until loan maturity, and may include payment-in-kind ( PIK ) interest, which increases the principal balance over the term and, coupled with the deferred principal payment provision, increases credit risk exposure over the life of the loan.

*Subordinated Debt.* These investments are typically structured as unsecured, subordinated notes. Structurally, subordinated debt usually ranks subordinate in priority of payment to first lien and second lien debt and may not have the benefit of financial covenants common in first lien and second lien debt. Subordinated debt may rank junior as it relates to proceeds in certain liquidations where it does not have the benefit of a lien in specific collateral held by creditors (typically first lien and/or second lien) who have a perfected security interest in such collateral. However, subordinated debt ranks senior to common and preferred equity in an issuer s capital structure. These loans typically have relatively higher fixed interest rates (often representing a

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combination of cash pay and PIK interest) and amortization of principal deferred to maturity. The PIK feature (meaning a feature allowing for the payment of interest in the form of additional principal amount of the loan instead of in cash), which effectively operates as negative amortization of loan principal, coupled with the deferred principal payment provision, increases credit risk exposure over the life of the loan.

*First Lien Debt*. To a lesser extent, we also structure some of our debt investments as senior secured or first lien debt investments. First lien debt investments are secured by a first priority lien on existing and future assets of the borrower and may take the form of term loans or revolving lines of credit. First lien debt is typically senior on a lien basis to other liabilities in the issuer s capital structure and has the benefit of a first-priority security interest in assets of the issuer. The security interest ranks above the security interest of any second lien lenders in those assets. Our first lien debt may include stand-alone first lien loans, last out first lien loans, or unitranche loans. Stand-alone first lien loans are traditional first lien loans. All lenders in the facility have equal rights to the collateral that is subject to the first-priority security interest. Last out first lien loans have a secondary priority behind super-senior first out first lien loans in the collateral securing the loans in certain circumstances. The arrangements for a last out first lien loan are set forth in an agreement among lenders, which provides lenders with first out and last out payment streams based on a single lien on the collateral. Since the first out lenders generally have priority over the last out lenders for receiving payment under certain specified events of default, or upon the occurrence of other triggering events under intercreditor agreements or agreements among lenders, the last out lenders bear a greater risk and, in exchange, receive a higher effective interest rate, through arrangements among the lenders, than the first out lenders or lenders in stand-alone first lien loans. Agreements among lenders also typically provide greater voting rights to the last out lenders than the intercreditor agreements to which second lien lenders often are subject.

Many of our debt investments also include excess cash flow sweep features, whereby principal repayment may be required before maturity if the portfolio company achieves certain defined operating targets. Additionally, our debt investments typically have principal prepayment penalties in the early years of the debt investment. The majority of our debt investments provide for a fixed interest rate.

*Equity Securities*. Our equity securities typically consist of either a direct minority equity investment in common or preferred stock or membership/partnership interests of a portfolio company, or we may receive warrants to buy a minority equity interest in a portfolio company in connection with a debt investment. Warrants we receive with our debt investments typically require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. Our equity investments are typically not control-oriented investments, and in many cases, we acquire equity securities as part of a group of private equity investors in which we are not the lead investor. We may structure such equity investments to include provisions protecting our rights as a minority-interest holder, as well as a put, or right to sell such securities back to the issuer, upon the occurrence of specified events. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and piggyback registration rights. Our equity investments typically are made in connection with debt investments to the same portfolio companies.

*Revenues*: We generate revenue in the form of interest and fee income on debt investments and dividends, if any, on equity investments. Our debt investments, whether in the form of second lien, subordinated or first lien loans, typically have terms of five to seven years and most bear interest at a fixed rate, but some bear interest at a floating rate. In some instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we may receive repayments of some of our debt investments prior to their scheduled maturity dates, which may include prepayment penalties. The frequency or volume of these repayments fluctuates significantly from period to period. Our portfolio activity may reflect the proceeds of sales of securities. In some cases, our investments provide for deferred interest payments or PIK interest. The principal amount of debt investments and any accrued but unpaid interest generally become due at the maturity date. In addition, we may

generate revenue in the form of commitment, origination, amendment, or structuring fees and fees for providing managerial assistance. Debt investment origination fees, OID and market discount or premium, if any, are capitalized, and we accrete or amortize such amounts into interest income. We record prepayment penalties on debt investments as fee income when earned. Interest and dividend income is recorded on the accrual basis to the extent that we expect to collect such amounts. Interest is accrued daily based on the outstanding principal amount and the contractual terms of the debt investment. Dividend income is recorded as dividends are declared or at the point an obligation exists for the portfolio company to make a distribution, and is generally recognized when received. Distributions of earnings from portfolio companies are evaluated to determine if the distribution is a distribution of earnings or a return of capital. Distributions of earnings are included in dividend income while a return of capital is recorded as a reduction in the cost basis of the investment. Estimates are adjusted as necessary after the relevant tax forms are received from the portfolio company. Debt investments or preferred equity investments (for which we are accruing PIK dividends) 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 and dividend payments received on non-accrual investments may be recognized as interest or dividend income or may be applied to the investment principal balance based on management s judgment. Non-accrual investments are restored to accrual status when past due principal, interest or dividends are paid and, in management s judgment, payments are likely to remain current. See Critical Accounting Policies and Use of Estimates Revenue Recognition.

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We recognize realized gains or losses on investments based on the difference between the net proceeds from the disposition and the cost basis of the investment, without regard to unrealized gains or losses previously recognized. We record current period changes in fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in the consolidated statements of operations.

*Expenses*: All investment professionals of our investment advisor and/or its affiliates, when and to the extent engaged in providing investment advisory and management services to us, and the compensation and routine overhead expenses allocable to personnel who provide these services to us, are provided and paid for by our investment advisor and not by us. We bear all other out-of-pocket costs and expenses of our operations and transactions, including, without limitation, those relating to:

organization;

calculating our net asset value (including the cost and expenses of any independent valuation firm);

fees and expenses incurred by our investment advisor under the Investment Advisory Agreement or payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments, including dead deal costs;

interest payable on debt, if any, incurred to finance our investments;

offerings of our common stock and other securities;

investment advisory fees and management fees;

administration fees and expenses, if any, payable under the Administration Agreement (including payments under the Administration Agreement between us and our investment advisor based upon our allocable portion of our investment advisor s overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of our officers, including our chief compliance officer, our chief financial officer, and their respective staffs);

transfer agent, dividend agent and custodial fees and expenses;

federal and state registration fees;

all costs of registration and listing our shares on any securities exchange;

U.S. federal, state and local taxes;

Independent Directors fees and expenses;

costs of preparing and filing reports or other documents required by the SEC or other regulators including printing costs;

costs of any reports, proxy statements or other notices to stockholders, including printing and mailing costs;

our allocable portion of any fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;

direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs;

proxy voting expenses; and

all other expenses reasonably incurred by us or our investment advisor in connection with administering our business.

**Portfolio Composition, Investment Activity and Yield**

During the three months ended March 31, 2019 and 2018, we invested $80.5 million and $60.9 million, respectively, in debt and equity investments including four and five new portfolio companies, respectively. During the three months ended March 31, 2019 and 2018, we received proceeds from sales or repayments, including principal, return of capital dividends and net realized gains (losses), of $57.4 million and $36.1 million, respectively, including exits of three and two portfolio companies, respectively. The following table summarizes investment purchases and sales and repayments of investments by type for the three months ended March 31, 2019 and 2018 (dollars in millions).

| | Purchases of Investments | | | | Sales and Repayments of Investments | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| Second Lien Debt | $ 14.6 | 18.2% | $ 51.5 | 84.6% | $ 19.4 | 33.8% | $ 10.6 | 29.3% |
| Subordinated Debt | 46.2 | 57.4 | 5.6 | 9.2 | 26.7 | 46.5 | 17.0 | 47.1 |
| First Lien Debt | 16.3 | 20.2 | | | 10.8 | 18.8 | 0.6 | 1.7 |
| Equity | 3.4 | 4.2 | 3.8 | 6.2 | 0.5 | 0.9 | 7.8 | 21.6 |
| Warrants | | | | | | | 0.1 | 0.3 |
| Royalty Rights | | | | | | | | |
| Total | $ 80.5 | 100.0% | $ 60.9 | 100.0% | $ 57.4 | 100.0% | $ 36.1 | 100.0% |

As of March 31, 2019, the fair value of our investment portfolio totaled $670.5 million and consisted of 61 active portfolio companies and four portfolio companies that have sold their underlying operations. As of March 31, 2019, eight portfolio company s

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debt investments bore interest at a variable rate, which represented $80.3 million of our portfolio on a fair value basis, and the remainder of our debt portfolio was comprised of fixed rate investments. Overall, the portfolio had net unrealized appreciation of $47.8 million as of March 31, 2019. As of March 31, 2019, our average active portfolio company investment at amortized cost was $10.2 million, which excludes investments in the four portfolio companies that have sold their underlying operations.

As of December 31, 2018, the fair value of our investment portfolio totaled $643.0 million and consisted of 60 active portfolio companies and three portfolio companies that have sold their underlying operations. As of December 31, 2018, seven debt investments bore interest at a variable rate, which represented $75.9 million of our portfolio on a fair value basis, and the remainder of our debt portfolio was comprised of fixed rate investments. Overall, the portfolio had net unrealized appreciation of $44.2 million as of December 31, 2018. As of December 31, 2018, our average active portfolio company investment at amortized cost was $10.0 million, which excludes investments in the three portfolio companies that have sold their underlying operations.

The weighted average yield on debt investments as of March 31, 2019 and December 31, 2018 was 12.4% and 12.6%, respectively. The weighted average yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our and our subsidiaries fees and expenses. The weighted average yields were computed using the effective interest rates for debt investments at cost as of March 31, 2019 and December 31, 2018, respectively, including the accretion of OID and debt investment origination fees, but excluding investments on non-accrual status, if any.

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

| | Fair Value | | | | Cost | | | |
|---|---|---|---|---|---|---|---|---|
| | March 31, 2019 | | December 31, 2018 | | March 31, 2019 | | December 31, 2018 | |
| Second Lien Debt | $ 362.7 | 54.0% | $ 366.5 | 57.0% | $ 377.4 | 60.6% | $ 380.0 | 63.5% |
| Subordinated Debt | 125.2 | 18.7 | 104.3 | 16.2 | 125.7 | 20.2 | 105.9 | 17.7 |
| First Lien Debt | 55.5 | 8.3 | 51.8 | 8.1 | 57.7 | 9.3 | 52.2 | 8.7 |
| Equity | 116.0 | 17.3 | 106.7 | 16.6 | 54.7 | 8.8 | 53.5 | 8.9 |
| Warrants | 11.1 | 1.7 | 13.7 | 2.1 | 7.0 | 1.1 | 7.0 | 1.2 |
| Royalty Rights | | | | | 0.2 | | 0.2 | |
| Total | $ 670.5 | 100.0% | $ 643.0 | 100.0% | $ 622.7 | 100.0% | $ 598.8 | 100.0% |

The following table shows portfolio composition by geographic region at fair value and cost and as a percentage of total investments (dollars in millions). 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.

| | Fair Value | | Cost | |
|---|---|---|---|---|
| | March 31, 2019 | December 31, 2018 | March 31, 2019 | December 31, 2018 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Midwest | $ 149.2 | 22.3% | $ 161.1 | 25.1% | $ 134.4 | 21.5% | $ 152.6 | 25.5% |
| Southeast | 171.6 | 25.6 | 176.8 | 27.5 | 151.2 | 24.3 | 155.3 | 25.9 |
| Northeast | 148.9 | 22.2 | 89.7 | 13.9 | 142.2 | 22.8 | 84.2 | 14.1 |
| West | 59.7 | 8.9 | 62.8 | 9.8 | 54.5 | 8.8 | 54.5 | 9.1 |
| Southwest | 141.1 | 21.0 | 152.6 | 23.7 | 140.4 | 22.6 | 152.2 | 25.4 |
| Total | $ 670.5 | 100.0% | $ 643.0 | 100.0% | $ 622.7 | 100.0% | $ 598.8 | 100.0% |

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The following table shows the detailed industry composition of our portfolio at fair value and cost as a percentage of total investments:

| | Fair Value | | Cost | |
|---|---|---|---|---|
| | March 31, 2019 | December 31, 2018 | March 31, 2019 | December 31, 2018 |
| Specialty Distribution | 14.7% | 13.4% | 15.5% | 14.1% |
| Information Technology Services | 12.2 | 8.5 | 12.5 | 8.5 |
| Business Services | 10.9 | 9.7 | 11.4 | 10.3 |
| Healthcare Services | 7.0 | 7.8 | 7.7 | 7.7 |
| Component Manufacturing | 6.7 | 7.9 | 7.5 | 8.9 |
| Oil & Gas Services | 6.5 | 6.4 | 1.6 | 1.7 |
| Aerospace & Defense Manufacturing | 5.1 | 5.8 | 5.0 | 6.0 |
| Healthcare Products | 4.9 | 4.8 | 3.0 | 3.2 |
| Transportation Services | 4.8 | 5.2 | 5.2 | 5.4 |
| Vending Equipment Manufacturing | 4.4 | 4.6 | 5.0 | 5.2 |
| Promotional Products | 3.9 | 4.1 | 4.0 | 4.2 |
| Utilities: Services | 2.8 | 1.7 | 2.9 | 1.7 |
| Industrial Cleaning & Coatings | 2.3 | 4.1 | 2.5 | 4.7 |
| Retail | 2.3 | 2.4 | 2.6 | 2.7 |
| Utility Equipment Manufacturing | 2.3 | 2.4 | 2.4 | 2.5 |
| Consumer Products | 2.2 | 2.3 | 2.5 | 2.6 |
| Packaging | 2.1 | 2.2 | 2.3 | 2.4 |
| Building Products Manufacturing | 2.0 | 3.8 | 3.3 | 5.1 |
| Environmental Industries | 1.9 | 1.9 | 2.0 | 2.0 |
| Oil & Gas Distribution | 1.0 | 1.0 | 1.0 | 1.0 |
| Capital Equipment Manufacturing | 0.0(1) | 0.0(1) | 0.0(1) | 0.0(1) |
| Restaurants | 0.0(1) | 0.0(1) | 0.1 | 0.1 |
| Specialty Chemicals | 0.0(1) | 0.0(1) | 0.0(1) | 0.0(1) |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

(1) Percentage is less than 0.1% of respective total.

**Portfolio Asset Quality**

In addition to various risk management and monitoring tools, our investment advisor uses an internally developed investment rating system to characterize and monitor the credit profile and our expected level of returns on each investment in our portfolio. We use a five-level numeric rating scale. The following is a description of the conditions associated with each investment rating:

Investment Rating 1 is used for investments that involve the least amount of risk in our portfolio. The portfolio company is performing above expectations, the debt investment is expected to be paid in the

near term and the trends and risk factors are favorable, and may include an expected capital gain on the equity investment.

Investment Rating 2 is used for investments that involve a level of risk similar to the risk at the time of origination. The portfolio company is performing substantially within our expectations and the risk factors are neutral or favorable. Each new portfolio investment enters our portfolio with Investment Rating 2.

Investment Rating 3 is used for investments performing below expectations and indicates the investment s risk has increased somewhat since origination. The portfolio company requires closer monitoring, but we expect a full return of principal and collection of all interest and/or dividends.

Investment Rating 4 is used for investments performing materially below expectations and the risk has increased materially since origination. The investment has the potential for some loss of investment return, but we expect no loss of principal.

Investment Rating 5 is used for investments performing substantially below our expectations and the risks have increased substantially since origination. We expect some loss of principal.

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The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value and cost as of March 31, 2019 and December 31, 2018 (dollars in millions):

| | Fair Value | | | | Cost | | | |
|---|---|---|---|---|---|---|---|---|
| Investment Rating | March 31, 2019 | | December 31, 2018 | | March 31, 2019 | | December 31, 2018 | |
| 1 | $ 108.2 | 16.2% | $ 123.8 | 19.2% | $ 43.0 | 6.9% | $ 63.7 | 10.7% |
| 2 | 482.6 | 72.0 | 403.1 | 62.7 | 478.0 | 76.8 | 396.2 | 66.2 |
| 3 | 70.0 | 10.4 | 94.3 | 14.7 | 76.7 | 12.3 | 101.4 | 16.9 |
| 4 | 8.9 | 1.3 | 21.3 | 3.3 | 20.8 | 3.3 | 33.2 | 5.5 |
| 5 | 0.8 | 0.1 | 0.5 | 0.1 | 4.2 | 0.7 | 4.3 | 0.7 |
| Total | $ 670.5 | 100.0% | $ 643.0 | 100.0% | $ 622.7 | 100.0% | $ 598.8 | 100.0% |

Based on our investment rating system, the weighted average rating of our portfolio as of March 31, 2019 and December 31, 2018 was 2.0 and 2.0, respectively, on a fair value basis and 2.1 and 2.2, respectively, on a cost basis.

*Non-Accrual*

As of March 31, 2019 and December 31, 2018, we had debt investments in two portfolio companies on non-accrual status, respectively (dollars in millions):

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Portfolio Company | Fair Value | Cost | Fair Value | Cost |
| K2 Industrial Services, Inc. | $ [1] | $ [1] | $ 13.2 | $ 14.3 |
| Oaktree Medical Centre, P.C. (dba Pain Management Associates) | 6.4[3] | 8.3[3] | [2] | [2] |
| US GreenFiber, LLC | 6.2 | 15.4 | 7.6 | 15.3 |
| Total | $ 12.6 | $ 23.7 | $ 20.8 | $ 29.6 |

(1) Portfolio company was no longer held at period end. Interest earned while on non-accrual was paid in full at exit.
(2) Portfolio company debt investments were not on non-accrual status at period end.
(3) Portfolio company last-out debt investment was on PIK-only on non-accrual status at period end, meaning we have ceased recognizing PIK interest income on the investment.

**Discussion and Analysis of Results of Operations**

***Comparison of three months ended March 31, 2019 and 2018***

*Investment Income*

Below is a summary of the changes in total investment income for the three months ended March 31, 2019 as compared to the same period in 2018 (dollars in millions):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2019 | 2018 | $ Change | % Change [1][2] |
| Interest income | $ 15.2 | $ 14.7 | $ 0.5 | 3.5% |
| Payment-in-kind interest income | 2.6 | 1.7 | 0.9 | 56.6% |
| Dividend income | 0.3 | 0.4 | (0.1) | (12.7%) |
| Fee income | 2.1 | 1.4 | 0.7 | 46.1% |
| Interest on idle funds and other income | 0.1 | | 0.1 | NM |
| Total investment income | $ 20.3 | $ 18.2 | $ 2.1 | 11.5% |

(1) NM = Not meaningful
(2) Percent change calculated based on underlying dollar amounts in thousands as presented on the consolidated statements of operations.

For the three months ended March 31, 2019, total investment income was $20.3 million, an increase of $2.1 million or 11.5%, from the $18.2 million of total investment income for the three months ended March 31, 2018. As reflected in the table above, the increase is primarily attributable to the following:

$1.5 million increase in total interest income (including payment-in-kind interest income) resulting from higher average debt investment balances outstanding, partially offset by a small decrease in weighted average debt yield, during 2019 as compared to 2018.

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$0.7 million increase in fee income resulting from an increase in structuring fees due to a comparative increase in new investments and an increase in prepayment fee income, during 2019 as compared to 2018.

$(0.1) million decrease in dividend income, during 2019 as compared to 2018, due to decreased levels of distributions received from equity.

*Expenses*

Below is a summary of the changes in total expenses, including income tax provision, for the three months ended March 31, 2019 as compared to the same period in 2018 (dollars in millions):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2019 | 2018 | $ Change | % Change [1][2] |
| Interest and financing expenses | $ 3.7 | $ 3.0 | $ 0.7 | 27.0% |
| Base management fee | 2.9 | 2.7 | 0.2 | 6.9% |
| Incentive fee - income | 2.5 | 2.2 | 0.3 | 11.7% |
| Incentive fee - capital gains | 0.3 | 1.5 | (1.2) | (76.8%) |
| Administrative service expenses | 0.4 | 0.4 | | NM |
| Professional fees | 0.6 | 0.5 | 0.1 | 15.7% |
| Other general and administrative expenses | 0.3 | 0.3 | | NM |
| Total expenses, before income tax provision | 10.7 | 10.6 | 0.1 | 1.5% |
| Income tax provision | | 0.1 | (0.1) | NM |
| Total expenses, including income tax provision | $ 10.7 | $ 10.7 | $ | NM |

(1) NM = Not meaningful
(2) Percent change calculated based on underlying dollar amounts in thousands as presented on the consolidated statements of operations.

For the three months ended March 31, 2019, total expenses, including income tax provision, were $10.7 million, flat with the three months ended March 31, 2018. As reflected in the table above, changes across periods were primarily attributable to the following:

$0.7 million increase in interest and financing expenses due to an increase in average borrowings outstanding and an increase in weighted average interest rate on borrowings during 2019 as compared to 2018.

$0.3 million increase in the income incentive fee due to a $1.2 million increase in pre-incentive fee net investment income during 2019, as compared to the same period in 2018.

$0.2 million increase in base management fee due to higher average total assets during 2019 as compared to 2018.

$(1.2) million decrease in the capital gains incentive fee due to a $(5.7) million decrease in net gain on investments (net realized gains (losses), plus net change in unrealized appreciation (depreciation) on investments, plus realized losses on extinguishment of debt) during 2019, as compared to the same period in 2018.

*Net Investment Income*

Net investment income increased by $2.1 million, or 27.5%, to $9.6 million during the three months ended March 31, 2019 as compared to the same period in 2018, as a result of the $2.1 million increase in total investment income and flat total expenses, including income tax provision.

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*Net Gain (Loss) on Investments*

For the three months ended March 31, 2019, the total net realized loss on investments, before income tax provision on realized gains, was $(1.6) million. Income tax (provision) benefit from realized gains on investments was zero for the three months ended March 31, 2019. Significant realized gains (losses) for the three months ended March 31, 2019 are summarized below (dollars in millions):

| Portfolio Company | Realization Event [1] | Net Realized Gains (Losses) |
|---|---|---|
| K2 Industrial Services, Inc. | Exit of portfolio company | $ (1.3) |
| Consolidated Infrastructure Group Holdings, LP | Exit of portfolio company | (0.4) |
| Other | | 0.1 |
| Net realized gain (loss) on investments | | (1.6) |
| Income tax provision from realized gains on investments | | |
| Net realized gain (loss), net of income tax provision, on investments | | $ (1.6) |

(1) As it relates to realization events, we define an exit of a portfolio company as situations where we have completely exited our position in all of the portfolio company s securities and no longer carry the portfolio company on our schedule of investments. We define a sale of a portfolio company, distinguished from an exit, as situations where the underlying operations of a portfolio company have been sold, but where we retain a residual ownership interest in the legacy entity (we generally distinguish these residual portfolio company investments from active portfolio company investments).

For the three months ended March 31, 2018, the total net realized gain on investments, before income tax provision on realized gains, was $7.3 million. Income tax (provision) from realized gains on investments was $(1.7) million for the three months ended March 31, 2018. Significant realized gains (losses) for the three months ended March 31, 2018 are summarized below (dollars in millions):

| Portfolio Company | Realization Event [1] | Net Realized Gains (Losses) |
|---|---|---|
| World Wide Packaging, LLC | Exit of portfolio company | $ 6.8 |
| Malabar International | Escrow distribution | 0.2 |
| Worldwide Express Operations, LLC | Distributions tax character true-up | 0.2 |
| Other | | 0.1 |
| Net realized gain (loss) on investments | | $ 7.3 |

| | |
|---|---|
| Income tax provision from realized gains on investments | (1.7) |
| Net realized gain (loss), net of income tax provision, on investments | $ 5.6 |

(1) As it relates to realization events, we define an exit of a portfolio company as situations where we have completely exited our position in all of the portfolio company s securities and no longer carry the portfolio company on our schedule of investments. We define a sale of a portfolio company, distinguished from an exit, as situations where the underlying operations of a portfolio company have been sold, but where we retain a residual ownership interest in the legacy entity (we generally distinguish these residual portfolio company investments from active portfolio company investments).

During the three months ended March 31, 2019 and 2018, we recorded a net change in unrealized appreciation (depreciation) on investments attributable to the following (dollars in millions):

| | Three Months Ended March 31, | |
|---|---|---|
| **Unrealized Appreciation (Depreciation)** | **2019** | **2018** |
| Exit, sale or restructuring of investments | $ 2.0 | $ (4.0) |
| Fair value adjustments to debt investments | (2.3) | (5.2) |
| Fair value adjustments to equity investments | 3.8 | 11.3 |
| Net change in unrealized appreciation (depreciation) | $ 3.5 | $ 2.1 |

*Net Increase in Net Assets Resulting From Operations*

Net increase in net assets resulting from operations during the three months ended March 31, 2019 and 2018 was $11.4 million and $15.0 million, respectively, as a result of the events described above.

***Liquidity and Capital Resources***

As of March 31, 2019, we had $26.2 million in cash and cash equivalents and our net assets totaled $404.8 million. We believe that our current cash and cash equivalents on hand, our Credit Facility and our anticipated cash flows from investments will provide adequate capital resources with which to operate and finance our investment business and make distributions to our stockholders for at least the next 12 months. We intend to generate additional cash primarily from the future offerings of securities (including the at-the-market program) and future borrowings, as well as cash flows from operations, including income earned from investments in our portfolio companies. On both a short-term and long-term basis, our primary use of funds will be investments in portfolio companies and cash distributions to our stockholders. During the three months ended March 31, 2019, we repaid $19.8 million of

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SBA debentures which would have matured during the period September 1, 2021 through March 1, 2025. Our remaining outstanding SBA debentures continue to mature in 2022 and subsequent years through 2028, which will require repayment on or before the respective maturity dates.

*Cash Flows*

For the three months ended March 31, 2019, we experienced a net decrease in cash and cash equivalents in the amount of $15.8 million. During that period, we used $16.5 million of cash for operating activities, which included the funding of $80.5 million of investments, which were partially offset by proceeds received from sales and repayments of investments of $57.4 million. During the same period, we received proceeds from the issuance of our Public Notes of $69.0 million; which were partially offset by repayments of SBA debentures of $19.8 million, net repayments of $36.5 million of borrowings under our Credit Facility, cash dividends paid to stockholders of $9.5 million, and the payment of deferred financing costs related to our debt financings of $2.5 million.

*Capital Resources*

We anticipate that we will continue to fund our investment activities on a long-term basis through a combination of additional debt and equity capital.

*SBA debentures*

The Funds are licensed SBICs, and have the ability to issue debentures guaranteed by the SBA at favorable interest rates. Under the Small Business Investment Act and the SBA rules applicable to SBICs, an SBIC can have outstanding at any time debentures guaranteed by the SBA in an amount up to twice its regulatory capital. The SBA regulations currently limit the amount that is available to be borrowed by any SBIC and guaranteed by the SBA to 300.0% of an SBIC s regulatory capital or $175.0 million, whichever is less. For three or more SBICs under common control, the maximum amount of outstanding SBA debentures cannot exceed $350.0 million. SBA debentures have fixed interest rates that approximate prevailing 10-year Treasury Note rates plus a spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the SBA debentures is not required to be paid before maturity but may be pre-paid at any time. As of March 31, 2019, Fund I, Fund II and Fund III had $21.3 million, $150.0 million and zero of outstanding SBA debentures, respectively. Fund I has commenced a wind-down plan and can no longer issue additional SBA debentures. Subject to SBA regulatory requirements and approval, Fund III may access up to $175.0 million of additional SBA debentures under the SBIC debenture program. For more information on the SBA debentures, please refer to Note 6 to our consolidated financial statements.

*Credit Facility*

In June 2014, we entered into the Credit Facility to provide additional funding for our investment and operational activities. On December 29, 2017, we entered into an amendment to the Credit Facility to, among other things, extend the maturity date from June 16, 2018 to June 16, 2019. On June 5, 2018, we entered into an incremental commitment agreement, whereby the amount available for borrowing under the Credit Facility was increased from $50.0 million to $75.0 million. On October 19, 2018, we entered into an incremental commitment agreement, whereby the amount available for borrowing under the Credit Facility was increased from $75.0 million to $90.0 million, with allowance for future increases in the commitments up to $100.0 million. The Credit Facility is secured by substantially all of our assets, excluding the assets of the Funds.

Amounts available to borrow under the Credit Facility are subject to a minimum borrowing/collateral base that applies an advance rate to certain portfolio investments. We are subject to limitations with respect to the investments securing

the Credit Facility, including, but not limited to, restrictions on sector concentrations, loan size, transferability, payment frequency and status and collateral interests, as well as restrictions on portfolio company leverage, which may also affect the borrowing base and therefore amounts available to borrow.

Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the alternate base rate plus 2.5% or (ii) the applicable LIBOR, which varies depending on the period of the borrowing under the Credit Facility, plus 3.5%. The alternate base rate is equal to the greater of (i) prime rate, (ii) the federal funds rate plus 0.5% or (iii) the three-month LIBOR plus 1.0%. We pay a commitment fee ranging from 0.5% to 1.0% per annum based on the size of the unused portion of the Credit Facility.

We have made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities. These covenants are subject to important limitations and exceptions that are described in the documents governing the Credit Facility. As of March 31, 2019, we were in compliance with all covenants of the Credit Facility and we did not have any borrowings outstanding under the Credit Facility.

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*Public Notes*

On February 2, 2018, we closed the public offering of approximately $43.5 million in aggregate principal amount of our 5.875% notes due 2023, or the 2023 Notes. On February 22, 2018, the underwriters exercised their option to purchase an additional $6.5 million in aggregate principal of the 2023 Notes. The total net proceeds to us from the 2023 Notes, including the exercise of the underwriters option, after deducting underwriting discounts of approximately $1.5 million and estimated offering expenses of $0.4 million, were approximately $48.1 million.

The 2023 Notes will mature on February 1, 2023 and bear interest at a rate of 5.875%. The 2023 Notes may be redeemed in whole or in part at any time or from time to time at our option on or after February 1, 2020. Interest on the 2023 Notes is payable quarterly on February 1, May 1, August 1 and November 1 of each year. The 2023 Notes are listed on the NASDAQ Global Select Market under the trading symbol FDUSL. As of March 31, 2019, the outstanding principal balance of the 2023 Notes was $50.0 million.

On February 8, 2019, we closed the public offering of approximately $60.0 million in aggregate principal amount of our 6.000% notes due 2024, or the 2024 Notes (and collectively with the 2023 Notes, the Public Notes ). On February 19, 2019, the underwriters exercised their option to purchase an additional $9.0 million in aggregate principal of the 2024 Notes. The total net proceeds to us from the 2024 Notes, including the exercise of the underwriters option, after deducting underwriting discounts of approximately $2.1 million and estimated offering expenses of $0.4 million, were approximately $66.5 million.

The 2024 Notes will mature on February 15, 2024 and bear interest at a rate of 6.000%. The 2024 Notes may be redeemed in whole or in part at any time or from time to time at our option on or after February 15, 2021. Interest on the 2024 Notes is payable quarterly on February 15, May 15, August 15 and November 15 of each year, beginning May 15, 2019. The 2024 Notes are listed on the NASDAQ Global Select Market under the trading symbol FDUSZ. As of March 31, 2019, the outstanding principal balance of the 2024 Notes was $69.0 million.

The Public Notes are unsecured obligations and rank pari passu with our future unsecured indebtedness; effectively subordinated to all of our existing and future secured indebtedness; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, financing vehicles, or similar facilities we may form in the future, with respect to claims on the assets of any such subsidiaries, financing vehicles, or similar facilities.

As of March 31, 2019, the weighted average stated interest rates for our SBA debentures and the Public Notes were 3.369% and 5.947%, respectively. As of March 31, 2019, we had $90.0 million of unutilized commitment under our Credit Facility, and we were subject to a 1.000% fee on such amount. As of March 31, 2019, the weighted average stated interest rate on total debt outstanding was 4.426%.

As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200.0%. This requirement limits the amount that we may borrow. We have received exemptive relief from the U.S. Securities and Exchange Commission ( SEC ) to allow us to exclude any indebtedness guaranteed by the SBA and issued by the Funds from the 200.0% asset coverage requirements, which, in turn, will enable us to fund more investments with debt capital. Recent legislation, however, modifies the required minimum asset coverage ratio from 200.0% to 150.0%, if certain requirements are met. Under the legislation, we are allowed to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when a quorum is present, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the legislation allows the majority of our independent directors to approve an increase in our leverage capacity, and such approval would

become effective after the one-year anniversary of such approval.

As a BDC, we are generally not permitted to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if our board of directors, including Independent Directors, determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale. On June 7, 2018, our stockholders voted to allow us to sell or otherwise issue common stock at a price below net asset value per share for a period of one year ending on the earlier of June 7, 2019 or the date of our 2019 Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our 2019 Annual Meeting of Stockholders. Our stockholders specified that the cumulative number of shares sold in each offering during the one-year period ending on the earlier of June 7, 2019 or the date of our 2019 Annual Meeting of Stockholders may not exceed 25.0% of our outstanding common stock immediately prior to each such sale.

*Stock Repurchase Program*

We have an open market stock repurchase program (the Stock Repurchase Program ) under which we may acquire up to $5.0 million of our outstanding common stock. Under the Stock Repurchase Program, we may, but are not obligated to, repurchase outstanding common stock in the open market from time to time provided that we comply with the prohibitions under our insider trading policies and the requirements of Rule 10b-18 of the Securities Exchange Act of 1934, as amended, including certain price, market value and timing constraints. The timing, manner, price and amount of any share repurchases will be determined by our management, in its discretion, based upon the evaluation of economic and market conditions, stock price, capital availability,

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applicable legal and regulatory requirements and other corporate considerations. On October 30, 2018, the Board extended the Stock Repurchase Program through December 31, 2019, or until the approved dollar amount has been used to repurchase shares. The Stock Repurchase Program does not require us to repurchase any specific number of shares and we cannot assure that any shares will be repurchased under the Stock Repurchase Program. The Stock Repurchase Program may be suspended, extended, modified or discontinued at any time. We did not make any repurchases of common stock during the three months ended March 31, 2019. During the three months ended March 31, 2018, we repurchased 44,821 shares of common stock on the open market for $0.6 million. Refer to Note 8 to our consolidated financial statements for additional information concerning stock repurchases.

**Critical Accounting Policies and Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make certain estimates and assumptions affecting amounts reported in the financial statements. We have identified investment valuation and revenue recognition as our most critical accounting estimates. We continuously evaluate our estimates, including those related to the matters described below. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions. A discussion of our critical accounting policies follows.

***Valuation of Portfolio Investments***

As a BDC, we report our assets and liabilities at fair value at all times consistent with GAAP and the 1940 Act. Accordingly, we are required to periodically determine the fair value of all of our portfolio investments.

Our investments generally consist of illiquid securities including debt and equity investments in lower middle-market companies. Investments for which market quotations are readily available are valued at such market quotations. Because we expect that there will not be a readily available market for substantially all of the investments in our portfolio, we value substantially all of our portfolio investments at fair value as determined in good faith by our board of directors using a documented valuation policy and consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the difference could be material.

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

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

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

our board of directors engages one or more independent valuation firm(s) to conduct independent appraisals of a selection of our portfolio investments for which market quotations are not readily available. Each portfolio company investment is generally appraised by the valuation firm(s) at least once every calendar year and each new portfolio company investment is appraised at least once in the twelve-month period following the initial investment. In certain instances, we may determine that it is not cost-effective, and as a result it is not in our stockholders best interest, to request the independent appraisal of certain portfolio company investments. Such instances include, but are not limited to, situations where we determine that the fair value of the portfolio company investment is relatively insignificant to the fair value of the total portfolio. Our board of directors consulted with the independent valuation firm(s) in arriving at our determination of fair value for 12 and 16 of our portfolio company investments representing 28.3% and 36.0% of the total portfolio investments at fair value (exclusive of new portfolio company investments made during the three months ended March 31, 2019 and December 31, 2018, respectively) as of March 31, 2019 and December 31, 2018, respectively;

the audit committee of our board of directors reviews the preliminary valuations of our investment advisor and of the independent valuation firm(s) and responds and supplements the valuation recommendations to reflect any comments; and

our board of directors discusses the valuations and determines the fair value of each investment in our portfolio in good faith, based on the input of our investment advisor, the independent valuation firm(s) and the audit committee.

In making the good faith determination of the value of portfolio investments, we start with the cost basis of the security. 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.

Consistent with the policies and methodologies adopted by our board of directors, we perform detailed valuations of our debt and equity investments, including an analysis on the Company s unfunded debt investment commitments, using both the market and income approaches as appropriate. Under the market approach, we typically use the enterprise value methodology to determine the fair value of an investment. There is no one methodology to estimate enterprise value and, in fact, for any one portfolio company,

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enterprise value is generally best expressed as a range of values, from which we derive a single estimate of enterprise value. Under the income approach, we typically prepare and analyze 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.

We evaluate investments in portfolio companies using the most recent portfolio company financial statements and forecasts. We also consult 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 our debt investments 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, we 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. Our discounted cash flow models estimate a range of fair values by applying an appropriate discount rate to the future cash flow streams of our debt investments, based on future interest and principal payments as set forth in the associated debt investment agreements. We prepare 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. We 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 and other fees; estimated remaining life; the nature and realizable value of any collateral securing such debt investment; and changes in the interest rate environment and the credit markets that generally may affect the price at which similar investments may be made. We estimate the remaining life of our debt investments to generally be the legal maturity date of the instrument, as we generally intend to hold debt investments to maturity. However, if we have information available to us that the debt investment is expected to be repaid in the near term, we would use an estimated remaining life based on the expected repayment date.

For our equity investments, including equity securities and warrants, we generally use 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, net income, revenues, or in limited cases, book value. In estimating the enterprise value of a portfolio company, we analyze various factors consistent with industry practice, including but not limited to original transaction multiples, the portfolio company s historical and projected financial results, applicable market trading and transaction comparables, applicable market yields and leverage levels, the nature and realizable value of any collateral, the markets in which the portfolio company does business, and comparisons of financial ratios of peer companies that are public. Where applicable, we consider our ability to influence the capital structure of the portfolio company, as well as the timing of a potential exit.

We may also utilize an income approach when estimating the fair value of our 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. We typically prepare and analyze discounted cash flow models based on projections of the future free cash flows (or earnings) of the portfolio company. We consider various factors, including but not limited to the portfolio company s projected financial results, applicable market trading and transaction comparables, applicable market yields and leverage levels, the markets in which the portfolio company does business, and comparisons of financial ratios of peer companies that are public.

The fair value of our royalty rights are calculated based on projected future cash flows and the specific provisions contained in the pertinent royalty agreement. The determination of the fair value of such royalty rights is not a significant component of our valuation process.

Determination of fair value involves subjective judgments and estimates. Accordingly, the notes to our consolidated financial statements express the uncertainties with respect to the possible effect of such valuations, and any changes in such valuations, on the consolidated financial statements.

***Revenue Recognition***

*Investments and related investment income.* Realized gains or losses on investments are recorded upon the sale or disposition of a portfolio investment and are calculated as the difference between the net proceeds from the sale or disposition and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation on the consolidated statements of operations includes changes in the fair value of investments from the prior period, as determined by our board of directors through the application of our valuation policy, as well as reclassifications of any prior period unrealized appreciation or depreciation on exited investments to realized gains or losses on investments.

*Interest and dividend income*. Interest and dividend income are recorded on the accrual basis to the extent that we expect to collect such amounts. Interest is accrued daily based on the outstanding principal amount and the contractual terms of the debt. Dividend income is recorded as dividends are declared or at the point an obligation exists for the portfolio company to make a

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distribution, and is generally recognized when received. Distributions from portfolio companies are evaluated to determine if the distribution is a distribution of earnings or a return of capital. Distributions of earnings are included in dividend income while a return of capital is recorded as a reduction in the cost basis of the investment. Estimates are adjusted as necessary after the relevant tax forms are received from the portfolio company.

*PIK income.* Certain of our investments contain a PIK income provision. The PIK income, computed at the contractual rate specified in the applicable investment agreement, is added to the principal balance of the investment, rather than being paid in cash, and recorded as interest or dividend income, as applicable, on the consolidated statements of operations. Generally, PIK can be paid-in-kind or all in cash. We stop accruing PIK income when there is reasonable doubt that PIK income will be collected. PIK income that has been contractually capitalized to the principal balance of the investment prior to the non-accrual designation date is not reserved against interest or dividend income, but rather is assessed through the valuation of the investment (with corresponding adjustments to unrealized depreciation, as applicable). PIK income is included in our taxable income and, therefore, affects the amount we are required to pay to our stockholders in the form of dividends in order to maintain our tax treatment as a RIC and to avoid paying corporate-level U.S. federal income tax, even though we have not yet collected the cash.

*Non-accrual.* Debt investments or preferred equity investments (for which we are accruing PIK dividends) 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 and dividend payments received on non-accrual investments may be recognized as interest or dividend income or applied to the investment principal balance based on management s judgment. Non-accrual investments are restored to accrual status when past due principal, interest or dividends are paid and, in management s judgment, are likely to remain current.

*Warrants.* In connection with our debt investments, we will sometimes receive warrants or other equity-related securities (Warrants). We determine the cost basis of Warrants based upon their respective fair values on the date of receipt in proportion to the total fair value of the debt and Warrants received. Any resulting difference between the face amount of the debt and its recorded fair value resulting from the assignment of value to the Warrants is treated as OID and accreted into interest income using the effective interest method over the term of the debt investment. Upon the prepayment of a debt investment, any unaccreted OID is accelerated into interest income.

*Fee income.* All transaction fees earned in connection with our investments are recognized as fee income and are generally non-recurring. Such fees typically include fees for services, including structuring and advisory services, provided to portfolio companies. We recognize income from fees for providing such structuring and advisory services when the services are rendered or the transactions are completed. Upon the prepayment of a debt investment, any prepayment penalties are recorded as fee income when earned.

We also typically receive debt investment origination or closing fees in connection with investments. Such debt investment origination and closing fees are capitalized as unearned income and offset against investment cost basis on our consolidated statements of assets and liabilities and accreted into interest income over the term of the investment. Upon the prepayment of a debt investment, any unaccreted debt investment origination and closing fees are accelerated into interest income.

**Recently Issued Accounting Standards**

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. We are currently evaluating the impact this ASU will have on our consolidated financial position or disclosures.

In March 2019, the SEC issued Final Rule Release No. 33-10618, *FAST Act Modernization and Simplification of Regulation S-K*, which amends certain SEC disclosure requirements. The amendments are intended to simplify certain disclosure requirements, improve readability and navigability of disclosure documents, and discourage repetition and disclosure of immaterial information. The amendments are effective for all filings submitted on or after May 2, 2019. We adopted the amendments effective May 2, 2019. As it pertains to us for this Form 10-Q, the amendments include certain presentation changes that are not significant to our consolidated financial position or disclosures. We are still evaluating the impact this amendment will have on our other future periodic filings and registration statements.

**Off-Balance Sheet Arrangements**

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. We had off-balance sheet arrangements consisting of outstanding commitments to fund various

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undrawn revolving loans, other debt investments and capital commitments totaling $10.2 million and $10.9 million as of March 31, 2019 and December 31, 2018, respectively. Such outstanding commitments are summarized in the following table (dollars in millions):

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| **Portfolio Company - Investment** | **Total Commitment** | **Unfunded Commitment** | **Total Commitment** | **Unfunded Commitment** |
| American AllWaste LLC (dba WasteWater Transport Services) - Delayed Draw Commitment - Term Loan-B | $ 3.0 | $ 2.1 | $ 3.0 | $ 2.3 |
| B&B Roadway and Security Solutions, LLC - Common Equity (Units) | 0.1 | 0.1 | 0.1 | 0.1 |
| FDS Avionics Corp. (dba Flight Display Systems) - Revolving Loan | 0.2 | | 0.2 | 0.1 |
| Mesa Line Services, LLC - Delayed Draw Term Loan Commitment | 3.0 | 2.2 | 4.0 | 3.1 |
| Oaktree Medical Centre, P.C. (dba Pain Management Associates) - Senior Secured Revolving Loan | 1.8 | 0.5 | | |
| Rhino Assembly Company, LLC - Delayed Draw Commitment | 0.9 | 0.9 | 0.9 | 0.9 |
| Safety Products Group, LLC - Common Equity (Units) | 2.9(1) | 2.9(1) | 2.9(1) | 2.9(1) |
| UBEO, LLC - Delayed Draw Term Loan Commitment | 1.5 | 1.5 | 1.5 | 1.5 |
| Total | $ 13.4 | $ 10.2 | $ 12.6 | $ 10.9 |

(1) Portfolio company was no longer held at period end. The commitment represents our maximum potential liability related to certain guaranteed obligations stemming from the prior sale of the portfolio company s underlying operations.

Additional detail for each of the commitments above is provided in our consolidated schedules of investments.

**Related Party Transactions**

We have entered into a number of business relationships with affiliated or related parties, including the following:

We have entered into the Investment Advisory Agreement with Fidus Investment Advisors, LLC, as our investment advisor. Pursuant to the agreement our investment advisor manages our day-to-day operating and investing activities. We pay our investment advisor a fee for its services under the Investment Advisory Agreement consisting of two components a base management fee and an incentive fee. See Note 5 to our consolidated financial statements.

Edward H. Ross, our Chairman and Chief Executive Officer, and Thomas C. Lauer, our President, are managers of Fidus Investment Advisors, LLC. In May 2015, Fidus Investment Advisors, LLC entered into a combination with Fidus Partners, LLC (the Combination ), by which members of Fidus Investment Advisors LLC and Fidus Partners, LLC ( Partners ) contributed all of their respective membership interest in Fidus Investment Advisors LLC and Partners to a newly formed limited liability company, Fidus Group Holdings, LLC ( Holdings ). As a result, Fidus Investment Advisors LLC is a wholly-owned subsidiary of Holdings, which is a limited liability company organized under the laws of Delaware.

We entered into the Administration Agreement with Fidus Investment Advisors, LLC to provide us with the office facilities and administrative services necessary to conduct day-to-day operations. See Note 5 to our consolidated financial statements.

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

In connection with the IPO and our election to be regulated as a BDC, we applied for and received exemptive relief from the SEC on March 27, 2012 to allow us to take certain actions that would otherwise be prohibited by the 1940 Act, as applicable to BDCs. The relief permits FIC and Fund I, each of which has elected to be treated as a BDC, to operate effectively as one company, specifically allowing them to: (1) engage in certain transactions with each other; (2) invest in securities in which the other is or proposes to be an investor; (3) file consolidated reports with the SEC; and (4) be subject to modified consolidated asset coverage requirements for senior securities issued by a BDC and its SBIC subsidiary. Fund II and Fund III have not elected to be treated as BDCs and are not party to this exemptive relief. The fourth exemption described above allows us to exclude any indebtedness guaranteed by the SBA and issued by Fund I from the asset coverage requirements applicable to us. Effective June 30, 2014, pursuant to separate exemptive relief from the SEC, any SBA debentures issued by Fund II and Fund III are not considered senior securities for purposes of the asset coverage requirements.

While we may co-invest with investment entities managed by our investment advisor or its affiliates, to the extent permitted by the 1940 Act and the rules and regulations thereunder, the 1940 Act imposes significant limits on co-investment. The SEC staff has granted us relief sought in an exemptive application that expands our ability to co-invest in portfolio companies with other funds managed by our investment advisor or its affiliates ( Affiliated Funds ) in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to compliance with certain conditions (the Order ). Pursuant to the Order, we are permitted to co-invest with our affiliates if a required majority

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(as defined in Section 57(o) of the 1940 Act) or our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching by us or our stockholders on the part of any person concerned, and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies.

In addition, we, Fund I and our investment advisor have each adopted a joint code of ethics pursuant to Rule 17j-1 under the 1940 Act that governs the conduct of our and our investment advisor s officers, directors and employees. Additionally, our investment advisor has adopted a code of ethics pursuant to rule 204A-1 under the Advisers Act and in accordance with Rule 17j-1(c) under the 1940 Act. We, and Fund I, have also adopted a code of business conduct that is applicable to all officers, directors and employees of Fidus and our investment advisor. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

**Recent Developments**

On April 24, 2019, we executed an amendment and restatement of our Credit Facility, whereby, among other things, the total commitments under the Credit Facility increased from $90 million to $100 million, the final maturity date was extended from June 16, 2019 to April 24, 2023, and the pricing on the Credit Facility was reduced from LIBOR plus 3.50% to LIBOR plus 3.00%. The amendment also includes an expansion of the accordion feature to $250 million to accommodate our further growth, and modifies certain covenants to the Credit Facility.

On April 29, 2019, our Board declared a regular quarterly dividend of $0.39 per share payable on June 21, 2019 to stockholders of record as of June 7, 2019.

On April 29, 2019, our Board, including a majority of the non-interested directors, approved a minimum asset coverage ratio of 150% under Sections 18(a)(1) and 18(a)(2) of the 1940 Act. As a result, the Company will become subject to the 150% asset coverage ratio effective as of April 29, 2020. See Item IA. Risk Factors Recent legislation may allow us to incur additional leverage.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are subject to financial market risks, including changes in interest rates. Changes in interest rates affect both our cost of funding and the valuation of our investment portfolio. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs. In the future, our investment income may also be affected by changes in various interest rates, including LIBOR and prime rates, to the extent of any debt investments that include floating interest rates. As of March 31, 2019 and December 31, 2018, eight and seven portfolio company s debt investments, respectively, bore interest at a variable rate, which represented $80.3 million and $75.9 million of our portfolio on a fair value basis, respectively, and the remainder of our debt portfolio was comprised entirely of fixed rate investments. Our pooled SBA debentures and our Public Notes bear interest at fixed rates. Our Credit Facility bears interest, subject to our election, on a per annum basis equal to (i) the alternate base rate plus 2.5% or (ii) the applicable LIBOR, which varies depending on the period of the borrowing under the Credit Facility, plus 3.5%. The alternate base rate is equal to the greater of (i) prime rate, (ii) the federal funds rate plus 0.5% or (iii) the three-month LIBOR plus 1.0%.

Because we currently borrow, and plan to borrow in the future, money to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest the funds borrowed. Accordingly, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income if there is not a corresponding increase in interest income generated by our investment portfolio.

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The following table shows the approximate annualized increase or decrease in the components of net investment income due to hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings as of March 31, 2019 (dollars in millions):

| Basis Point Increase (Decrease) | Interest Income Increase (Decrease) [1] | Interest Expense Increase (Decrease) [3] | Net Increase (Decrease) | Net Investment Income [2] |
|---|---|---|---|---|
| (200) | $ (1.0) | $ | $ (1.0) | $ (0.8) |
| (150) | (0.9) | | (0.9) | (0.7) |
| (100) | (0.7) | | (0.7) | (0.6) |
| (50) | (0.4) | | (0.4) | (0.3) |
| 50 | 0.4 | | 0.4 | 0.3 |
| 100 | 0.8 | | 0.8 | 0.6 |
| 150 | 1.2 | | 1.2 | 1.0 |
| 200 | 1.6 | | 1.6 | 1.3 |
| 250 | 2.0 | | 2.0 | 1.6 |
| 300 | 2.4 | | 2.4 | 1.9 |

(1) Certain of our variable rate debt investments have a LIBOR interest rate floor, which lessens the impact of decreases in interest rates.
(2) Includes the impact of income incentive fee at 20.0% on net increase (decrease) in net interest.
(3) As of March 31, 2019, we did not have any borrowings outstanding under our Credit Facility, and our remaining debt obligations all carry fixed interest rates.

**Item 4. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act) as of the end of the period covered by this report. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

*Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting during the first quarter of 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II OTHER INFORMATION

### Item 1. Legal Proceedings.

We are not, and our investment advisor is not, currently subject to any material legal proceedings.

### Item 1A. Risk Factors.

In addition to other information set forth in this report, including the risk factor below, you should carefully consider the Risk Factors discussed in our Form 10-K for the year ended December 31, 2018 and filed with the SEC on February 28, 2019, which are incorporated herein by reference. These Risk Factors could materially affect our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

***Recent legislation may allow us to incur additional leverage.***

The 1940 Act generally prohibits us from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). However, the Small Business Credit Availability Act, which was signed into law on March 23, 2018, has modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200% to an asset coverage ratio of 150%, if certain requirements are met. Under the legislation, we are allowed to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when a quorum is present, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the legislation allows the majority of our independent directors to approve an increase in our leverage capacity, and such approval would become effective after one year. In either case, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage.

As a result of this legislation, we may be able to increase our leverage up to an amount that reduces our asset coverage ratio from 200% to 150%. Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

On April 29, 2019, our Board, including a majority of the non-interested directors, approved a minimum asset coverage ratio of 150% under Sections 18(a)(1) and 18(a)(2) of the 1940 Act. As a result, we will become subject to the 150% asset coverage ratio effective as of April 29, 2020. At present time, we do not intend to seek stockholder approval to reduce our asset coverage requirement.

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

*Sales of Unregistered Securities*

None.

*Issuer Purchases of Equity Securities*

We have an open market stock repurchase program (the Stock Repurchase Program ) under which we may acquire up to $5.0 million of our outstanding common stock. Under the Stock Repurchase Program, we may, but are not obligated to, repurchase outstanding common stock in the open market from time to time provided that we comply with the prohibitions under our insider trading policies and the requirements of Rule 10b-18 of the Securities Exchange Act of 1934, as amended, including certain price, market value and timing constraints. The timing, manner, price and amount of any share repurchases will be determined by our management, in its discretion, based upon the evaluation of economic and market conditions, stock price, capital availability, applicable legal and regulatory requirements and other corporate considerations. On October 30, 2018, the Board extended the Stock Repurchase Program through December 31, 2019, or until the approved dollar amount has been used to repurchase shares. The Stock Repurchase Program does not require us to repurchase any specific number of shares and we cannot assure that any shares will be repurchased under the Stock Repurchase Program. The Stock Repurchase Program may be suspended, extended, modified or discontinued at any time.

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During the three months ended March 31, 2019, we did not make any repurchases of common stock under the Stock Repurchase Program. The following table provides information regarding such repurchases of our common stock (dollars in millions, except per share data):

| Period | Total Number of Shares Purchased [1] | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Stock Repurchase Program |
|---|---|---|---|---|
| January 1, 2019 through January 31, 2019 | | $ | | $ 4.4 |
| February 1, 2019 through February 28, 2019 | | | | 4.4 |
| March 1, 2019 through March 31, 2019 | | | | 4.4 |
| Total | | $ | | |

(1) Excludes shares purchased on the open market and reissued in order to satisfy the dividend reinvestment plan ( DRIP ) obligation to deliver shares of common stock in lieu of issuing new shares. During the three months ended March 31, 2019, we purchased and reissued shares of common stock to satisfy the DRIP obligation as follows:

| Period | Number of Shares Purchased and Reissued | Average Price Paid Per Share | Total Amount Paid |
|---|---|---|---|
| March 1, 2019 through March 31, 2019 | 21,855 | $ 15.25 | $ 0.3 |
| Total | 21,855 | $ 15.25 | $ 0.3 |

Refer to Note 8 to our consolidated financial statements for additional information concerning stock repurchases under our Stock Repurchase Program.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information.**

None.

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**Item 6. Exhibits.**

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

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## EXHIBIT INDEX

| Number | Exhibit |
|---|---|
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| 32.1 | Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

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## SIGNATURES

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

**FIDUS INVESTMENT CORPORATION**

Date: May 2, 2019

/s/ EDWARD H. ROSS
Edward H. Ross
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 2, 2019

/s/ SHELBY E. SHERARD
Shelby E. Sherard
Chief Financial Officer

(Principal Financial and Accounting Officer)