

POPULAR INC  
Form 4  
May 30, 2013

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2015  
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**GOODWIN C KIM**

(Last) (First) (Middle)  
  
P. O. BOX 362708  
  
(Street)  
  
SAN JUAN, PR 00936-2708  
  
(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
**POPULAR INC [BPOP]**

3. Date of Earliest Transaction  
(Month/Day/Year)  
**05/28/2013**

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(D)	Price
Common Stock Par Value \$0.01 per share	05/28/2013	05/28/2013	J <sup>(1)</sup>		2,016	A	\$ 0 23,155
						D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 5)
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## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GOODWIN C KIM P. O. BOX 362708 SAN JUAN, PR 00936-2708	X			

## Signatures

Marie Reyes-Rodriguez, 05/30/2013  
 Attorney-in-fact

\_\_Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Award of Restricted Stock pursuant to Popular, Inc.'s 2004 Omnibus Incentive Plan. The restriction of such restricted stock award lapses upon the retirement of the director.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. , our charter provides that stockholders will not be entitled to exercise appraisal rights unless a majority of the board of directors shall determine such rights apply.

### Control Share Acquisitions

The Maryland General Corporation Law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the

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votes entitled to be cast on the matter (the Control Share Act ). Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth or more but less than one-third;

one-third or more but less than a majority; or

a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations, including, as provided in our bylaws compliance with the 1940 Act. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation. Our bylaws contain a provision exempting from the Control Share Act any and all acquisitions by any person of our shares of stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Act only if the board of directors determines that it would be in our best interests and if the SEC staff does not object to our determination that our being subject to the Control Share Act does not conflict with the 1940 Act.

## **Business Combinations**

Explanation of Responses:

Under Maryland law, business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder (the Business Combination Act ). These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

any person who beneficially owns 10.0% or more of the voting power of the corporation's outstanding voting stock; or

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an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10.0% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which the stockholder otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

80.0% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution, subject to the provisions of the 1940 Act, that any business combination between us and any other person is exempted from the provisions of the Business Combination Act, provided that the business combination is first approved by the board of directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. This resolution may be altered or repealed in whole or in part at any time; however, our board of directors will adopt resolutions so as to make us subject to the provisions of the Business Combination Act only if the board of directors determines that it would be in our best interests and if the SEC staff does not object to our determination that our being subject to the Business Combination Act does not conflict with the 1940 Act. If this resolution is repealed, or the board of directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

### **Conflict with 1940 Act**

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, including the Control Share Act (if we amend our bylaws to be subject to such Act) and the Business Combination Act, or any provision of our charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

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**DESCRIPTION OF OUR PREFERRED STOCK**

Our charter authorizes our board of directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the board of directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption for each class or series. Thus, our board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act.

The 1940 Act generally requires that (1) immediately after issuance and before any distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50.0% of our total assets less liabilities not represented by indebtedness, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if distributions on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a BDC. Further, the 1940 Act requires that any distributions we make on preferred stock be cumulative. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

For any series of preferred stock that we may issue, our board of directors will determine and the prospectus supplement relating to such series will describe:

the designation and number of shares of such series;

the rate and time at which, and the preferences and conditions under which, any distributions will be paid on shares of such series, as well as whether such distributions are participating or non-participating;

any provisions relating to convertibility or exchangeability of the shares of such series;

the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;

the voting powers, if any, of the holders of shares of such series;

any provisions relating to the redemption of the shares of such series;

any limitations on our ability to pay distributions on, or acquire or redeem, other securities while shares of such series are outstanding;

any conditions or restrictions on our ability to issue additional shares of such series or other securities;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other relative power, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.

The preferred stock may be either fixed rate preferred stock or variable rate preferred stock, which is sometimes referred to as auction rate preferred stock. All shares of preferred stock that we may issue will be identical and of equal rank except as to the particular terms thereof that may be fixed by our board of directors, and all shares of each series of preferred stock will be identical and of equal rank except as to the dates from which cumulative distributions, if any, thereon will be cumulative. If we issue shares of preferred stock, holders

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of such preferred stock will be entitled to receive cash distributions at an annual rate that will be fixed or will vary for the successive distribution periods for each series. In general, the distribution periods for fixed rate preferred stock can range from quarterly to weekly and are subject to extension. The distribution rate to be variable and determined for each distribution period.



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**DESCRIPTION OF OUR SUBSCRIPTION RIGHTS**

We may issue subscription rights to purchase common stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with any subscription rights offering to our stockholders, we may enter into a standby underwriting or other arrangement with one or more underwriters or other persons pursuant to which such underwriters or other persons would purchase any offered securities remaining unsubscribed for after such subscription rights offering. We will not offer transferable subscription rights to our stockholders at a price equivalent to less than the then current net asset value per share of common stock, excluding underwriting commissions, unless we first file a post-effective amendment that is declared effective by the SEC with respect to such issuance and the common stock to be purchased in connection with the rights represents no more than one-third of our outstanding common stock at the time such rights are issued. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering. Our common stockholders will indirectly bear the expenses of such subscription rights offerings, regardless of whether our common stockholders exercise any subscription rights.

The applicable prospectus supplement would describe the following terms of subscription rights in respect of which this prospectus is being delivered:

the title of such subscription rights;

the exercise price or a formula for the determination of the exercise price for such subscription rights;

the number or a formula for the determination of the number of such subscription rights issued to each stockholder;

the extent to which such subscription rights are transferable;

if applicable, a discussion of the material U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;

the date on which the right to exercise such subscription rights would commence, and the date on which such rights shall expire (subject to any extension);

the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities;

if applicable, the material terms of any standby underwriting or other purchase arrangement that we may enter into in connection with the subscription rights offering; and

any other terms of such subscription rights, including terms, procedures and limitations relating to the exchange and exercise of such subscription rights.

**Exercise of Subscription Rights**

Each subscription right would entitle the holder of the subscription right to purchase for cash such amount of shares of common stock or other securities at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby or another report filed with the SEC. Subscription rights may be exercised at any time up to the close of business on the expiration date for such subscription rights set forth in the applicable prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights would become void. We have not previously completed such an offering of subscription rights.

Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offered thereby. Upon receipt of payment and the subscription rights certificate properly completed and

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duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement, we will forward, as soon as practicable, the shares of common stock or other securities purchasable upon such exercise. We may determine to offer any unsubscribed offered securities directly to stockholders, persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, including pursuant to standby underwriting or other arrangements, as set forth in the applicable prospectus supplement.

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**DESCRIPTION OF OUR DEBT SECURITIES**

We may issue debt securities in one or more series. The specific terms of each series of debt securities will be described in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an indenture. An indenture is a contract between us and the financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under **Events of Default Remedies** if an Event of Default Occurs. Second, the trustee performs certain administrative duties for us with respect to our debt securities.

This section includes a description of the material provisions of the indenture. Because this section is a summary, however, it does not describe every aspect of the debt securities and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. A copy of the form of indenture is attached as an exhibit to the registration statement of which this prospectus is a part. We will file a supplemental indenture with the SEC in connection with any debt offering, at which time the supplemental indenture would be publicly available. See **Available Information** for information on how to obtain a copy of the indenture.

The prospectus supplement, which will accompany this prospectus, will describe the particular series of debt securities being offered by including:

the designation or title of the series of debt securities;

the total principal amount of the series of debt securities;

the percentage of the principal amount at which the series of debt securities will be offered;

the date or dates on which principal will be payable;

the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;

the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;

whether any interest may be paid by issuing additional securities of the same series in lieu of cash (and the terms upon which any such interest may be paid by issuing additional securities);

the terms for redemption, extension or early repayment, if any;

the currencies in which the series of debt securities are issued and payable;

whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;

the place or places, if any, other than or in addition to the Borough of Manhattan in the City of New York, of payment, transfer, conversion and/or exchange of the debt securities;

the denominations in which the offered debt securities will be issued (if other than \$1,000 and any integral multiple thereof);

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the provision for any sinking fund;

any restrictive covenants;

any Events of Default (as defined in Events of Default below);

whether the series of debt securities are issuable in certificated form;

any provisions for defeasance or covenant defeasance;

any special U.S. federal income tax implications, including, if applicable, U.S. federal income tax considerations relating to original issue discount;

whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);

any provisions for convertibility or exchangeability of the debt securities into or for any other securities;

whether the debt securities are subject to subordination and the terms of such subordination;

whether the debt securities are secured and the terms of any security interest;

the listing, if any, on a securities exchange; and

any other terms.

The debt securities may be secured or unsecured obligations. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

As a BDC, under the 1940 Act, generally we are permitted to issue debt only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of debt, but giving effect to any exemptive relief granted to us by the SEC. For a discussion of pending legislation that may allow us to incur additional leverage, see Risk Factors Risks Related to Our Business and Structure Pending legislation may allow us to incur additional leverage.

As a BDC, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.

## General

The indenture provides that any debt securities proposed to be sold under this prospectus and the accompanying prospectus supplement ( offered debt securities ) and any debt securities issuable upon the exercise of warrants or upon conversion or exchange of other offered securities ( underlying debt securities ) may be issued under the indenture in one or more series.

For purposes of this prospectus, any reference to the payment of principal of, or premium or interest, if any, on, debt securities will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the indenture securities. The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See Resignation of Trustee below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term indenture securities means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the

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powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

Except as described under **Events of Default** and **Merger or Consolidation** below, the indenture does not contain any provisions that give you protection in the event we issue a large amount of debt or we are acquired by another entity.

We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants, as applicable, that are described below, including any addition of a covenant or other provision providing event risk protection or similar protection.

We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

## **Conversion and Exchange**

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain the terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion price or the exchange ratio, and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement.

## **Issuance of Securities in Registered Form**

We may issue the debt securities in registered form, in which case we may issue them either in book-entry form only or in **certificated** form. Debt securities issued in book-entry form will be represented by global securities. We expect that we will usually issue debt securities in book-entry only form represented by global securities.

## ***Book-Entry Holders***

We will issue registered debt securities in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. This means debt securities will be represented by one or more global securities registered in the name of a depositary that will hold them on behalf of financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities held by the depositary or its nominee. These institutions may hold these interests on behalf of themselves or customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in book-entry form, we will recognize only the depositary as the holder of the debt securities and we will make all payments on the debt securities to the depositary. The depositary will then pass along the payments it receives to its participants, which in turn will pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities.





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As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the debt securities are represented by one or more global securities, investors will be indirect holders, and not holders, of the debt securities.

### ***Street Name Holders***

In the future, we may issue debt securities in certificated form or terminate a global security. In these cases, investors may choose to hold their debt securities in their own names or in street name. Debt securities held in street name are registered in the name of a bank, broker or other financial institution chosen by the investor, and the investor would hold a beneficial interest in those debt securities through the account he or she maintains at that institution.

For debt securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities, and we will make all payments on those debt securities to them. These institutions will pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect holders, and not holders, of the debt securities.

### ***Legal Holders***

Our obligations, as well as the obligations of the applicable trustee and those of any third parties employed by us or the applicable trustee, run only to the legal holders of the debt securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a debt security or has no choice because we are issuing the debt securities only in book-entry form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture), we would seek the approval only from the holders, and not the indirect holders, of the debt securities. Whether and how the holders contact the indirect holders is up to the holders.

When we refer to you in this Description of Our Debt Securities, we mean those who invest in the debt securities being offered by this prospectus, whether they are the holders or only indirect holders of those debt securities. When we refer to your debt securities, we mean the debt securities in which you hold a direct or indirect interest.

### ***Special Considerations for Indirect Holders***

If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, we urge you to check with that institution to find out:

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle a request for the holders' consent, if ever required;

whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future for a particular series of debt securities;

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how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests; and

if the debt securities are in book-entry form, how the depository's rules and procedures will affect these matters.

### **Global Securities**

As noted above, we usually will issue debt securities as registered securities in book-entry form only. A global security represents one or any other number of individual debt securities. Generally, all debt securities represented by the same global securities will have the same terms.

Each debt security issued in book-entry form will be represented by a global security that we deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depository. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all debt securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depository or its nominee, unless special termination situations arise. We describe those situations below under **Termination of a Global Security**. As a result of these arrangements, the depository, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depository or with another institution that has an account with the depository. Thus, an investor whose security is represented by a global security will not be a holder of the debt security, but only an indirect holder of a beneficial interest in the global security.

### ***Special Considerations for Global Securities***

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. The depository that holds the global security will be considered the holder of the debt securities represented by the global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

an investor cannot cause the debt securities to be registered in his or her name and cannot obtain certificates for his or her interest in the debt securities, except in the special situations we describe below;

an investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under **Issuance of Securities in Registered Form** above;

an investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;

an investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

the depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security. We and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in a global security. We and the trustee also do not supervise the depositary in any way;

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if we redeem less than all the debt securities of a particular series being redeemed, DTC's practice is to determine by lot the amount to be redeemed from each of its participants holding that series;

an investor is required to give notice of exercise of any option to elect repayment of its debt securities, through its participant, to the applicable trustee and to deliver the related debt securities by causing its participant to transfer its interest in those debt securities, on DTC's records, to the applicable trustee;

DTC requires that those who purchase and sell interests in a global security deposited in its book-entry system use immediately available funds; your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security; and

financial institutions that participate in the depository's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the debt securities; there may be more than one financial intermediary in the chain of ownership for an investor; we do not monitor and are not responsible for the actions of any of those intermediaries.

### ***Termination of a Global Security***

If a global security is terminated for any reason, interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of legal holders and street name investors under Issuance of Securities in Registered Form above.

The prospectus supplement may list situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. If a global security is terminated, only the depository, and not we or the applicable trustee, is responsible for deciding the investors in whose names the debt securities represented by the global security will be registered and, therefore, who will be the holders of those debt securities.

### **Payment and Paying Agents**

We will pay interest to the person listed in the applicable trustee's records as the owner of the debt security at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That day, usually about two weeks in advance of the interest due date, is called the record date. Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called accrued interest.

### ***Payments on Global Securities***

We will make payments on a global security in accordance with the applicable policies of the depository as in effect from time to time. Under those policies, we will make payments directly to the depository, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments

will be governed by the rules and practices of the depositary and its participants, as described under Special Considerations for Global Securities.

*Payments on Certificated Securities*

We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payment date to the holder of debt securities as shown on the trustee's records as of the close of business

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on the regular record date at our office and/or at other offices that may be specified in the prospectus supplement. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee and/or at other offices that may be specified in the prospectus supplement or in a notice to holders against surrender of the debt security.

Alternatively, at our option, we may pay any cash interest that becomes due on the debt security by mailing a check to the holder at his, her or its address shown on the trustee's records as of the close of business on the regular record date or by transfer to an account at a bank in the United States, in either case, on the due date.

### ***Payment When Offices Are Closed***

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.

## **Events of Default**

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as described later in this subsection.

The term "Event of Default" in respect of the debt securities of your series means any of the following:

we do not pay the principal of, or any premium on, a debt security of the series within five days of its due date;

we do not pay interest on a debt security of the series when due, and such default is not cured within 30 days;

we remain in breach of a covenant in respect of debt securities of the series for 60 days after we receive a written notice of default stating we are in breach (the notice must be sent by either the trustee or holders of at least 25% of the principal amount of the debt securities of the series);

we file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 90 days;

the series of debt securities has an asset coverage, as such term is defined in the 1940 Act, of less than 100% on the last business day of each of twenty-four consecutive calendar months, after giving effect to any



exemptive relief granted to the Company by the SEC; or

any other Event of Default in respect of debt securities of the series described in the prospectus supplement occurs.

An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of the debt securities of any default, except in the payment of principal, premium, interest, or sinking or purchase fund installment, if it in good faith considers the withholding of notice to be in the interest of the holders.

***Remedies if an Event of Default Occurs***

If an Event of Default has occurred and is continuing, the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of the affected series may (and the trustee shall at the request

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of such holders) declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the outstanding debt securities of the affected series if (1) we have deposited with the trustee all amounts due and owing with respect to the securities (other than principal that has become due solely by reason of such acceleration) and certain other amounts, and (2) any other Events of Default have been cured or waived.

The trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee protection from expenses and liability reasonably satisfactory to it (called an indemnity). If indemnity reasonably satisfactory to the trustee is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

you must give the trustee written notice that an Event of Default with respect to the relevant debt securities has occurred and remains uncured;

the holders of at least 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default and must offer the trustee indemnity, security or both reasonably satisfactory to it against the cost, expenses, and other liabilities of taking that action;

the trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity and/or security; and

the holders of a majority in principal amount of the outstanding debt securities of that series must not have given the trustee a direction inconsistent with the above notice during that 60-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or after the due date.

**Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.**

Each year, we will furnish to each trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the debt securities, or else specifying any default.

## *Waiver of Default*

Holders of a majority in principal amount of the outstanding debt securities of the affected series may waive any past defaults other than a default:

in the payment of principal or interest; or

in respect of a covenant that cannot be modified or amended without the consent of each holder.

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**Merger or Consolidation**

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell all or substantially all of our assets to another entity. However, we may not take any of these actions unless all the following conditions are met:

where we merge out of existence or convey or transfer our assets substantially as an entirety, the resulting entity must agree to be legally responsible for our obligations under the debt securities;

the merger or sale of assets must not cause a default on the debt securities and we must not already be in default (unless the merger or sale would cure the default). For purposes of this no-default test, a default would include an Event of Default that has occurred and has not been cured, as described under "Events of Default" above. A default for this purpose would also include any event that would be an Event of Default if the requirements for giving us a notice of default or our default having to exist for a specific period of time were disregarded;

we must deliver certain certificates and documents to the trustee; or

we must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

**Modification or Waiver**

There are three types of changes we can make to the indenture and the debt securities issued thereunder.

***Changes Requiring Your Approval***

First, there are changes that we cannot make to your debt securities without your specific approval. The following is a list of those types of changes:

change the stated maturity of the principal of or interest on a debt security or the terms of any sinking fund with respect to any security;

reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of an original issue discount or indexed security following a default or upon the redemption thereof or the amount thereof provable in a bankruptcy proceeding;

adversely affect any right of repayment at the holder's option;

change the place or currency of payment on a debt security (except as otherwise described in the prospectus or prospectus supplement);

impair your right to sue for payment;

adversely affect any right to convert or exchange a debt security in accordance with its terms;

modify the subordination provisions in the indenture in a manner that is adverse to outstanding holders of the debt securities;

reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults;

modify any other aspect of the provisions of the indenture dealing with supplemental indentures with the consent of holders, waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants; and

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change any obligation we have to pay additional amounts.

***Changes Not Requiring Approval***

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications, establishment of the form or terms of new securities of any series as permitted by the indenture and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. We also do not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

***Changes Requiring Majority Approval***

Any other change to the indenture and the debt securities would require the following approval:

if the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series; and

if the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

In each case, the required approval must be given by written consent.

The holders of a majority in principal amount of a series of debt securities issued under the indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants applicable to that series of debt securities. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under **Changes Requiring Your Approval**.

**Further Details Concerning Voting**

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

for original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities were accelerated to that date because of a default;

for debt securities whose principal amount is not known (for example, because it is based on an index), we will use the principal face amount at original issuance or a special rule for that debt security described in the prospectus supplement; and

for debt securities denominated in one or more foreign currencies, we will use the U.S. dollar equivalent. Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption or if we, any other obligor, or any affiliate of us or any obligor own such debt securities. Debt securities will also not be eligible to vote if they have been fully defeased as described later

under Defeasance Full Defeasance.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. However, the record date may not be more than 30 days before the date of the first solicitation of holders to vote on or take such action. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

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**Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.**

**Defeasance**

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

***Covenant Defeasance***

Under current U.S. federal tax law and the indenture, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. If we achieved covenant defeasance and your debt securities were subordinated as described under Indenture Provisions Subordination below, such subordination would not prevent the trustee under the indenture from applying the funds available to it from the deposit described in the first bullet below to the payment of amounts due in respect of such debt securities for the benefit of the subordinated debt holders. In order to achieve covenant defeasance, we must do the following:

we must deposit in trust for the benefit of all holders of a series of debt securities a combination of cash (in such currency in which such securities are then specified as payable at stated maturity) or government obligations applicable to such securities (determined on the basis of the currency in which such securities are then specified as payable at stated maturity) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates and any mandatory sinking fund payments or analogous payments;

we must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit;

we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers certificate stating that all conditions precedent to covenant defeasance have been complied with;

defeasance must not result in a breach or violation of, or result in a default under, of the indenture or any of our other material agreements or instruments;

no default or event of default with respect to such debt securities shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days; and



satisfy the conditions for covenant defeasance contained in any supplemental indentures.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Default occurred (such as our bankruptcy) and the debt securities became immediately due and payable, there might be such a shortfall. However, there is no assurance that we would have sufficient funds to make payment of the shortfall.

***Full Defeasance***

If there is a change in U.S. federal tax law or we obtain an IRS ruling, as described in the second bullet below, we can legally release ourselves from all payment and other obligations on the debt securities of a

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particular series (called full defeasance ) if we put in place the following other arrangements for you to be repaid:

we must deposit in trust for the benefit of all holders of a series of debt securities a combination of cash (in such currency in which such securities are then specified as payable at stated maturity) or government obligations applicable to such securities (determined on the basis of the currency in which such securities are then specified as payable at stated maturity) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates and any mandatory sinking fund payments or analogous payments;

we must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit. Under current U.S. federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securities at the time of the deposit;

we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with;

defeasance must not result in a breach or violation of, or constitute a default under, of the indenture or any of our other material agreements or instruments;

no default or event of default with respect to such debt securities shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days; and

satisfy the conditions for full defeasance contained in any supplemental indentures.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. If your debt securities were subordinated as described later under Indenture Provisions Subordination , such subordination would not prevent the trustee under the indenture from applying the funds available to it from the deposit referred to in the first bullet of the preceding paragraph to the payment of amounts due in respect of such debt securities for the benefit of the subordinated debt holders.

**Form, Exchange and Transfer of Certificated Registered Securities**

If registered debt securities cease to be issued in book-entry form, they will be issued:

only in fully registered certificated form;

without interest coupons; and

unless we indicate otherwise in the prospectus supplement, in denominations of \$1,000 and amounts that are multiples of \$1,000.

Holders may exchange their certificated securities for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed and as long as the denomination is greater than the minimum denomination for such securities.

Holders may exchange or transfer their certificated securities at the office of the trustee. We have appointed the trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves.

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Holders will not be required to pay a service charge to transfer or exchange their certificated securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in the prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that series, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

If a registered debt security is issued in book-entry form, only the depository will be entitled to transfer and exchange the debt security as described in this subsection, since it will be the sole holder of the debt security.

## **Resignation of Trustee**

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series and has accepted such appointment. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

## **Indenture Provisions Subordination**

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all Senior Indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Senior Indebtedness has been made or duly provided for in money or money's worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities, upon our dissolution, winding up, liquidation or reorganization before all Senior Indebtedness is paid in full, the payment or distribution received by the trustee in respect of such subordinated debt securities or by the holders of any of such subordinated debt securities must be paid over to the holders of the Senior Indebtedness or on their behalf for application to the payment of all the Senior Indebtedness remaining unpaid until all the Senior Indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the Senior Indebtedness to the extent of payments made to the holders of the Senior Indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities or the holders of

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any indenture securities that are not Senior Indebtedness. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

Senior Indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed, that we have designated as Senior Indebtedness for purposes of the indenture and in accordance with the terms of the indenture (including any indenture securities designated as Senior Indebtedness), and

renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of our Senior Indebtedness and of our other Indebtedness outstanding as of a recent date.

## **Secured Indebtedness and Ranking**

Certain of our indebtedness, including certain series of indenture securities, may be secured. The prospectus supplement for each series of indenture securities will describe the terms of any security interest for such series and will indicate the approximate amount of our secured indebtedness as of a recent date. Any unsecured indenture securities will effectively rank junior to any secured indebtedness, including any secured indenture securities, that we incur in the future to the extent of the value of the assets securing such future secured indebtedness. The debt securities, whether secured or unsecured, of the Company will rank structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles, or similar facilities.

In the event of our bankruptcy, liquidation, reorganization or other winding up, any of our assets that secure secured debt will be available to pay obligations on unsecured debt securities only after all indebtedness under such secured debt has been repaid in full from such assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all unsecured debt securities then outstanding after fulfillment of this obligation. As a result, the holders of unsecured indenture securities may recover less, ratably, than holders of any of our secured indebtedness.

## **The Trustee under the Indenture**

We intend to use a nationally recognized financial institution to serve as the trustee under the indenture.

## **Certain Considerations Relating to Foreign Currencies**

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.



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**DESCRIPTION OF OUR WARRANTS**

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock, preferred stock or debt securities. Such warrants may be issued independently or together with shares of common or preferred stock or a specified principal amount of debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies, including composite currencies, in which the price of such warrants may be payable;

if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;

in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;

the date on which the right to exercise such warrants shall commence and the date on which such right will expire;



whether such warrants will be issued in registered form or bearer form;

if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;

if applicable, the date on and after which such warrants and the related securities will be separately transferable;

information with respect to book-entry procedures, if any;

the terms of the securities issuable upon exercise of the warrants;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

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Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premium, if any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture or, in the case of warrants to purchase common stock or preferred stock, the right to receive distributions, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants provided that (1) the warrants expire by their terms within ten years; (2) the exercise or conversion price is not less than the current market value at the date of issuance; (3) our stockholders authorize the proposal to issue such warrants, and our board of directors approves such issuance on the basis that the issuance is in our best interests and our stockholders; and (4) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants at the time of issuance may not exceed 25.0% of our outstanding voting securities. Our stockholders voted to allow us to issue warrants at our 2012 Annual Meeting of Stockholders.

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**REGULATION**

We and Fund I have elected to be treated as BDCs under the 1940 Act and we intend to elect to be treated as a RIC under Subchapter M of the Code. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates (including any investment advisors), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than interested persons, as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities, as that term is defined in the 1940 Act.

We may invest up to 100.0% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an underwriter as that term is defined in the Securities Act. Our intention is to not write (sell) or buy put or call options to manage risks associated with any publicly-traded securities that may from time-to-time be held by our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate fluctuations. However, we may purchase or otherwise receive warrants to purchase the common stock of our portfolio companies in connection with acquisition financing or other investments. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3.0% of the total outstanding voting stock of any investment company, invest more than 5.0% of the value of our total assets in the securities of one investment company or invest more than 10.0% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. These policies are not fundamental and, as a result, each may be changed by the vote of a majority of our board of directors without stockholder approval.

**Qualifying Assets**

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70.0% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

- (a) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer that:

is organized under the laws of, and has its principal place of business in, the U.S.;

is not an investment company (other than a small business investment company wholly-owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940

Act; and

satisfies either of the following:

does not have any class of securities listed on a national securities exchange or has any class of securities listed on a national securities exchange subject to a \$250.0 million market capitalization maximum; or

is controlled by a BDC or a group of companies including a BDC, the BDC actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result, the BDC has an affiliated person who is a director of the eligible portfolio company.

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- (b) Securities of any eligible portfolio company which we control.
  
- (c) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident to such a private transaction, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities, was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
  
- (d) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60.0% of the outstanding equity of the eligible portfolio company.
  
- (e) Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such securities.
  
- (f) Cash, cash equivalents, U.S. government securities or high-quality debt securities that mature in one year or less from the date of investment.

The regulations defining qualifying assets may change over time. We may adjust our investment focus as needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

**Managerial Assistance to Portfolio Companies**

A BDC must be organized and have its principal place of business in the U.S. and must be operated for the purpose of making investments in the types of securities described in (a), (b) or (c) above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70.0% test, the BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities significant managerial assistance; except that, when the BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. Our investment advisor, acting as our administrator, has agreed to provide such managerial assistance on our behalf to portfolio companies that request this assistance. We may receive fees for these services and will reimburse our investment advisor, acting as our administrator, for its allocated costs in providing such assistance.

**Temporary Investments**

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt investments that mature in one year or less from the date of investment, which we refer to, collectively, as temporary investments, so that 70.0% of our assets are invested in qualifying assets or temporary investments. We may from time to time invest in U.S. Treasury bills or in repurchase agreements, so long as the agreements are fully collateralized by cash or securities issued by the U.S. government, including securities issued by certain U.S. government agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by

the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25.0% of our total assets constitute repurchase agreements from a single counterparty (other than repurchase agreements fully collateralized by U.S. government securities), we would not satisfy the asset diversification requirements for qualification as a RIC for U.S. federal income tax purposes. Accordingly, we do not intend to enter into any such repurchase agreements that would cause us to fail such asset diversification requirements. Our investment advisor monitors the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

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### **Senior Securities**

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200.0% immediately after each such issuance (exclusive of the SBA debentures pursuant to our SEC exemptive relief). In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5.0% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see Risk Factors Risks Relating to Our Business and Structure Regulations governing our operation as a BDC affect our ability to raise, and the way in which we raise, additional capital which may have a negative effect on our growth.

The SEC has proposed a new rule under the 1940 Act that would govern financial commitment transactions (defined to include reverse repurchase agreements, short sale borrowings and any firm or standby commitment agreement or similar agreement) by BDCs. Under the proposed rule, a BDC would be required to comply with one of two alternative portfolio limitations, one of which would have the effect of treating such financial commitment transactions as senior securities. There are no assurances as to when the SEC will adopt a final version of the proposed rules or as to the form that the final rules will take.

### **Codes of Ethics**

We, Fund I and our investment advisor have adopted a joint code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. 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). Personnel subject to the code of ethics may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. You may read and copy these codes at the SEC's Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0300. You may also obtain copies of the joint code of ethics, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549. The joint code of ethics is also available on our website at [www.fidus.com](http://www.fidus.com). We have also adopted a code of business conduct that is applicable to all officers, directors and employees of Fidus and our investment advisor that is available on our website.

### **Proxy Voting Policies and Procedures**

In light of the types of investments held in our portfolio, it is unlikely that we will be called upon to vote our shares very often. In the event that we receive a proxy statement related to one of our portfolio companies, however, we have delegated our proxy voting responsibility to our investment advisor. The proxy voting policies and procedures of our investment advisor are set out below. The guidelines are reviewed periodically by our investment advisor and our Independent Directors, and, accordingly, are subject to change. For purposes of these proxy voting policies and procedures described below, we, our and us refer to our investment advisor.

### **Introduction**

As an investment adviser registered under the Advisers Act, our investment advisor has a fiduciary duty to act solely in our best interests. As part of this duty, our investment advisor recognizes that it must vote our securities in a timely manner free of conflicts of interest and in our best interests.

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Our investment advisor's policies and procedures for voting proxies for its investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.



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### ***Proxy Policies***

Our investment advisor will vote proxies relating to our portfolio securities in what it perceives to be the best interest of our stockholders. Our investment advisor reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine its effect on the portfolio securities we hold. In most cases our investment advisor will vote in favor of proposals that it believes are likely to increase the value of the portfolio securities we hold. Although our investment advisor will generally vote against proposals that may have a negative effect on our portfolio securities, our investment advisor may vote for such a proposal if there exist compelling long-term reasons to do so.

Proxy voting decisions are made by our investment advisor's senior investment professionals who are responsible for monitoring each of our portfolio investments. To ensure that our investment advisor's vote is not the product of a conflict of interest, our investment advisor requires that (a) anyone involved in the decision-making process disclose to our chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision-making process or vote administration are prohibited from revealing how our investment advisor intends to vote on a proposal in order to reduce any attempted influence from interested parties. Where conflicts of interest may be present, our investment advisor will disclose such conflicts to us, including our Independent Directors, and may request guidance from us on how to vote such proxies.

### ***Proxy Voting Records***

You may obtain information about how our investment advisor voted proxies for us by making a written request for proxy voting information to: Fidus Investment Corporation, 1603 Orrington Avenue, Suite 1005, Evanston, Illinois 60201, Attention: Investor Relations, or by calling Fidus Investment Corporation collect at (847) 859-3940.

### **Compliance Policies and Procedures**

We, Fund I and our investment advisor have each adopted and implemented written policies and procedures reasonably designed to prevent violation of federal securities laws and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation. Our chief compliance officer is responsible for administering these policies and procedures.

### **Other**

Under the 1940 Act, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our Independent Directors and, in some cases, prior approval by the SEC. On March 27, 2012, the SEC granted us and Fund I exemptive relief allowing us to operate effectively as one company and to take certain actions, including engaging in certain transactions with our affiliates, and to be subject to modified consolidated asset coverage requirements for senior securities issued by a BDC, that would otherwise be prohibited by the 1940 Act. Effective September 30, 2014, our exemptive relief was amended to include Fund II. Therefore, any SBA debentures issued by Fund II are not subject to the 200.0% asset coverage requirement.



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**Small Business Administration Regulations**

The Funds are licensed by the SBA to operate as SBICs under Section 301(c) of the Small Business Investment Act of 1958. Fund I received its SBIC license on October 22, 2007 and Fund II received its SBIC license on May 28, 2013. We may issue SBA debentures to fund additional investments through the Funds.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs can provide financing in the form of debt and/or equity securities and provide consulting and advisory services to eligible small businesses. The Funds have typically invested in senior subordinated debt, acquired warrants and/or made other equity investments in qualifying small businesses.

Under current SBA regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding \$19.5 million and have average annual net income after U.S. federal income taxes not exceeding \$6.5 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must devote between 20.0% and 25.0% (depending upon when it was licensed, when it obtained leverage commitments, the amount of leverage drawn and when financings occur) of its investment activity to smaller concerns as defined by the SBA. A smaller concern generally includes businesses (including their affiliates) that have a tangible net worth not exceeding \$6.0 million and have average annual net income after U.S. federal income taxes not exceeding \$2.0 million (average net income to be computed without benefit of any net carryover loss) for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the industry in which the business (including its affiliates) is engaged and are based on the number of employees and gross revenue. However, once an SBIC has invested in a portfolio company, it may continue to make follow-on investments in the portfolio company, regardless of the size of the portfolio company at the time of the follow-on investment, up to the time of the portfolio company's initial public offering.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending and investment outside the U.S., to businesses engaged in a few prohibited industries, and to certain passive (non-operating) companies. In addition, under SBA regulations, without prior SBA approval, an SBIC may not invest more than 30.0% of its regulatory capital in any one portfolio company (assuming the SBIC intends to draw leverage equal to twice its regulatory capital).

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). SBA regulations allow an SBIC to exercise control over a small business for a period of seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA's prior written approval.

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in affiliates thereof. The SBA also prohibits, without prior SBA approval, a change of control of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. A change of control is any event that would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

An SBIC (or group of SBICs under common control) may generally have outstanding debentures guaranteed by the SBA in amounts up to two times the amount of the regulatory capital of the SBIC(s). Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest, and do not require any principal

payments prior to maturity. In December 2015, the 2016 omnibus spending bill approved by Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from \$225.0 million to \$350.0 million, subject to SBA approval.

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SBICs must invest idle funds that are not being used to make loans in investments permitted under SBA regulations in the following limited types of securities: (i) direct obligations of, or obligations guaranteed as to principal and interest by, the U.S. government, which mature within 15 months from the date of the investment; (ii) repurchase agreements with federally insured institutions with a maturity of seven days or less (and the securities underlying the repurchase obligations must be direct obligations of or guaranteed by the federal government); (iii) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (iv) a deposit account in a federally insured institution that is subject to a withdrawal restriction of one year or less; (v) a checking account in a federally insured institution; or (vi) a reasonable petty cash fund.

SBICs are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations and are periodically required to file certain forms with the SBA.

Neither the SBA nor the U.S. government or any of its agencies or officers has approved any ownership interest to be issued by us or any obligation that we or any of our subsidiaries may incur.

## **Sarbanes-Oxley Act of 2002**

The Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, imposes a wide variety of regulatory requirements on publicly held companies and their insiders. Many of these requirements affect us. For example:

pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, our principal executive officer and principal financial officer must certify the accuracy of the financial statements contained in our periodic reports;

pursuant to Item 307 under Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;

pursuant to Rule 13a-15 under the Exchange Act, our management must prepare an annual report regarding its assessment of our internal control over financial reporting, which must be audited by our independent registered public accounting firm; and

pursuant to Item 308 of Regulation S-K and Rule 13a-15 under the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated under such act. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we comply with that act.

## **The NASDAQ Global Select Market Corporate Governance Regulations**

The NASDAQ Global Select Market has adopted corporate governance regulations with which listed companies must comply. We are in compliance with such corporate governance listing standards applicable to BDCs.

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**PLAN OF DISTRIBUTION**

This prospectus relates to the offer, from time to time, up to \$300,000,000 of our securities. There is \$202,485,750 of securities available for issuance under this prospectus as a result of our issuance of 2,875,000 shares of our common stock for a total of \$43,901,250 in May 2016 and our issuance of 3,220,000 shares of our common stock for a total of \$53,613,000 in November and December 2016. We may sell our securities through underwriters or dealers, directly to one or more purchasers or through agents or through a combination of any such methods of sale. Any underwriter or agent involved in the offer and sale of our securities will also be named in the applicable prospectus supplement.

The distribution of our securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices, provided, however, that the offering price per share of our securities less any underwriting commissions or discounts must equal or exceed the net asset value per share of our securities except that we may sell shares of our securities at a price below net asset value per share if a majority of the number of beneficial holders of our stock have approved such a sale or if the following conditions are met: (i) holders of a majority of our stock and a majority of our stock not held by affiliated persons have approved issuance at less than net asset value per share during the one year period prior to such sale; (ii) a majority of our directors who have no financial interest in the sale and a majority of such directors who are not interested persons of us have determined that such sale would be in our best interest and in the best interests of our stockholders; and (iii) a majority of our directors who have no financial interest in the sale and a majority of such directors who are not interested persons of us, in consultation with the underwriter or underwriters of the offering if it is to be underwritten, have determined in good faith, and as of a time immediately prior to the first solicitation by or on behalf of us of firm commitments to purchase such securities or immediately prior to the issuance of such securities, that the price at which such securities are to be sold is not less than a price which closely approximates the market value of those securities, less any distributing commission or discount.

On June 2, 2016, our common stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of one year ending on the earlier of June 2, 2017 or the date of our 2017 Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our 2017 Annual Meeting of Stockholders. The maximum number of shares issuable below net asset value pursuant to the authority granted by our stockholders that could result in such dilution is limited to 25.0% of the Company's then outstanding common stock immediately prior to each such sale. We do not intend to issue shares of our common stock below net asset value unless our board of directors determines that it would be in our stockholders' best interests to do so.

In connection with the sale of our securities, underwriters or agents may receive compensation from us or from purchasers of our securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell our securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of our securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of our securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or

others to settle those sales or to close out any related open borrowings of



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stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment).

Any of our common stock sold pursuant to a prospectus supplement will be listed on the Nasdaq Global Select Market, or another exchange on which our common stock is traded.

Under agreements into which we may enter, underwriters, dealers and agents who participate in the distribution of our securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

In order to comply with the securities laws of certain states, if applicable, our securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states, our securities may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

The maximum commission or discount to be received by any member of the Financial Industry Regulatory Authority, Inc. will not be greater than 10.0% for the sale of any securities being registered.

## **CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR**

Our securities are held by U.S. Bank National Association pursuant to a custody agreement. The principal business address of U.S. Bank National Association is Corporate Trust Services, One Federal Street, 3rd Floor, Boston, MA 02110, telephone: (617) 603-6538. American Stock Transfer & Trust Company, LLC will serve as our transfer agent, distribution paying agent and registrar. The principal business address of American Stock Transfer & Trust Company, LLC is 59 Maiden Lane, Plaza Level, New York, New York 10038, telephone: (800) 937-5449.

## **BROKERAGE ALLOCATION AND OTHER PRACTICES**

Since we will acquire and dispose of many of our investments in privately negotiated transactions, many of the transactions that we engage in will not require the use of brokers or the payment of brokerage commissions. Subject to policies established by our board of directors, our investment advisor will be primarily responsible for selecting brokers and dealers to execute transactions with respect to the publicly-traded securities portion of our portfolio transactions and the allocation of brokerage commissions. Our investment advisor does not expect to execute transactions through any particular broker or dealer but will seek to obtain the best net results for us under the circumstances, taking into account such factors as price (including the applicable brokerage commission or dealer

spread), size of order, difficulty of execution and operational facilities of the

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firm and the firm's risk and skill in positioning blocks of securities. Our investment advisor generally will seek reasonably competitive trade execution costs but will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements and consistent with Section 28(e) of the Exchange Act, our investment advisor may select a broker based upon brokerage or research services provided to our investment advisor and us and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if our investment advisor determines in good faith that such commission is reasonable in relation to the services provided.

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**LEGAL MATTERS**

Certain legal matters will be passed upon for us by Eversheds Sutherland (US) LLP. Eversheds Sutherland (US) LLP also represents our investment advisor.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements, the related senior securities table and the effectiveness of internal control over financial reporting appearing in this prospectus and registration statement have been audited by RSM US LLP, an independent registered public accounting firm located at One South Wacker Drive, Suite 800, Chicago, Illinois 60606, as stated in their reports appearing elsewhere herein, and are included in reliance upon such reports and upon the authority of such firm as experts in accounting and auditing.

**AVAILABLE INFORMATION**

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to the securities offered by this prospectus. The registration statement contains additional information about us and the securities being offered by this prospectus.

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. We maintain a website at <http://www.fdus.com> and intend to make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. Information contained on our website is not incorporated into this prospectus supplement, and you should not consider information on our website to be part of this prospectus supplement. You may also obtain such information by contacting us in writing at 1603 Orrington Avenue, Suite 1005, Evanston, Illinois 60201, Attention: Investor Relations. The SEC maintains a website that contains reports, proxy and information statements and other information we file with the SEC at <http://www.sec.gov>. Copies of these reports, proxy and information statements and other information may also be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102.

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**PRIVACY NOTICE**

We are committed to maintaining the privacy of our stockholders and to safeguarding their nonpublic personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

From time to time, we may receive nonpublic personal information relating to our stockholders. We do not disclose nonpublic personal information about our stockholders or former stockholders to anyone, except as required by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third-party administrator).

We restrict access to nonpublic personal information about our stockholders to employees of our investment advisor, its affiliates or authorized service providers that have a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the nonpublic personal information of our stockholders.

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders

Fidus Investment Corporation and Subsidiaries

We have audited Fidus Investment Corporation and Subsidiaries (collectively, the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Fidus Investment Corporation and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of assets and liabilities, including the consolidated schedules of investments, of Fidus Investment Corporation and Subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2016, and our report dated March 2, 2017 expressed an unqualified opinion.

/s/ RSM US LLP

Chicago, Illinois

March 2, 2017

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders

Fidus Investment Corporation and Subsidiaries

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, of Fidus Investment Corporation and Subsidiaries (collectively, the Company ) as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of investments owned as of December 31, 2016 and 2015, by correspondence with the custodian, loan agent, or borrower or by other appropriate procedures where replies from the custodian, loan agent or borrower were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fidus Investment Corporation and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fidus Investment Corporation and Subsidiaries internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 2, 2017, expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ RSM US LLP

Chicago, Illinois

March 2, 2017

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Statements of Assets and Liabilities****(in thousands, except shares and per share data)**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
Investments, at fair value		
Control investments (cost: \$0 and \$12,042, respectively)	\$	\$ 618
Affiliate investments (cost: \$113,995 and \$105,930, respectively)	132,013	111,846
Non-control/non-affiliate investments (cost: \$386,519 and \$330,366, respectively)	392,441	330,805
Total investments, at fair value (cost: \$500,514 and \$448,338, respectively)	524,454	443,269
Cash and cash equivalents	57,083	31,657
Interest receivable	4,407	4,520
Prepaid expenses and other assets	798	1,222
<b>Total assets</b>	<b>\$ 586,742</b>	<b>\$ 480,668</b>
<b>LIABILITIES</b>		
SBA debentures, net of deferred financing costs (Note 6)	\$ 219,901	\$ 209,394
Borrowings under credit facility, net of deferred financing costs (Note 6)	(462)	14,734
Accrued interest and fees payable	3,122	2,840
Due to affiliates	9,400	5,762
Taxes payable	555	400
Accounts payable and other liabilities	441	176
<b>Total liabilities</b>	<b>232,957</b>	<b>233,306</b>
Commitments and contingencies (Note 7)		
<b>NET ASSETS</b>		
Common stock, \$0.001 par value (100,000,000 shares authorized, 22,446,076 and 16,300,732 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively)	22	16
Additional paid-in capital	340,101	246,307
Undistributed net investment income	9,626	13,887
Accumulated net realized gain (loss) on investments, net of taxes and distributions	(19,908)	(6,145)
Accumulated net unrealized appreciation (depreciation) on investments	23,944	(6,703)
<b>Total net assets</b>	<b>353,785</b>	<b>247,362</b>

<b>Total liabilities and net assets</b>	\$	586,742	\$	480,668
<b>Net asset value per common share</b>	\$	15.76	\$	15.17

*See Notes to Consolidated Financial Statements.*

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

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Investment Income:</b>			
Interest income			
Control investments	\$	\$ 220	\$ 86
Affiliate investments	11,012	10,400	9,738
Non-control/non-affiliate investments	41,735	39,973	30,473
Total interest income	52,747	50,593	40,297
Dividend income			
Affiliate investments	1,767	412	150
Non-control/non-affiliate investments	1,890	548	1,865
Total dividend income	3,657	960	2,015
Fee income			
Affiliate investments	339	591	584
Non-control/non-affiliate investments	3,354	2,072	3,193
Total fee income	3,693	2,663	3,777
Interest on idle funds and other income	132	53	27
Total investment income	60,229	54,269	46,116
<b>Expenses:</b>			
Interest and financing expenses	10,594	9,428	7,507
Base management fee	8,254	7,545	5,899
Incentive fee	10,369	6,481	4,857
Administrative service expenses	1,422	1,465	1,772
Professional fees	1,337	1,255	1,182
Other general and administrative expenses	1,227	1,212	1,235
Total expenses	33,203	27,386	22,452
Net investment income before income taxes	27,026	26,883	23,664
Income tax provision	425	390	383
<b>Net investment income</b>	<b>26,601</b>	<b>26,493</b>	<b>23,281</b>
Net realized and unrealized gains (losses) on investments:			
Net realized gains (losses) on control investments	(12,041)		

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Net realized gains (losses) on affiliates investments	713	1,686	(12,121)
Net realized gains (losses) on non-control/non-affiliate investments	(2,507)	7,845	(4,908)
Net change in unrealized appreciation (depreciation) on investments	29,009	(10,086)	13,250
Income tax benefit (provision) from realized gains on investments	(205)	39	(17)
<b>Net gain (loss) on investments</b>	14,969	(516)	(3,796)
<b>Net increase in net assets resulting from operations</b>	<b>\$ 41,570</b>	<b>\$ 25,977</b>	<b>\$ 19,485</b>
<b>Per common share data:</b>			
Net investment income per share-basic and diluted	\$ 1.45	\$ 1.64	\$ 1.62
Net increase in net assets resulting from operations per share-basic and diluted	\$ 2.27	\$ 1.60	\$ 1.36
Dividends declared per share	\$ 1.60	\$ 1.60	\$ 1.72
Weighted average number of shares outstanding-basic and diluted	18,283,715	16,201,449	14,346,438

*See Notes to Consolidated Financial Statements.*

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

(in thousands, except shares)

	Common Stock			Undistributed net investment income	Accumulated net realized (loss) on investments, net of taxes and distributions	Accumulated net unrealized (depreciation) appreciation on investments	Total net assets
	Number of shares	Par value	Additional paid in capital				
<b>Balances at December 31, 2013</b>	13,755,232	\$ 14	\$ 206,123	\$ 3,221	\$ 11,212	\$ (9,445)	\$ 211,125
Public offerings of common stock, net of expenses (Note 8)	2,241,767	2	36,540				36,542
Shares issued under dividend reinvestment plan	54,038		935				935
Net increase in net assets resulting from operations				23,281	(17,046)	13,250	19,485
Dividends declared				(14,435)	(10,389)		(24,824)
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(590)	366	224		
<b>Balances at December 31, 2014</b>	16,051,037	\$ 16	\$ 243,008	\$ 12,433	\$ (15,999)	\$ 3,805	\$ 243,263
Public offerings of common stock, net of expenses (Note 8)	190,623		3,170				3,170
Shares issued under dividend reinvestment plan	59,072		899				899
Net increase in net assets resulting from operations				26,493	9,992	(10,508)	25,977
Dividends declared				(25,947)			(25,947)
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(770)	908	(138)		

<b>Balances at</b>								
<b>December 31, 2015</b>	16,300,732	\$ 16	\$ 246,307	\$ 13,887	\$ (6,145)	\$ (6,703)	\$ 247,362	
Public offerings of common stock, net of expenses (Note 8)	6,095,000	6	94,706				94,712	
Shares issued under dividend reinvestment plan	50,344		788				788	
Net increase in net assets resulting from operations				26,601	(15,678)	30,647	41,570	
Dividends declared				(30,647)			(30,647)	
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(1,700)	(215)	1,915			
<b>Balances at</b>								
<b>December 31, 2016</b>	22,446,076	\$ 22	\$ 340,101	\$ 9,626	\$ (19,908)	\$ 23,944	\$ 353,785	

*See Notes to Consolidated Financial Statements.*

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Statements of Cash Flows**

(in thousands)

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities:</b>			
Net increase in net assets resulting from operations	\$ 41,570	\$ 25,977	\$ 19,485
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used for) operating activities:			
Net change in unrealized (appreciation) depreciation on investments	(29,009)	10,086	(13,250)
Net realized loss (gain) on investments	13,835	(9,531)	17,029
Interest and dividend income paid-in-kind	(5,380)	(5,170)	(5,617)
Accretion of original issue discount	(234)	(578)	(643)
Accretion of loan origination fees	(1,128)	(797)	(529)
Purchase of investments	(197,801)	(136,380)	(149,814)
Proceeds from sales and repayments of investments	137,508	94,686	62,643
Proceeds from loan origination fees	1,024	770	807
Amortization of deferred financing costs	1,112	1,010	681
Changes in operating assets and liabilities:			
Interest receivable	113	(60)	(1,973)
Prepaid expenses and other assets	424	(335)	337
Accrued interest and fees payable	282	487	155
Due to affiliates	3,638	367	(187)
Taxes payable	155	72	(356)
Accounts payable and other liabilities	265	(72)	(38)
<b>Net cash (used for) operating activities</b>	<b>(33,626)</b>	<b>(19,468)</b>	<b>(71,270)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from stock offerings, net of expenses	94,712	3,170	36,542
Proceeds received from SBA debentures	10,500	40,000	29,000
Proceeds received from borrowings under credit facility	19,000	44,300	10,000
Repayments of borrowings under credit facility	(34,500)	(38,800)	
Payment of deferred financing costs	(801)	(1,815)	(1,596)
Dividends paid to stockholders, including expenses	(29,859)	(25,048)	(23,889)
Taxes paid on deemed distribution			(2,887)
<b>Net cash provided by financing activities</b>	<b>59,052</b>	<b>21,807</b>	<b>47,170</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>25,426</b>	<b>2,339</b>	<b>(24,100)</b>
Cash and cash equivalents:			
Beginning of period	31,657	29,318	53,418



End of period	\$ 57,083	\$ 31,657	\$ 29,318
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**Supplemental disclosure of cash flow information:**

Cash payments for interest	\$ 9,200	\$ 7,931	\$ 6,670
Cash payments for taxes, net of tax refunds received	\$ 475	\$ 279	\$ 3,471

**Non-cash financing activities:**

Shares issued under dividend reinvestment plan	\$ 788	\$ 901	\$ 935
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*See Notes to Consolidated Financial Statements.*

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**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments****December 31, 2016****(In thousands, except shares)****Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>					
<b>Aerospace &amp; Defense Manufacturing</b>						
<i>FDS Avionics Corp.</i> <i>(dba Flight Display Systems)</i>						
Subordinated Note	12.3%/0.0%	4/1/2020	\$ 5,200	\$ 5,184	\$ 4,237	
Common Equity (200 units) <sup>(i)</sup>				2,000	312	
				7,184	4,549	1%
<i>Fiber Materials, Inc.</i> <sup>(k)</sup>						
Subordinated Note	12.0%/1.0%	5/30/2022	4,003	3,984	3,984	
Common Equity (10 units)				1,000	1,000	
				4,984	4,984	1%
<i>Lightning Diversion Systems, LLC</i>						
Senior Secured Loan <sup>(i)</sup>	10.5%/0.0%	9/16/2021	21,204	21,114	21,204	
Revolving Loan (\$250 commitment) <sup>(h)</sup>	10.5%/0.0%	9/16/2021		(1)		
Common Equity (600,000 units)					2,637	
				21,113	23,841	7%
<i>Malabar International</i> <sup>(k)</sup>						
Subordinated Note <sup>(j)</sup>	11.3%/2.0%	11/13/2021	7,617	7,607	7,617	
Preferred Equity (1,494 shares) <sup>(f)</sup>	6.0%/0.0%	5/12/2022		1,997	5,367	
				9,604	12,984	4%
<i>Simplex Manufacturing Co.</i>						
Subordinated Note <sup>(n)</sup>	14.0%/0.0%	12/9/2016	4,050	4,050	4,050	
Warrant (28 shares) <sup>(l)</sup>				1,041	3,787	
				5,091	7,837	2%
<i>Steward Holding LLC</i> <sup>(k)</sup> <i>(dba Steward Advanced Materials)</i>						
Subordinated Note	12.0%/2.3%	5/12/2021	7,181	7,154	7,181	

Common Equity (1,000,000 units)			1,000	678	
			8,154	7,859	2%
<b>Apparel Distribution</b>					
<i>Jacob Ash Holdings, Inc.</i>					
Subordinated Note <sup>(j)</sup>	13.0%/4.0%	6/30/2018	4,000	3,997	4,000
Subordinated Note	13.0%/0.0%	6/30/2018	778	773	778
Preferred Equity (66,138 shares) <sup>(f)</sup>	0.0%/15.0%	6/30/2018		1,071	1,075
Warrant (63,492 shares) <sup>(l)</sup>				67	
			5,908	5,853	2%

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**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)****December 31, 2016****(In thousands, except shares)****Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>		<b>Amount</b>			<b>of</b>
						<b>Net</b>
						<b>Assets</b>
<b>Building Products Manufacturing</b>						
<i>SES Investors, LLC</i> <sup>(k)</sup>						
<i>(dba SES Foam)</i>						
Senior Secured Loan	11.0%/0.0%	3/8/2022	\$ 10,474	\$ 10,424	\$ 10,424	
Revolving Loan (\$1,500 commitment)						
<sup>(i)</sup>	6.0%/0.0%	3/8/2022	1,000	993	993	
Common Equity (6,000 units) <sup>(g)(i)</sup>				600	600	
				12,017	12,017	4%
<i>The Wolf Organization, LLC</i>						
Common Equity (175 shares)				1,455	3,102	1%
<i>US GreenFiber, LLC</i>						
Subordinated Note <sup>(i)</sup>	12.5%/0.0%	1/2/2019	14,000	13,968	14,000	
Common Equity (1,667 units) <sup>(g)(i)</sup>				500	574	
				14,468	14,574	4%
<b>Business Services</b>						
<i>Comprehensive Logistics Co., Inc.</i>						
Senior Subordinated Loan <sup>(i)</sup>	11.5%/4.5%	11/22/2021	15,075	15,001	15,001	4%
<i>Inflexxion, Inc.</i> <sup>(k)</sup>						
Senior Secured Loan	7.0%/6.0%	12/16/2019	4,196	4,182	3,579	
Revolving Loan (\$500 commitment) <sup>(i)</sup>	7.0%/6.0%	12/16/2019	159	156	136	
Preferred Equity (252,046 units)				252	114	
Preferred Equity (308,987 units)				309	139	
Preferred Equity (1,400 units)				1,400		
				6,299	3,968	1%
<i>Plymouth Rock Energy, LLC</i>						
Senior Secured Loan	11.8%/0.0%	5/14/2017	6,000	5,995	6,000	2%
<i>Vanguard Dealer Services, L.L.C.</i>						

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Subordinated Note	12.3%/0.0%	1/30/2021	11,450	11,405	11,450	
Common Equity (6,000 shares)				600	907	
				12,005	12,357	3%
<b>Capital Equipment Manufacturing</b>						
<i>Thermoforming Technology Group LLC</i>						
Subordinated Note	12.5%/0.0%	9/14/2021	14,700	14,637	14,700	
Common Equity (3,500 units) (g)(i)				350	353	
				14,987	15,053	4%
<b>Component Manufacturing</b>						
<i>Hilco Plastics Holdings, LLC</i>						
<i>(dba Hilco Technologies)</i>						
Subordinated Note	11.5%/1.0%	7/15/2022	8,022	7,984	7,984	
Common Equity (72,507 units) (g)(i)				500	500	
				8,484	8,484	2%

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**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)****December 31, 2016****(In thousands, except shares)****Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>					
<b>Toledo Molding &amp; Die, Inc.</b>						
Subordinated Note <sup>(i)</sup>	10.5%/0.0%	12/18/2018	\$ 10,000	\$ 9,926	\$ 10,000	3%
<b>Consumer Products</b>						
<i>Grindmaster Corporation</i>						
Subordinated Note	11.5%/0.0%	10/31/2019	10,500	10,474	10,500	3%
<i>World Wide Packaging, LLC</i> <sup>(k)</sup>						
Common Equity (1,517,573 units) <sup>(g)(i)</sup>				499	2,898	1%
<b>Electronic Components Supplier</b>						
<i>Apex Microtechnology, Inc.</i> <sup>(k)</sup>						
Warrant (2,293 shares) <sup>(l)</sup>				220	345	
Common Equity (11,690 shares)				1,168	1,876	
				1,388	2,221	1%
<b>Healthcare Products</b>						
<i>Allied 100 Group, Inc.</i>						
Subordinated Note <sup>(i)</sup>	11.5%/0.0%	5/26/2020	13,000	12,960	13,000	
Common Equity (1,250,000 units) <sup>(i)</sup>				1,250	1,201	
				14,210	14,201	4%
<i>Anatrace Products, LLC</i>						
Subordinated Note	13.0%/1.3%	6/23/2021	6,500	6,483	6,500	
Common Equity (360,000 shares) <sup>(i)</sup>					259	
				6,483	6,759	2%
<i>OMC Investors, LLC</i> <i>(dba Ohio Medical Corporation)</i>						
Subordinated Note	12.0%/0.0%	7/15/2021	10,000	9,917	9,383	
Common Equity (5,000 shares)				500	358	
				10,417	9,741	3%
<i>Pfanstiehl, Inc.</i> <sup>(k)</sup>						

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Subordinated Note	10.5%/0.0%	9/29/2021	6,208	6,189	6,208	
Common Equity (8,500 units) <sup>(i)</sup>				850	13,750	
				7,039	19,958	6%
<i>Six Month Smiles Holdings, Inc.</i>						
Subordinated Note <sup>(i)</sup>	6.0%/8.5%	7/31/2020	8,777	8,754	8,106	2%
<b>Healthcare Services</b>						
<i>Medsurant Holdings, LLC <sup>(k)</sup></i>						
Subordinated Note	12.3%/0.0%	6/18/2021	6,267	6,221	6,267	
Preferred Equity (126,662 units) <sup>(g)</sup>				1,346	1,505	
Warrant (505,176 units) <sup>(g)(l)</sup>				4,516	5,199	
				12,083	12,971	4%

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**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)****December 31, 2016****(In thousands, except shares)****Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>					
<b>Microbiology Research Associates, Inc.</b>						
<i>(k)</i>						
Subordinated Note	11.0%/1.5%	3/13/2022	\$ 8,538	\$ 8,516	\$ 8,538	
Common Equity (1,625,731 units) <sup>(i)</sup>				1,939	2,593	
				10,455	11,131	3%
<b>Oaktree Medical Centre, P.C.</b>						
<i>(dba Pain Management Associates)</i>						
Senior Secured Loan <sup>(i)</sup>	11.5%/0.0%	1/1/2018	571	614	633	
Senior Secured Loan <sup>(i)</sup>	7.0%/12.0%	1/1/2018	6,078	6,405	4,663	
Revolving Loan (\$2,500 commitment) <sup>(i)</sup>	11.5%/0.0%	1/1/2018	2,500	2,526	2,768	
				9,545	8,064	2%
<b>United Biologics, LLC</b>						
Subordinated Note	12.0%/2.0%	4/30/2018	8,698	8,659	8,698	
Preferred Equity (98,377 units) <sup>(g)(i)</sup>				1,069	729	
Warrant (57,469 units) <sup>(l)</sup>				566	191	
				10,294	9,618	3%
<b>Industrial Cleaning &amp; Coatings</b>						
<b>K2 Industrial Services, Inc.</b>						
Tranche A Loan	11.8%/2.5%	4/25/2022	10,047	10,005	10,005	
Tranche B Loan	11.8%/7.3%	4/25/2022	2,027	2,019	2,019	
Common Equity (1,673 shares)				1,268	553	
				13,292	12,577	4%
<b>Information Technology Services</b>						
<b>FTH Acquisition Corp. VII</b>						
Subordinated Note	13.0%/0.0%	3/9/2017	8,178	8,178	7,937	
Preferred Equity (887,122 shares)				887	444	



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				9,065	8,381	2%
<i>inthinc Technology Solutions, Inc.</i>						
Subordinate Note (\$5,000 commitment)	12.5%/0.0%	4/24/2020	4,000	3,984	4,000	
Subordinated Note	0.0%/12.5%	4/24/2020	1,178	1,039	1,141	
Royalty Rights		4/24/2020		185		
				5,208	5,141	1%
<i>Software Technology, LLC</i>						
Subordinated Note <sup>(j)</sup>	11.0%/0.0%	6/23/2023	8,750	8,706	8,706	
Common Equity (11 units)				1,125	1,125	
				9,831	9,831	3%
<b>Laundry Services</b>						
<i>Caldwell &amp; Gregory, LLC</i>						
Subordinated Note	11.5%/1.0%	11/30/2018	1,555	1,545	1,555	
Subordinated Note	0.0%/12.0%	5/31/2019	4,583	4,460	4,583	
Common Equity (500,000 units) <sup>(g)</sup>				500	650	
Warrant (242,121 units) <sup>(g)(l)</sup>				242	315	
				6,747	7,103	2%

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Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)****December 31, 2016****(In thousands, except shares)****Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>					
<b>Oil &amp; Gas Distribution</b>						
<i>LNG Indy, LLC</i> <i>(dba Kinetrex Energy)</i>						
Subordinated Note <sup>(j)</sup>	11.5%/0.0%	9/28/2021	\$ 5,000	\$ 4,975	\$ 4,975	
Common Equity (1,000 units)				1,000	1,000	
				5,975	5,975	2%
<b>Oil &amp; Gas Services</b>						
<i>IOS Acquisitions, Inc.</i> <sup>(m)</sup>						
Common Equity (2,152 units) <sup>(i)</sup>				103	17	0%
<i>Pinnergy, Ltd.</i> <sup>(k)</sup>						
Subordinated Note <sup>(j)</sup>	0.0%/10.0%	1/24/2020	8,414	8,394	8,414	
Common Equity - Class A-2 (42,500 units) <sup>(j)</sup>				3,000	3,000	
Common Equity - Class B (1,000 units) <sup>(j)</sup>				3,000	3,000	
				14,394	14,414	4%
<b>Packaging</b>						
<i>Rohrer Corporation</i>						
Subordinated Note <sup>(j)</sup>	11.0%/1.5%	1/18/2022	16,614	16,539	16,539	
Common Equity (389 shares)				750	750	
				17,289	17,289	5%
<b>Printing Services</b>						
<i>Brook &amp; Whittle Limited</i>						
Subordinated Note	12.0%/4.8%	6/30/2017	8,031	8,031	8,198	
Subordinated Note	12.0%/2.0%	6/30/2017	2,342	2,342	2,342	
Warrant (1,051 shares) <sup>(l)</sup>				285	263	
Common Equity - Series A (148 shares)				110	37	

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Common Equity - Series D (527 shares)				52	125	
				10,820	10,965	3%
<b>Promotional Products</b>						
<i>Hub Acquisition Sub, LLC</i>						
<i>(dba Hub Pen)</i>						
Subordinated Note <sup>(i)</sup>	12.3%/0.0%	9/23/2021	11,350	11,301	11,350	
Common Equity (7,500 units)				750	1,010	
				12,051	12,360	3%
<b>Restaurants</b>						
<i>ACFP Management, Inc. <sup>(m)</sup></i>						
Common Equity (1,000,000 units) <sup>(i)</sup>						0%
<i>Cardboard Box LLC</i>						
<i>(dba Anthony's Coal Fired Pizza)</i>						
Common Equity (521,021 units) <sup>(i)</sup>				520	240	0%
<i>Restaurant Finance Co, LLC</i>						
Senior Secured Loan <sup>(i)</sup>	12.0%/4.0%	7/31/2020	9,154	9,126	7,377	2%

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**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)****December 31, 2016****(In thousands, except shares)****Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>					
<b>Retail</b>						
<i>EBL, LLC (EbLens)</i>						
Common Equity (750,000 units) <sup>(g)(i)</sup>				\$ 750	\$ 2,044	1%
<i>Palmetto Moon, LLC</i>						
Senior Secured Term Loan	11.5%/0.0%	10/31/2021	\$ 6,402	6,364	6,364	
Common Equity (499 units)				499	499	
				6,863	6,863	2%
<b>Safety Products Manufacturing</b>						
<i>Safety Products Group, LLC</i> <sup>(k)(m)</sup>						
Preferred Equity (749 units) <sup>(g)(i)</sup>					22	
Common Equity (676 units) (\$2,852 commitment) <sup>(g)(i)</sup>						
					22	0%
<b>Specialty Chemicals</b>						
<i>FAR Research Inc.</i> <sup>(k)</sup>						
Senior Secured Loan <sup>(i)</sup>	11.8%/1.0%	3/31/2019	7,271	7,256	7,271	
Revolving Loan (\$1,750 commitment) <sup>(i)</sup>	11.8%/1.0%	3/31/2019	138	134	138	
Common Equity (1,396 units)				1,395	1,012	
				8,785	8,421	2%
<b>Specialty Distribution</b>						
<i>Carlson Systems Holdings, Inc.</i> <sup>(m)</sup>						
Common Equity (15,000 units) <sup>(i)</sup>					73	
					73	0%
<i>Pugh Lubricants, LLC</i>						
Subordinated Note <sup>(i)</sup>	12.3%/0.0%	5/10/2022	12,256	12,197	12,197	

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Common Equity (5,000 units) <sup>(g)(i)</sup>			500	500		
			12,697	12,697	4%	
<i>Virginia Tile Company, LLC</i>						
Subordinated Note <sup>(i)</sup>	12.3%/0.0%	4/7/2022	12,000	11,962	12,000	
Common Equity (17 units)			342	1,220		
			12,304	13,220	4%	
<b>Transportation Services</b>						
<i>Cavallo Bus Lines Holdings, LLC</i>						
Subordinated Note	12.0%/3.0%	4/26/2021	8,250	8,218	8,250	2%
<i>US Pack Logistics LLC</i>						
Subordinated Note <sup>(i)</sup>	12.0%/1.8%	9/27/2020	14,027	13,923	14,027	
Common Equity (5,357 units) <sup>(g)(i)</sup>			583	675		
			14,506	14,702	4%	

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Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)**

December 31, 2016

(In thousands, except shares)

**Industry****Portfolio Company (a)(b)**

<b>Investment Type (c)</b>	<b>Rate (d) Cash/PIK</b>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Worldwide Express Operations, LLC</b>						
Subordinated Note	11.5%/1.0%	8/1/2020	\$ 17,468	\$ 17,368	\$ 17,559	
Common Equity (2,500,000 units) (g)(i)				2,500	6,613	
				19,868	24,172	7%
<b>Utility Equipment Manufacturing</b>						
<i>Mirage Trailers LLC (k)</i>						
Senior Secured Loan (j)(e)	12.5%/0.0%	11/25/2020	8,208	8,138	8,208	
Common Equity (2,500,000 shares)				2,480	2,721	
				10,618	10,929	3%
<i>Trantech Radiator Products, Inc. (k)</i>						
Subordinated Note (i)	12.0%/2.3%	5/31/2018	6,994	6,988	6,994	
Common Equity (6,875 shares) (i)				688	242	
				7,676	7,236	2%
<b>Vending Equipment Manufacturing</b>						
<i>Accent Food Services, LLC</i>						
Subordinated Note	10.0%/1.3%	5/30/2022	14,516	14,436	14,436	
Common Equity (7,500 units) (g)(i)				750	750	
				15,186	15,186	4%
<i>Ice House America, LLC</i>						
Subordinated Note (i)	12.0%/3.0%	1/1/2020	4,237	4,090	4,237	
Warrant (1,957,895 units) (g)(i)(l)				216	101	
				4,306	4,338	1%
<b>Total Investments</b>				<b>\$ 500,514</b>	<b>\$ 524,454</b>	<b>148%</b>

- (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, 2016. Generally, payment-in-kind interest can be paid-in-kind or all in cash.
- (e) The investment bears interest at a variable rate that is determined by reference to one-month LIBOR, which is reset monthly. The interest rate is set as one-month LIBOR + 11.5% and is subject to a 12.5% interest rate floor. The Company has provided the interest rate in effect as of December 31, 2016.
- (f) Income producing. Maturity date, if any, represents mandatory redemption date.
- (g) Investment is held by a wholly-owned subsidiary of the Company, other than the Funds.
- (h) The entire commitment was unfunded at December 31, 2016. As such, no interest is being earned on this investment.
- (i) 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).

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments (Continued)**

**December 31, 2016**

**(In thousands, except shares)**

- (j) 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).
- (k) 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.
- (l) Warrants entitle the Company to purchase a predetermined number of shares of common stock, 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.
- (m) Investment in portfolio company that has sold its operations and is in the process of winding down.
- (n) The debt investment continues to pay interest, including the default rate, while the portfolio company pursues refinancing options.

*See Notes to Consolidated Financial Statements.*

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**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments****December 31, 2015****(In thousands, except shares)****Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>					
<b>Aerospace &amp; Defense Manufacturing</b>						
<i>FDS Avionics Corp.</i>						
<i>(dba Flight Display Systems)</i>						
Subordinated Note	12.3%/0.0%	4/1/2020	\$ 5,200	\$ 5,180	\$ 5,200	
Common Equity (200 units) <sup>(i)</sup>				2,000	1,468	
				7,180	6,668	3%
<i>Lightning Diversion Systems, LLC</i>						
Senior Secured Loan	9.5%/0.0%	12/20/2018	9,198	9,165	9,198	
Revolving Loan (\$1,000 commitment) <sup>(h)</sup>	9.5%/0.0%	12/20/2018		(1)	(1)	
Common Equity (600,000 units)					2,429	
				9,164	11,626	5%
<i>Malabar International</i> <sup>(k)</sup>						
Subordinated Note <sup>(j)</sup>	12.5%/2.5%	5/21/2017	7,450	7,436	7,450	
Preferred Equity (1,494 shares) <sup>(f)</sup>	6.0%/0.0%	11/21/2017		1,994	4,808	
				9,430	12,258	5%
<i>Simplex Manufacturing Co.</i>						
Subordinated Note	14.0%/0.0%	5/1/2016	4,550	4,550	4,550	
Warrant (24 shares) <sup>(e)</sup>				710	3,359	
				5,260	7,909	3%
<i>Steward Holding LLC</i> <sup>(k)</sup>						
<i>(dba Steward Advanced Materials)</i>						
Subordinated Note	12.0%/2.3%	5/12/2021	7,022	6,987	6,987	
Common Equity (1,000,000 units)				1,000	1,000	
				7,987	7,987	3%

**Apparel Distribution***Jacob Ash Holdings, Inc.*

Subordinated Note <sup>(j)</sup>	13.0%/4.0%	6/30/2018	4,000	3,994	4,000	
Subordinated Note	13.0%/0.0%	6/30/2018	963	956	963	
Preferred Equity (66,138 shares) <sup>(f)</sup>	0.0%/15.0%	6/30/2018		924	926	
Warrant (63,492 shares) <sup>(o)</sup>				67		
				5,941	5,889	2%

**Building Products Manufacturing***The Wolf Organization, LLC*

Common Equity (175 shares)				1,750	2,514	1%
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*US GreenFiber, LLC*

Subordinated Note <sup>(j)</sup>	12.5%/0.0%	1/2/2019	14,000	13,952	14,000	
Common Equity (1,667 units) <sup>(g) (i)</sup>				500	1,170	
				14,452	15,170	6%

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**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)**

December 31, 2015

(In thousands, except shares)

**Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>					
<b>Business Services</b>						
<i>Inflexxion, Inc.</i> <sup>(k)</sup>						
Senior Secured Loan	12.5%/0.0%	12/16/2019	\$ 3,950	\$ 3,931	\$ 3,470	
Revolving Loan (\$1,000 commitment) <sup>(i)</sup>	12.5%/0.0%	12/16/2019	150	146	132	
Preferred Equity (1,400 units)				1,400		
				5,477	3,602	1%
<i>Plymouth Rock Energy, LLC</i>						
Senior Secured Loan	11.8%/0.0%	5/14/2017	6,000	5,984	6,000	2%
<i>Stagnito Partners, LLC</i> <i>(dba Stagnito Business Information)</i>						
Senior Secured Loan <sup>(i)</sup>	12.0%/0.0%	6/30/2018	6,361	6,290	6,361	3%
<i>Vanguard Dealer Services, L.L.C.</i>						
Subordinated Note (\$9,850 commitment) <sup>(i)</sup>	12.3%/0.0%	1/30/2021	7,350	7,310	7,310	
Common Equity (6,000 shares)				600	600	
				7,910	7,910	3%
<b>Commercial Cleaning</b>						
<i>Premium Franchise Brands, LLC</i>						
Preferred Equity (1,054,619 shares)				832	717	0%
<b>Component Manufacturing</b>						
<i>Channel Technologies Group, LLC</i>						
Subordinated Note	11.0%/1.8%	4/10/2019	7,000	6,963	6,253	
Preferred Equity (612 units) <sup>(g) (i)</sup>				1,139	548	
Common Equity (612,432 units) <sup>(g) (i)</sup>						
				8,102	6,801	3%
<i>Toledo Molding &amp; Die, Inc.</i>						
Subordinated Note <sup>(i)</sup>	10.5%/0.0%	12/18/2018	10,000	9,889	10,000	4%

**Consumer Products***Grindmaster Corporation*

Subordinated Note	11.5%/0.0%	10/31/2019	10,500	10,465	10,500	4%
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*World Wide Packaging, LLC* <sup>(k)</sup>

Subordinated Note <sup>(i)</sup>	12.0%/1.0%	10/26/2018	10,265	10,239	10,277	
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Common Equity (1,517,573 units) <sup>(g)</sup> <sup>(i)</sup>				1,518	2,043	
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				11,757	12,320	5%
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**Electronic Components Supplier***Apex Microtechnology, Inc.* <sup>(k)</sup>

Warrant (2,293 shares) <sup>(o)</sup>				220	274	
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Common Equity (11,690 shares)				1,169	1,425	
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				1,389	1,699	1%
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**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)**

December 31, 2015

(In thousands, except shares)

**Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>					
<b>Financial Services</b>						
<i>National Truck Protection Co., Inc.</i>						
Senior Secured Loan	13.5%/2.0%	9/13/2018	\$ 11,989	\$ 11,944	\$ 11,989	
Common Equity (1,109 shares)				758	1,705	
				12,702	13,694	6%
<b>Healthcare Products</b>						
<i>Allied 100 Group, Inc.</i>						
Subordinated Note <sup>(i)</sup>	11.5%/0.0%	5/26/2020	13,000	12,948	13,000	
Common Equity (1,250,000 units) <sup>(i)</sup>				1,250	1,223	
				14,198	14,223	6%
<i>Anatrace Products, LLC</i>						
Subordinated Note	13.0%/1.3%	6/23/2021	6,500	6,480	6,480	
Common Equity (360,000 shares) <sup>(i)</sup>					148	
				6,480	6,628	3%
<i>MedPlast, LLC</i>						
Subordinated Note <sup>(i)</sup>	11.0%/1.5%	3/31/2019	10,338	10,294	10,338	
Preferred Equity (188 shares) <sup>(f) (i)</sup>	0.0%/8.0%	3/31/2019		223	223	
Common Equity (3,728 shares) <sup>(i)</sup>				62	103	
				10,579	10,664	4%
<i>Pfanstiehl, Inc.</i> <sup>(k)</sup>						
Subordinated Note	12.0%/2.0%	9/29/2018	6,208	6,178	6,208	
Common Equity (8,500 units) <sup>(i)</sup>				850	4,280	
				7,028	10,488	4%
<i>Six Month Smiles Holdings, Inc.</i>						
Subordinated Note <sup>(i)</sup>	12.0%/1.8%	7/31/2020	8,106	8,077	8,106	3%
<b>Healthcare Services</b>						

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<i>Continental Anesthesia Management, LLC</i>						
Senior Secured Loan	10.0%/4.0%	4/15/2016	10,676	10,676	10,676	
Warrant (263 shares) <sup>(o)</sup>				276		
				10,952	10,676	4%
<i>Medsurant Holdings, LLC <sup>(k)</sup></i>						
Subordinated Note	12.3%/0.0%	6/18/2021	6,267	6,211	6,211	
Preferred Equity (126,662 units) <sup>(g)</sup>				1,346	1,515	
Warrant (505,176 units) <sup>(g) (o)</sup>				4,516	5,237	
				12,073	12,963	5%
<i>Microbiology Research Associates, Inc. <sup>(k)</sup></i>						
Senior Secured Loan	6.0%/0.0%	5/13/2020	3,750	3,734	3,750	
Revolving Loan (\$500 commitment) <sup>(h)</sup>				(2)		
<sup>(i)</sup>	6.0%/0.0%	5/13/2020				
Subordinated Note	12.5%/0.0%	11/13/2020	6,250	6,222	6,250	
Common Equity (1,000,000 units) <sup>(i)</sup>				1,000	1,444	
				10,954	11,444	5%

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**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)****December 31, 2015****(In thousands, except shares)****Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>		<b>Principal</b>			<b>Percent</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>of Net</b>
						<b>Assets</b>
<b>Oaktree Medical Centre, P.C.</b>						
<i>(dba Pain Management Associates)</i>						
Senior Secured Loan <sup>(i)</sup>	8.5%/0.0%	1/1/2018	\$ 560	\$ 570	\$ 589	
Senior Secured Loan <sup>(i)</sup>	16.0%/0.0%	1/1/2018	5,379	5,458	5,454	
Revolving Loan (\$500 commitment) <sup>(i)</sup>	8.5%/0.0%	1/1/2018	250	257	263	
				6,285	6,306	3%
<b>United Biologics, LLC</b>						
Subordinated Note	12.0%/2.0%	3/5/2017	8,523	8,360	7,932	
Preferred Equity (98,377 units) <sup>(g) (i)</sup>				1,069		
Warrant (57,469 units) <sup>(o)</sup>				566		
				9,995	7,932	3%
<b>Industrial Cleaning &amp; Coatings</b>						
<b>K2 Industrial Services, Inc.</b>						
Subordinated Note	8.8%/6.4%	5/23/2017	17,118	17,086	16,718	
Preferred Equity - Series A (1,200 shares)				1,200	271	
Preferred Equity - Series B (74 shares)				68	78	
				18,354	17,067	7%
<b>Information Technology Services</b>						
<b>FTH Acquisition Corp. VII</b>						
Subordinated Note	13.0%/0.0%	2/28/2017	8,352	8,352	8,236	
Preferred Equity (887,122 shares)				887		
				9,239	8,236	3%
<b>inthinc Technology Solutions, Inc.</b>						
	12.5%/0.0%	4/24/2020	4,000	3,979	3,979	

Subordinated Note (\$5,000  
commitment)

Subordinated Note	0.0%/12.5%	4/24/2020	1,039	861	861	
Royalty Rights		4/24/2020		185	185	
				5,025	5,025	2%

**Laundry Services***Caldwell & Gregory, LLC*

Subordinated Note	11.5%/1.0%	11/30/2018	1,539	1,523	1,539	
Subordinated Note	0.0%/12.0%	5/31/2019	4,072	3,897	4,072	
Common Equity (500,000 units) <sup>(g)</sup>				500	651	
Warrant (242,121 units) <sup>(g) (o)</sup>				242	316	
				6,162	6,578	3%

**Oil & Gas Services***IOS Acquisitions, Inc. <sup>(n)</sup>*

Common Equity (2,152 units) <sup>(i)</sup>				109	21	0%
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*Pinnergy, Ltd.*

Subordinated Note <sup>(j)</sup>	10.5%/1.8%	1/24/2020	20,000	19,945	16,440	7%
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**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)****December 31, 2015****(In thousands, except shares)****Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>					
<b>Printing Services</b>						
<i>Brook &amp; Whittle Limited</i>						
Subordinated Note	12.0%/4.8%	12/31/2016	\$ 7,655	\$ 7,655	\$ 7,361	
Subordinated Note	12.0%/2.0%	12/31/2016	2,296	2,296	2,151	
Warrant (1,051 shares) <sup>(o)</sup>				285		
Common Equity - Series A (148 shares)				110		
Common Equity - Series D (527 shares)				53	77	
				10,399	9,589	4%
<b>Restaurants</b>						
<i>ACFP Management, Inc.</i> <sup>(n)</sup>						
Common Equity (1,000,000 units) <sup>(i)</sup>						0%
<i>Cardboard Box LLC</i> <i>(dba Anthony's Coal Fired Pizza)</i>						
Common Equity (521,021 units) <sup>(i)</sup>				521	521	0%
<i>Restaurant Finance Co, LLC</i>						
Senior Secured Loan (\$10,500 commitment) <sup>(j)</sup>	12.0%/4.0%	7/31/2020	8,443	8,410	8,443	3%
<b>Retail</b>						
<i>EBL, LLC (EbLens)</i>						
Common Equity (750,000 units) <sup>(g) (i)</sup>				750	1,389	1%
<b>Retail Cleaning</b>						
<i>Paramount Building Solutions, LLC</i> <sup>(l)</sup>						
Subordinated Note <sup>(m)</sup>	0.0%/18.0%	12/31/2017	625	625	618	
Subordinated Note <sup>(m)</sup>	0.0%/15.0%	12/31/2017	275	275		
Subordinated Note <sup>(m)</sup>	0.0%/10.0%	12/31/2017	1,376	1,376		
Subordinated Note <sup>(m)</sup>	0.0%/14.0%	12/31/2017	2,927	2,927		
Warrant (1,086,035 units) <sup>(g) (o)</sup>						
Preferred Equity (5,000,000 units) <sup>(g)</sup>				5,339		
Common Equity (107,143 units) <sup>(g)</sup>				1,500		

				12,042	618	0%
<b>Safety Products Manufacturing</b>						
<i>Safety Products Group, LLC</i> <sup>(k)</sup>						
Subordinated Note	12.0%/1.5%	12/30/2018	10,000	9,974	10,000	
Preferred Equity (749 units) <sup>(g)</sup> <sup>(i)</sup>				749	834	
Common Equity (676 units) <sup>(g)</sup> <sup>(i)</sup>				1		
				10,724	10,834	4%
<b>Specialty Chemicals</b>						
<i>FAR Research Inc.</i> <sup>(k)</sup>						
Senior Secured Loan <sup>(i)</sup>	11.8%/1.0%	3/31/2019	7,448	7,423	7,448	
Revolving Loan (\$1,750 commitment) <sup>(i)</sup>	11.8%/1.0%	3/31/2019	137	131	136	
Common Equity (10 units)				1,000	161	
				8,554	7,745	3%

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Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)**

December 31, 2015

(In thousands, except shares)

**Industry****Portfolio Company (a)(b)**

<b>Investment Type (c)</b>	<b>Rate (d) Cash/PIK</b>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Specialty Cracker Manufacturing</b>						
<i>Westminster Cracker Company, Inc. (k)</i>						
<i>(n)</i>						
Common Equity (1,307,262 units)				\$	\$ 191	0%
<b>Specialty Distribution</b>						
<i>Carlson Systems Holdings, Inc.</i>						
Subordinated Note (j)	12.0%/0.0%	5/20/2020	\$ 21,000	20,912	21,000	
Common Equity (15,000 units) (i)				1,500	2,079	
				22,412	23,079	9%
<i>Virginia Tile Company, LLC</i>						
Subordinated Note (j)	12.3%/0.0%	5/19/2020	12,000	11,952	12,000	
Common Equity (20 shares)				250	559	
				12,202	12,559	5%
<b>Telecommunication Services</b>						
<i>X5 Opco LLC</i>						
Senior Secured Loan	12.0%/0.0%	3/24/2020	5,500	5,477	5,665	
Revolving Loan (\$500 commitment) (h)	12.0%/0.0%	3/24/2020				
Preferred Equity (5,000 units) (f) (g) (i)	0.0%/8.0%			531	350	
				6,008	6,015	2%
<b>Transportation Services</b>						
<i>Cavallo Bus Lines Holdings, LLC</i>						
Subordinated Note	12.0%/3.0%	4/26/2021	8,250	8,210	8,210	3%
<i>US Pack Logistics LLC</i>						
Subordinated Note	12.0%/1.8%	9/27/2020	10,299	10,255	10,299	
Common Equity (5,357 units) (g) (i)				536	483	
				10,791	10,782	4%

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*Worldwide Express Operations, LLC*

Subordinated Note	11.5%/1.0%	8/1/2020	12,805	12,723	12,806	
Common Equity (2,500,000 units) <sup>(g)</sup> <sup>(i)</sup>				2,500	4,036	
				15,223	16,842	7%

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Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (Continued)****December 31, 2015****(In thousands, except shares)****Industry**

<b>Portfolio Company</b> <sup>(a)(b)</sup>	<b>Rate</b> <sup>(d)</sup>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investment Type</b> <sup>(c)</sup>	<b>Cash/PIK</b>					
<b>Utility Equipment Manufacturing</b>						
<i>Mirage Trailers LLC</i> <sup>(k)</sup>						
Senior Secured Loan <sup>(i) (e)</sup>	12.5%/0.0%	11/25/2020	\$ 9,000	\$ 8,912	\$ 8,912	
Common Equity (2,500,000 shares)				2,475	2,475	
				11,387	11,387	5%
<i>Trantech Radiator Products, Inc.</i> <sup>(k)</sup>						
Subordinated Note <sup>(i)</sup>	12.0%/1.8%	5/4/2017	8,494	8,482	8,494	
Common Equity (6,875 shares) <sup>(i)</sup>				688	434	
				9,170	8,928	4%
<b>Vending Equipment Manufacturing</b>						
<i>Ice House America, LLC</i>						
Subordinated Note <sup>(i)</sup>	12.0%/3.5%	1/1/2020	4,098	3,903	3,668	
Warrant (1,957,895 units) <sup>(g) (i) (o)</sup>				216	47	
				4,119	3,715	2%
<b>Total Investments</b>				\$ 448,338	\$ 443,269	179%

- (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, 2015. Generally, payment-in-kind interest can be paid-in-kind or all in cash.
- (e) The investment bears interest at a variable rate that is determined by reference to LIBOR, which is reset monthly. The interest rate is set as LIBOR + 11.5% and is subject to a 12.5% interest rate floor. The Company has provided the interest rate in effect as of December 31, 2015.
- (f) Income producing. Maturity date, if any, represents mandatory redemption date.

- (g) Investment is held by a wholly-owned subsidiary of the Company, other than the Funds.
- (h) The entire commitment was unfunded at December 31, 2015. As such, no interest is being earned on this investment.
- (i) 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).
- (j) 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).

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Schedule of Investments (Continued)**

**December 31, 2015**

**(In thousands, except shares)**

- (k) 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.
- (l) 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.
- (m) Investment was on non-accrual status as of December 31, 2015, meaning the Company has ceased recognizing interest income on the investment.
- (n) Investment in portfolio company that has sold its operations and is in the process of winding down.
- (o) Warrants entitle the Company to purchase a predetermined number of shares of common stock, 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.

*See Notes to Consolidated Financial Statements.*

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**FIDUS INVESTMENT CORPORATION**

**Notes to Consolidated Financial Statements**

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

**Note 1. Organization and Nature of Business**

Fidus Investment Corporation, a Maryland corporation ( FIC, and together with its subsidiaries, the Company ), was formed on February 14, 2011 for the purposes of (i) acquiring 100% of the limited partnership interests of Fidus Mezzanine Capital, L.P. and its consolidated subsidiaries (collectively, Fund I ) and 100% of the membership interests of Fund I s general partner, Fidus Mezzanine Capital GP, LLC ( FMCGP ), (ii) raising capital in an initial public offering that was completed in June 2011 (the IPO ) and (iii) thereafter operating as an externally managed, closed-end, non-diversified management investment company, within the meaning of the Investment Company Act of 1940, as amended (the 1940 Act ), that has elected to be regulated as a business development company ( BDC ) under the 1940 Act.

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

The Company provides customized debt and equity financing solutions to lower middle-market companies. Fund I commenced operations on May 1, 2007, and on October 22, 2007, was granted a license to operate as a SBIC under the authority of the U.S. Small Business Administration ( SBA ). On March 29, 2013, the Company commenced operations of a second wholly-owned subsidiary, Fidus Mezzanine Capital II, L.P. ( Fund II ), and, on May 28, 2013, was granted a second license to operate Fund II as an SBIC. Collectively, Fund I and Fund II are referred to as the Funds. The SBIC licenses allow the Funds to obtain leverage by issuing SBA-guaranteed debentures ( SBA debentures ), subject to the issuance of 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.

Fund I has also elected to be regulated as a BDC under the 1940 Act. Fund II is not registered under the 1940 Act and relies on the exclusion from the definition of investment company contained in Section 3(c)(7) of the 1940 Act. In addition, for federal income tax purposes, the Company elected to be treated as a regulated investment company ( RIC ) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code ), commencing with its taxable year ended December 31, 2011.

The Company 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 ). The initial investment professionals of the Investment Advisor were previously employed by Fidus Capital, LLC, who was the investment advisor to Fund I prior to consummation of the Formation Transactions.

**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-K, 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.

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**FIDUS INVESTMENT CORPORATION**

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

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

*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* Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument due to market changes.

*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.

*Liquidity risk* Liquidity risk represents the possibility that the Company may not maintain sufficient cash balances or may not have access to sufficient cash to meet loan and other commitments as they become due.

*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 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.

*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 specific

terms at specific 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*.

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**FIDUS INVESTMENT CORPORATION**

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

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

*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 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.

*Deferred equity offering costs:* Deferred equity offering costs include registration expenses related to shelf filings, including expenses related to the launch of the ATM Program. These expenses primarily consist of Securities and Exchange Commission ( SEC ) registration fees, legal fees and accounting fees incurred. These expenses are included in prepaid assets and are charged to additional paid in capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed.

*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 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 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 when the relevant tax forms are received from the portfolio company.

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 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.

When there is reasonable doubt that principal, interest or dividends will be collected, loans or preferred equity investments are placed on non-accrual status and the Company will generally cease recognizing interest or

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

dividend income. 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.

*Fee income:* Transaction fees earned in connection with the Company's investments are recognized as fee income. Such fees typically include fees for services, including structuring and advisory services, provided to portfolio companies. The Company recognizes income from fees for providing such structuring and advisory services when the services are rendered or the transactions are completed. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as fee income when earned.

The Company also typically receives loan origination or closing fees in connection with investments. Such loan 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 income over the life of the investment.

*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.

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

*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 15<sup>th</sup> day of the 9<sup>th</sup> 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.

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**FIDUS INVESTMENT CORPORATION**

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

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

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 companies owned by the Taxable Subsidiaries. The purpose of the Taxable Subsidiaries is to permit the Company to hold equity investments in portfolio companies that are 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 in income tax provision, if any. There were no material uncertain income tax positions at December 31, 2016 and 2015. The 2013 through 2015 tax years remain subject to examination by U.S. federal and most state tax authorities.

*Distributions to stockholders:* Distributions to stockholders are recorded on the record date 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 three days prior to the dividend payment date will have their cash dividend automatically reinvested into additional shares of the Company s common stock. The Company has the option to satisfy the share requirements of the DRIP through the issuance of new shares of common stock or through open market purchases of common stock by the DRIP plan administrator. Newly issued shares are valued based upon the final closing price of the

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**FIDUS INVESTMENT CORPORATION**

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

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

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 years ended December 31, 2016 and 2015, 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 plan:* The Company has an open market stock repurchase program (the Program) under which the Company may acquire up to \$5.0 million of its outstanding common stock. Under the 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 November 1, 2016, the Board extended the Program through December 31, 2017, or until the approved dollar amount has been used to repurchase shares. The 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 Program. The Program may be suspended, extended, modified or discontinued at any time. The Company did not make any repurchases of common stock during the years ended December 31, 2016 or 2015.

*Recent accounting pronouncements:* In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09, such that the guidance is effective for annual and interim reporting periods beginning after December 15, 2017 and early application is permitted only for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact this ASU will have on the Company's consolidated financial position or disclosures, but the Company does not expect the impact to be material.

In February 2015, the FASB issued ASU 2015-02, *Consolidation: Amendments to the Consolidation Analysis*, which amends the criteria for determining which entities are considered variable interest entities (VIEs), amends the criteria for determining if a service provider possesses a variable interest in a VIE and ends the deferral granted to investment companies for application of the VIE consolidation model. The Company adopted ASU 2015-02 as of January 1, 2016. The adoption of ASU 2015-02 had no material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. The Company adopted ASU 2015-03 as of January 1, 2016. The adoption of ASU 2015-03 had no material impact on the Company's consolidated financial statements other than corresponding reductions to total assets

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

and total liabilities on the consolidated statements of assets and liabilities. Prior to adoption, the Company recorded deferred financing costs as an asset on the consolidated statements of assets and liabilities. Upon adoption of ASU 2015-03, the Company reclassified these deferred costs to a direct offset of the related debt liability on the consolidated statements of assets and liabilities. The new guidance will be applied retrospectively to each prior period presented. The Company reclassified the \$4,872 of deferred financing costs presented as an asset as of December 31, 2015 to a direct offset of the related debt liabilities as of such date on the consolidated statements of assets and liabilities.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact this ASU will have on the Company's consolidated financial position or disclosures.

In December 2016, the FASB issued ASU 2016-19, *Technical Corrections and Improvements*, which includes minor corrections and clarifications that affect a wide variety of topics in the Accounting Standards Codification, including an amendment to Topic 820, *Fair Value Measurement*, which clarifies the difference between a valuation approach and a valuation technique when applying the guidance of that Topic. The amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. The transition guidance for the Topic 820 amendment must be applied prospectively because it could potentially involve the use of hindsight that includes fair value measurements. The guidance is effective for fiscal years, and interim periods within those fiscal years, for all entities beginning after December 15, 2016. Early application is permitted for any fiscal year or interim period for which the entity's financial statements have not yet been issued. The Company is currently evaluating the impact this ASU will have on the Company's consolidated financial position or disclosures.

**Note 3. Portfolio Company Investments**

The Company's portfolio investments principally consist of secured and unsecured debt, equity warrants and direct equity investments in privately held companies. The debt investments may or may not be secured by either a first or second lien on the assets of the portfolio company. The debt investments generally bear interest at fixed rates, and generally mature between five and seven years from the original investment. In connection with a debt investment, the Company also 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 December 31, 2016, the Company had active investments in 53 portfolio companies and residual investments in four portfolio companies that have sold their underlying operations. The aggregate fair value of the total portfolio was

\$524,454 and the weighted average effective yield on the Company's debt investments was 13.1% as of such date. As of December 31, 2016, the Company held equity investments in 86.0% of its portfolio companies and the average fully diluted equity ownership in those portfolio companies was 7.3%. As of December 31, 2015, the Company had active investments in 50 portfolio companies and residual investments in three portfolio companies that have sold their underlying operations. The aggregate fair value of the total portfolio was \$443,269 and the weighted average effective yield on the Company's debt investments of 13.3% as

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

of such date. As of December 31, 2015, the Company held equity investments in 83.0% of its portfolio companies and the average fully diluted equity ownership in those portfolio companies was 7.1%. The weighted average yields were computed using the effective interest rates for debt investments at cost as of December 31, 2016 and 2015, including accretion of original issue discount and loan origination fees, but excluding investments on non-accrual status, if any.

Purchases of debt and equity investments for the years ended December 31, 2016, 2015 and 2014, totaled \$197,801, \$136,380, and \$149,814, respectively. Proceeds from sales and repayments, including principal, return of capital distributions and realized gains, of portfolio investments for the years ended December 31, 2016, 2015, and 2014 totaled \$137,508, \$94,686, and \$62,643, respectively.

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

	Fair Value				Cost			
	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
Subordinated notes	\$ 363,646	69.4%	\$ 300,467	67.8%	\$ 364,543	72.9%	\$ 309,899	69.2%
Senior secured loans	79,758	15.2	88,485	20.0	83,426	16.7	88,505	19.7
Equity	70,849	13.5	44,899	10.1	45,207	9.0	42,651	9.5
Warrants	10,201	1.9	9,233	2.1	7,153	1.4	7,098	1.6
Royalty rights			185		185		185	
Total	\$ 524,454	100.0%	\$ 443,269	100.0%	\$ 500,514	100.0%	\$ 448,338	100.0%

All investments made by the Company as of December 31, 2016 and 2015, 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			
	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
Midwest	\$ 166,412	31.6%	\$ 119,291	26.8%	\$ 153,456	30.7%	\$ 116,015	25.9%
Southeast	122,633	23.4	107,975	24.4	130,107	26.0	113,430	25.3
Northeast	98,470	18.8	93,430	21.1	94,481	18.9	92,492	20.6
West	73,703	14.1	84,648	19.1	63,717	12.7	77,028	17.2

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Southwest	63,236	12.1	37,925	8.6	58,753	11.7	49,373	11.0
Total	\$ 524,454	100.0%	\$ 443,269	100.0%	\$ 500,514	100.0%	\$ 448,338	100.0%

As of December 31, 2016 and 2015, the Company had no portfolio company investments that represented more than 10% of the total investment portfolio at fair value. As of December 31, 2016, there were no investments on non-accrual status. As of December 31, 2015, the Company had debt investments in one portfolio company on non-accrual status, which had an aggregate cost and fair value of \$5,203 and \$618, respectively, as of such date.

Table of Contents**FIDUS INVESTMENT CORPORATION****Notes to Consolidated Financial Statements (Continued)****(In thousands, except shares and per share data)***Schedule 12-14. 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, 2015 and any gross additions and reductions made to such investments, as well as the ending fair value as of December 31, 2016.

<b>Portfolio Company <sup>(1)</sup></b>	<b>Credited to December 31, 2015</b>		<b>Gross Additions <sup>(3)</sup></b>	<b>Gross Reductions <sup>(4)</sup></b>	<b>December 31, 2016 Fair Value</b>
<b>Control Investments</b>					
<i>Paramount Building Solutions, LLC</i>					
Subordinated Note	\$	\$ 618	\$ 7	\$ 625	\$
Subordinated Note			275	275	
Subordinated Note			1,376	1,376	
Subordinated Note			2,927	2,927	
Warrant					
Preferred Equity			5,339	5,339	
Common Equity			1,500	1,500	
		618	11,424	12,042	
<b>Total Control Investments</b>		618	11,424	12,042	
<b>Affiliate Investments</b>					
<i>Apex Microtechnology, Inc.</i>					
Warrant		5	274	71	345
Common Equity		234	1,425	451	1,876
		239	1,699	522	2,221
<i>FAR Research Inc.</i>					
Senior Secured Loan		938	7,448	81	7,271
Revolving Loan		27	136	3	138
Common Equity			161	851	1,012
		965	7,745	935	8,421
<i>Fiber Materials, Inc.</i>					
Senior Subordinated Note		106		3,984	3,984
Common Equity				1,000	1,000



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	106		4,984		4,984
<i>Inflexion, Inc.</i>					
Senior Secured Loan	538	3,470	251	142	3,579
Revolving Loan	24	132	10	6	136
Preferred Equity			252	138	114
Preferred Equity			309	170	139
Preferred Equity					
	562	3,602	822	456	3,968
<i>Malabar International</i>					
Subordinated Note	1,066	7,450	172	5	7,617
Preferred Equity	121	4,808	558	(1)	5,367
	1,187	12,258	730	4	12,984

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

<b>Portfolio Company</b> <sup>(1)</sup>	<b>Credited to Income</b> <sup>(2)</sup>	<b>December 31, 2015 Fair Value</b>	<b>Gross Additions</b> <sup>(3)</sup>	<b>Gross Reductions</b> <sup>(4)</sup>	<b>December 31, 2016 Fair Value</b>
<i>Medsurant Holdings, LLC</i>					
Subordinated Note	\$ 791	\$ 6,211	\$ 56	\$	\$ 6,267
Preferred Equity		1,515		10	1,505
Warrant		5,237		38	5,199
	791	12,963	56	48	12,971
<i>Microbiology Research Associates, Inc.</i>					
Senior Secured Loan	190	3,750	16	3,766	
Revolving Loan	4		2	2	
Subordinated Note	870	6,250	2,294	6	8,538
Common Equity		1,444	1,149		2,593
	1,064	11,444	3,461	3,774	11,131
<i>Mirage Trailers LLC</i>					
Senior Secured Loan	1,109	8,912	88	792	8,208
Common Equity	151	2,475	246		2,721
	1,260	11,387	334	792	10,929
<i>Pinnergy, Ltd.</i>					
Subordinated Note	182		8,414		8,414
Common Equity Class A-2			3,000		3,000
Common Equity Class B			3,000		3,000
	182		14,414		14,414
<i>Pfanstiehl, Inc.</i>					
Subordinated Note	748	6,208	10	10	6,208
Common Equity	269	4,280	9,470		13,750
	1,017	10,488	9,480	10	19,958
<i>Safety Products Group, LLC</i>					
Subordinated Note	652	10,000	26	10,026	
Preferred Equity	159	834		812	22
Common Equity			1	1	
	811	10,834	27	10,839	22
<i>SES Investors, LLC (dba SES Foam)</i>					

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Senior Secured Loan	527		10,450	26	10,424
Revolving Loan	41		993		993
Common Equity			600		600
	568		12,043	26	12,017
<i>Steward Holding LLC</i>					
<i>(dba Steward Advanced Materials)</i>					
Subordinated Note	1,018	6,987	194		7,181
Common Equity		1,000		322	678
	1,018	7,987	194	322	7,859
<i>Trantech Radiator Products, Inc.</i>					
Subordinated Note	1,168	8,494	6	1,506	6,994
Common Equity		434		192	242
	1,168	8,928	6	1,698	7,236

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

<b>Portfolio Company</b> <sup>(1)</sup>	<b>Credited to Income</b> <sup>(2)</sup>	<b>December 31, 2015 Fair Value</b>	<b>Gross Additions</b> <sup>(3)</sup>	<b>Gross Reductions</b> <sup>(4)</sup>	<b>December 31, 2016 Fair Value</b>
<i>Westminster Cracker Company, Inc.</i>					
Common Equity	\$ 54	\$ 191	\$	\$ 191	\$
	54	191		191	
<i>World Wide Packaging, LLC</i>					
Subordinated Note	1,352	10,277	121	10,398	
Common Equity	774	2,043	1,874	1,019	2,898
	2,126	12,320	1,995	11,417	2,898
<b>Total Affiliate Investments</b>	<b>\$ 13,118</b>	<b>\$ 111,846</b>	<b>\$ 50,003</b>	<b>\$ 29,836</b>	<b>\$ 132,013</b>

- (1) The principal amount, the ownership detail for equity investments, and if the investment is income producing is shown in the consolidated schedule of investments.
- (2) Represents the total amount of interest, fees or dividends included in 2016 income for the portion of the year ended December 31, 2016 that an investment was included in Control or Affiliate categories.
- (3) Gross additions include increases in the cost basis of investments resulting from a new portfolio investment, follow on investments, accrued PIK interest or dividends, and accretion of OID and loan origination fees. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation, as well as the movement of an existing portfolio company into this category and out of a different category.
- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments, if any. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a different category.

**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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**FIDUS INVESTMENT CORPORATION**

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

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

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 13 and 16 of its portfolio company investments, representing 30.5% and 43.0% of the total portfolio investments at fair value (exclusive of new portfolio company investments made during the three months ended December 31, 2016 and 2015, respectively) as of December 31, 2016 and 2015, 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.

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**FIDUS INVESTMENT CORPORATION**

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

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

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 loan 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, including senior secured loans and subordinated notes, the primary valuation technique used to estimate the fair value is the discounted cash flow method. However, if there is deterioration in credit quality or a debt investment is in workout status, the Company may consider other methods in determining the fair value, including the value attributable to the debt investment from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis. The Company's discounted cash flow models estimate a range of fair values by applying an appropriate discount rate to the future cash flow streams of its debt investments, based on future interest and principal payments as set forth in the associated loan agreements. The Company prepares a weighted average cost of capital for use in the discounted cash flow model for each investment, based on factors including, but not limited to: current pricing and credit metrics for similar proposed or executed investment transactions of private companies; the portfolio company's historical financial results and outlook; and the portfolio company's current leverage and credit quality as compared to leverage and credit quality as of the date the investment was made. The Company may also consider the following factors when determining the fair value of debt investments: the portfolio company's ability to make future scheduled payments; prepayment penalties 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 loans to maturity. However, if the Company has information available to it that the loan is expected to be repaid in the near term, it would use an estimated remaining life based on the expected repayment date.

For the Company's equity investments, including equity and warrants, the Company generally uses a market approach, including valuation methodologies consistent with industry practice, to estimate the enterprise value of portfolio companies. Typically, the enterprise value of a private company is based on multiples of EBITDA, 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

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

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 years ended December 31, 2016 and 2015.

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 years ended December 31, 2016 and 2015:

	Subordinated Notes	Senior Secured Loans	Equity	Warrants	Royalty Rights	Total
<b>Balance, December 31, 2014</b>	\$ 273,711	\$ 74,286	\$ 42,886	\$ 5,472	\$	\$ 396,355
Net realized gains (losses) on investments	155		9,376			9,531
Net change in unrealized (depreciation) appreciation on investments	(9,796)	180	(4,015)	3,545		(10,086)
Purchase of investments	98,050	28,341	9,496	216	277	136,380
Proceeds from sales and repayments of investments	(66,420)	(15,162)	(13,012)		(92)	(94,686)
Interest and dividend income paid-in-kind	4,170	813	187			5,170
Proceeds from loan origination fees	(485)	(260)	(25)			(770)
Accretion of loan origination fees	514	280	3			797
Accretion of original issue discount	568	7	3			578
<b>Balance, December 31, 2015</b>	\$ 300,467	\$ 88,485	\$ 44,899	\$ 9,233	\$ 185	\$ 443,269

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Net realized (losses) gains on investments	(14,057)		497	(275)		(13,835)
Net change in unrealized appreciation (depreciation) on investments	8,535	(3,648)	23,394	913	(185)	29,009
Purchase of investments	143,444	37,449	16,577	331		197,801
Proceeds from sales and repayments of investments	(78,690)	(44,128)	(14,689)	(1)		(137,508)
Interest and dividend income paid-in-kind	3,975	1,243	162			5,380
Proceeds from loan origination fees	(841)	(183)				(1,024)
Accretion of loan origination fees	582	540	6			1,128
Accretion of original issue discount	231		3			234
<b>Balance, December 31, 2016</b>	<b>\$ 363,646</b>	<b>\$ 79,758</b>	<b>\$ 70,849</b>	<b>\$ 10,201</b>	<b>\$</b>	<b>\$ 524,454</b>

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Net change in unrealized appreciation (depreciation) of \$12,619 and \$(5,363) for the years ended December 31, 2016 and 2015, respectively, was attributable to Level 3 investments held at December 31, 2016 and 2015, 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 December 31, 2016 and 2015. 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.

	<b>Fair Value at December 31,</b>			<b>Range</b>
	<b>2016</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>(weighted average)</b>
<b>Debt investments:</b>				
Subordinated notes	\$ 355,232	Discounted cash flow	Weighted average cost of capital	10.9% - 26.5% (14.5%)
	8,414	Enterprise value	Asset coverage	85.0% - 95.0% (87.3%)
Senior secured loans	71,693	Discounted cash flow	Weighted average cost of capital	10.9% - 21.0% (12.8%)
	8,065	Enterprise value	Asset Coverage	80.0% - 92.2% (84.2%)
<b>Equity investments:</b>				
Equity	64,596	Enterprise value	EBITDA multiples	5.0x - 12.9x (7.8x)
	6,253	Enterprise value	Revenue multiples	0.7x - 0.7x (0.7x)
Warrants	10,201	Enterprise value	EBITDA multiples	5.5x - 9.5x (6.6x)
Royalty rights		Discounted cash flow	Weighted average cost of capital	N/A

	<b>Fair Value at December 31,</b>			<b>Range</b>
	<b>2015</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>(weighted average)</b>
<b>Debt investments:</b>				
Subordinated notes	\$ 299,849	Discounted cash flow	Weighted average cost of capital	10.9% - 22.8% (14.8%)
	618	Enterprise value	EBITDA multiples	5.5x - 5.5x (5.5x)
Senior secured loans	88,485	Discounted cash flow	Weighted average cost of capital	6.1% - 23.2% (14.1%)
<b>Equity investments:</b>				
Equity	44,899	Enterprise value	EBITDA multiples	3.8x - 13.1x (7.3x)
Warrants	9,233	Enterprise value	EBITDA multiples	5.0x - 9.5x (6.7x)
Royalty rights	185	Discounted cash flow	Weighted average cost of capital	22.0% - 27.0% (27.0%)

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 a 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 fair value of borrowings under the Credit Facility (as defined in Note 6) are based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model, and is estimated to be \$15,500 as of December 31, 2015, which is the same as the Company's carrying value of the borrowings. There were no borrowings outstanding under the Credit Facility

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

as of December 31, 2016. The fair value of SBA debentures is estimated by discounting remaining payments using current market rates for similar instruments and considering such factors as the legal maturity date and the ability of market participants to prepay the debentures. As of December 31, 2016 and 2015, the fair value of the Company's SBA debentures using Level 3 inputs is estimated at \$224,000 and \$213,500, respectively, which is the same as the Company's carrying value of the debentures.

**Note 5. Related Party Transactions**

*Investment Advisory Agreement:* Concurrent with the Formation Transactions, the Company entered into the Investment Advisory Agreement with the Investment Advisor. On June 2, 2016, the Board approved the renewal of the Investment Advisory Agreement through June 20, 2017. 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 for the years ended December 31, 2016, 2015 and 2014 totaled \$8,254, \$7,545 and \$5,899, 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 payment-in-kind 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.

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.

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**FIDUS INVESTMENT CORPORATION**

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

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

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 for the years ended December 31, 2016, 2015 and 2014 totaled \$7,375, \$6,582 and \$5,588, 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 to the Investment Advisor, the Company calculates the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since the Formation Transactions, and the aggregate unrealized capital depreciation as of the date of the calculation, as applicable, with respect to each of the investments in the Company's portfolio. At the end of the applicable year, the amount of capital gains that serves as the basis for the calculation of the capital gains incentive fee to be paid equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less aggregate unrealized capital depreciation, with respect to the Company's portfolio of investments. If this number is positive at the end of such year, then the capital gains incentive fee to be paid for such year equals 20.0% of such amount, less the aggregate amount of any capital gains incentive fees paid in all prior years. As of both December 31, 2016 and 2015, the capital gains incentive fee payable was \$0. The aggregate amount of capital gains incentive fees paid from the IPO through December 31, 2016 is \$348.

In addition, the Company accrues, but does not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. If, on a cumulative basis, the sum of net realized gains/(losses) plus net unrealized



appreciation/(depreciation) decreases during a period, the Company will reverse any excess capital gains incentive fee previously accrued such that the amount of capital gains incentive fee accrued is no more than 20.0% of the sum of net realized gains/(losses) plus net unrealized appreciation/(depreciation). During the year ended December 31, 2016, the Company accrued capital gains incentive fees of \$2,994. During the years ended December 31, 2015 and 2014, the Company reversed previously accrued capital gains incentive fees of \$101 and \$731, respectively.

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

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

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.

*Administration Agreement:* Concurrent with the Formation Transactions, the Company also entered into an administration agreement (the Administration Agreement) with the Investment Advisor. On June 2, 2016, the Board approved the renewal of the Administration Agreement through June 20, 2017. 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 expenses for services provided for the years ended December 31, 2016, 2015 and 2014 totaled \$1,422, \$1,465 and \$1,772, respectively. Accrued administrative expenses are reported in the due to affiliates line on the consolidated statements of assets and liabilities.

**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 had an initial commitment of \$30,000 with an accordion feature that allows for an increase in the total commitments up to \$75,000, subject to certain conditions and the satisfaction of specified financial covenants. 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. The stated maturity date for the Credit Facility is June 16, 2018, which may be extended by mutual agreement.

On December 19, 2014, FIC amended the Credit Facility to (i) increase the commitment from \$30,000 to \$50,000 (ii) allow FIC to buy-back up to \$10,000 of the Company's common stock subject to the satisfaction of specified financial covenants and conditions. The Credit Facility continues to have an accordion feature which allows for an increase in the total commitment up to \$75,000.

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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.

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**FIDUS INVESTMENT CORPORATION**

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

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

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 December 31, 2016 and 2015, the Company was in compliance in all material respect with the terms of the Credit Facility.

As of December 31, 2016 and 2015, the Company had outstanding borrowings under the Credit Facility of zero and \$15,500, respectively. For the years ended December 31, 2016, 2015 and 2014, interest and fees related to the Credit Facility amounted to \$980, \$1,069 and \$325, respectively, which are included in interest and financing expenses on the consolidated statements of operation. As of December 31, 2016 and 2015, accrued interest and fees payable related to the Credit Facility totaled \$127 and \$101, respectively.

*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. The SBA has made commitments to purchase \$275,000 of SBA debentures from the Company on or before September 30, 2020. Unused commitments as of December 31, 2016 and 2015 were \$51,000 and \$11,500, respectively. 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.

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

As of December 31, 2016 and 2015, the Company's issued and outstanding SBA debentures mature as follows:

<b>Pooling Date <sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Fixed Interest Rate</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
3/26/2008	3/1/2018	6.188%	\$ 24,750	\$ 24,750
9/24/2008	9/1/2018	6.442	11,950	11,950
3/25/2009	3/1/2019	5.337	19,750	19,750
9/23/2009	9/1/2019	4.950	10,000	10,000
3/24/2010	3/1/2020	4.825	13,000	13,000
9/22/2010	9/1/2020	3.932	12,500	12,500
3/29/2011	3/1/2021	4.801	1,550	1,550
9/21/2011	9/1/2021	3.594	3,250	3,250
3/21/2012	3/1/2022	3.483	3,250	3,250
3/21/2012	3/1/2022	3.051	19,000	19,000
9/19/2012	9/1/2022	2.530	11,000	11,000
9/19/2012	9/1/2022	3.049	11,500	11,500
3/27/2013	3/1/2023	3.155	3,000	3,000
9/24/2014	9/1/2024	3.775	1,000	1,000
3/25/2015	3/1/2025	3.321	5,500	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	
(2)	(2)	(2)	10,000	
Total outstanding SBA debentures			\$ 224,000	\$ 213,500

- (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.
- (2) The Company issued \$10,000 in SBA debentures which will pool in March 2017. Until the pooling date, the debenture bears interest at a fixed rate interim interest rate of 2.101%. The Company expects the current interim interest rate will reset to a higher long-term fixed rate on the pooling date.

Interest on SBA debentures is payable semi-annually on March 1 and September 1. For the years ended December 31, 2016, 2015, and 2014, interest and fees on outstanding SBA debentures amounted to \$9,614, \$8,359, and \$7,182, respectively, which are included in interest and financing expenses on the consolidated statements of operation. As of

December 31, 2016 and 2015, accrued interest and fees payable related to the SBA debentures totaled \$2,995 and \$2,739, respectively.

*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

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

financing cost amortization for the years ended December 31, 2016, 2015 and 2014 was \$1,112, 1,010 and \$682, respectively. Deferred financing costs related to the Credit Facility and SBA debentures as of December 31, 2016 and 2015, were as follows:

	December 31, 2016			December 31, 2015		
	SBA debentures	Credit Facility	Total	SBA debentures	Credit Facility	Total
SBA debenture commitment fees	\$ 2,750	\$	\$ 2,750	\$ 2,250	\$	\$ 2,250
SBA debenture leverage fees	5,433		5,433	5,177		5,177
Credit Facility upfront fees		1,284	1,284		1,239	1,239
Total deferred financing costs	8,183	1,284	9,467	7,427	1,239	8,666
Less: accumulated amortization	(4,084)	(822)	(4,906)	(3,321)	(473)	(3,794)
Unamortized deferred financing costs	\$ 4,099	\$ 462	\$ 4,561	\$ 4,106	\$ 766	\$ 4,872

Unamortized deferred financing costs are presented as a direct offset to the SBA debentures and Credit Facility liabilities on the consolidated statements of assets and liabilities. The following table summarizes the outstanding debt net of unamortized deferred financing costs as of December 31, 2016 and 2015:

	December 31, 2016			December 31, 2015		
	SBA debentures	Credit Facility	Total	SBA debentures	Credit Facility	Total
Outstanding debt	\$ 224,000	\$	\$ 224,000	\$ 213,500	\$ 15,500	\$ 229,000
Less: unamortized deferred financing costs	(4,099)	(462)	(4,561)	(4,106)	(766)	(4,872)
Debt, net of unamortized deferred financing costs	\$ 219,901	\$ (462)	\$ 219,439	\$ 209,394	\$ 14,734	\$ 224,128

The weighted average interest rate for all SBA debentures and borrowings outstanding under the Credit Facility as of December 31, 2016 and December 31, 2015 was 4.1% and 4.0%, respectively.

**Note 7. Commitments and Contingencies**

*Commitments:* The Company had outstanding commitments to portfolio companies to fund various undrawn revolving loans, other credit facilities and capital commitments totaling \$6,566 and \$10,150 as of December 31, 2016 and December 31, 2015, respectively. Such outstanding commitments are summarized in the following table:

<b>Portfolio Company</b>	<b>Investment</b>	<b>December 31, 2016</b>		<b>December 31, 2015</b>	
		<b>Total Commitment</b>	<b>Unfunded Commitment</b>	<b>Total Commitment</b>	<b>Unfunded Commitment</b>
FAR Research Inc.	Revolving Loan	\$ 1,750	\$ 1,614	\$ 1,750	\$ 1,614
Inflexxion, Inc.	Revolving Loan	500	350	1,000	850
inthinc Technology Solutions, Inc.	Subordinated Note	5,000	1,000	5,000	1,000
Lightning Diversion Systems, LLC	Revolving Loan	250	250	1,000	1,000
Microbiology Research Associates, Inc.	Revolving Loan			500	500
Oaktree Medical Centre, P.C.	Revolving Loan	2,500		500	250

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

<b>Portfolio Company</b>	<b>Investment</b>	<b>December 31, 2016</b>		<b>December 31, 2015</b>	
		<b>Total Commitment</b>	<b>Unfunded Commitment</b>	<b>Total Commitment</b>	<b>Unfunded Commitment</b>
Restaurant Finance Co, LLC	Senior Secured Loan	\$	\$	\$ 10,500	\$ 1,936
Safety Products Group, LLC	Common Equity	2,852	2,852		
SES Investors, LLC	Revolving Loan	1,500	500		
Vanguard Dealer Services, L.L.C.	Subordinated Note			9,850	2,500
X5 Opco LLC	Revolving Loan			500	500
<b>Total</b>		<b>\$ 14,352</b>	<b>\$ 6,566</b>	<b>\$ 30,600</b>	<b>\$ 10,150</b>

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.

*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**

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**

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	<b>Number of Shares</b>	<b>Gross Proceeds</b>	<b>Underwriting Fees and Commissions and Offering Costs</b>	<b>Offering Price</b>
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 <sup>(1)</sup>	35,418	1,747	17.00
May 27, 2016	2,875,000 <sup>(2)</sup>	43,755	56 <sup>(4)</sup>	15.22 <sup>(5)</sup>
November 29, 2016	3,220,000 <sup>(3)</sup>	53,446	2,370	16.60 <sup>(6)</sup>

(1) Includes 83,414 shares purchased by underwriters pursuant to the over-allotment option on October 21, 2014.

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

- (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) 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.
- (5) 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.
- (6) 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.

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). The gross proceeds raised, the related sales agent commission, the offering expenses and the average price at which shares were issued under the ATM Program from August 21, 2014 through December 31, 2016 are as follow:

	<b>Number of Shares</b>	<b>Gross Proceeds</b>	<b>Underwriting Fees and Commissions and Offering Costs</b>	<b>Average Offering Price</b>
<b>Year Ended December 31, 2014</b>				
Third Quarter ended September 30, 2014	153,541	\$ 2,850	\$ 56	\$ 18.56
Fourth Quarter ended December 31, 2014	4,812	80	3	17.00
<b>Total</b>	<b>158,353</b>	<b>\$ 2,930</b>	<b>\$ 59</b>	<b>\$ 18.51</b>
<b>Year Ended December 31, 2015</b>				
First Quarter ended March 31, 2015	49,193	\$ 819	\$ 16	\$ 16.65
Second Quarter ended June 30, 2015	141,430	2,347	50	16.60
Third Quarter ended September 30, 2015				
Fourth Quarter ended December 31, 2015				

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Total	190,623	\$ 3,166	\$ 66	\$ 16.61
<b>Year Ended December 31, 2016</b>				
First Quarter ended March 31, 2016		\$	\$	\$
Second Quarter ended June 30, 2016				
Third Quarter ended September 30, 2016				
Fourth Quarter ended December 31, 2016				
Total		\$	\$	\$

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

As of December 31, 2016 and 2015, the Company had 22,446,076 and 16,300,732 shares of common stock outstanding, respectively.

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The Company's dividends and distributions are recorded on the record date. The following table summarizes the dividends paid during the last three fiscal years.

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount Per Share</b>	<b>Total Distribution</b>	<b>Cash Distribution</b>	<b>DRIP Shares Value</b>	<b>DRIP Shares</b>	<b>DRIP Share Issue Price</b>
<b>Fiscal Year Ended December 31, 2014:</b>								
2/18/2014	3/21/2014	3/31/2014	\$ 0.38	\$ 5,227	\$ 5,028	\$ 199	10,410	\$ 19.14
5/5/2014	6/13/2014	6/27/2014	0.38	5,231	5,037	194	9,459	20.44
5/5/2014 <sup>(1)</sup>	7/25/2014	7/31/2014	0.05	689	664	25	1,368	18.66
5/5/2014 <sup>(1)</sup>	8/25/2014	8/29/2014	0.05	689	660	29	1,567	18.48
8/5/2014	9/12/2014	9/26/2014	0.38	5,293	5,095	198	11,562	17.16
11/4/2014	12/5/2014	12/19/2014	0.38	6,092	5,862	230	15,574	14.71
11/4/2014 <sup>(1)</sup>	12/5/2014	12/19/2014	0.10	1,603	1,543	60	4,098	14.71
			\$ 1.72	\$ 24,824	\$ 23,889	\$ 935	54,038	
<b>Fiscal Year Ended December 31, 2015:</b>								
2/17/2015	3/12/2015	3/26/2015	\$ 0.38	\$ 6,099	\$ 5,886	\$ 213	12,922	16.46
5/5/2015	6/11/2015	6/25/2015	0.38	6,176	5,968	208	12,883	16.18
5/5/2015 <sup>(1)</sup>	6/11/2015	6/25/2015	0.02	325	314	11	678	16.18
8/3/2015	9/17/2015	9/25/2015	0.39	6,345	6,097	248	16,985	14.61
11/2/2015 <sup>(1)</sup>	11/27/2015	12/11/2015	0.04	651	624	27	2,034	13.43
11/2/2015	12/4/2015	12/18/2015	0.39	6,351	6,157	194	13,570	14.29
			\$ 1.60	\$ 25,947	\$ 25,046	\$ 901	59,072	
<b>Fiscal Year Ended December 31, 2016:</b>								
2/16/2016	3/11/2016	3/25/2016	\$ 0.39	\$ 6,357	\$ 6,177	\$ 180	11,631	15.49
5/2/2016	6/10/2016	6/24/2016	0.39	7,337	7,143	194	12,722	15.25
8/1/2016	9/9/2016	9/23/2016	0.39	7,488	7,293	195	12,340	15.76
11/1/2016	12/2/2016	12/16/2016	0.39	8,585	8,386	199	12,381	16.08

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11/1/2016 <sup>(1)</sup>	12/2/2016	12/16/2016	0.04	880	860	20	1,270	16.08
			\$ 1.60	\$ 30,647	\$ 29,859	\$ 788	50,344	

(1) Special dividend.

Since the Company's IPO, dividends and distributions to stockholders total \$129,708 or \$8.96 per share.

There were no deemed distributions during the years 2014, 2015, or 2016. See Note 12 for further discussion regarding deemed distributions.

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**Table of Contents****FIDUS INVESTMENT CORPORATION****Notes to Consolidated Financial Statements (Continued)****(In thousands, except shares and per share data)****Note 10. Financial Highlights**

The following is a schedule of financial highlights for the years ended December 31, 2016, 2015, 2014, 2013 and 2012:

	Year Ended December 31,				
	2016	2015	2014	2013	2012
<b>Per share data:</b>					
Net asset value at beginning of period	\$ 15.17	\$ 15.16	\$ 15.35	\$ 15.32	\$ 14.90
Net investment income <sup>(1)</sup>	1.45	1.64	1.62	1.43	1.54
Net realized gain (loss) on investments, net of tax benefit (refund) <sup>(1)</sup>	(0.77)	0.58	(1.18)	2.22	0.19
Net unrealized (depreciation) appreciation on investments <sup>(1)</sup>	1.59	(0.62)	0.92	(1.64)	0.18
Total increase from investment operations <sup>(1)</sup>	2.27	1.60	1.36	2.01	1.91
(Dilutive) accretive effect of share issuances	(0.05)	0.02	0.19	0.18	0.03
Dividends to stockholders	(1.60)	(1.60)	(1.72)	(1.94)	(1.46)
Taxes paid on deemed distribution				(0.21)	
Other <sup>(2)</sup>	(0.03)	(0.01)	(0.02)	(0.01)	(0.06)
Net asset value at end of period	\$ 15.76	\$ 15.17	\$ 15.16	\$ 15.35	\$ 15.32
Market value at end of period	\$ 15.73	\$ 13.69	\$ 14.85	\$ 21.74	\$ 16.45
Shares outstanding at end of period	22,446,076	16,300,732	16,051,037	13,755,232	11,953,847
Weighted average shares outstanding during the	18,283,715	16,201,449	14,346,438	13,524,368	10,185,627

period

Net assets at end of period	\$ 353,785	\$ 247,362	\$ 243,263	\$ 211,125	\$ 183,091
Average net assets <sup>(6)</sup>	\$ 289,453	\$ 245,705	\$ 222,736	\$ 209,136	\$ 157,618

**Ratios to average net assets:**

Total expenses <sup>(4)</sup>	11.5%	11.1%	10.1%	10.6%	11.5%
Net investment income <sup>(5)</sup>	9.2%	10.8%	10.5%	9.2%	10.0%
Total return <sup>(3)</sup>	26.6%	3.0%	(23.8)%	44.0%	38.1%
Portfolio turnover ratio	29.3%	22.5%	18.9%	44.9%	10.7%

**Supplemental Data:**

Average debt outstanding	\$ 221,200	\$ 199,340	\$ 152,700	\$ 144,500	\$ 126,050
Average debt per share <sup>(1)</sup>	\$ 12.10	\$ 12.30	\$ 10.64	\$ 10.68	\$ 12.38

- (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.
- (3) The total return for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 equals the change in the market value of the Company's common stock per share during the period plus dividends paid per share during the period, divided by the market value per share at the beginning of the period.

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- (4) 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.
- (5) 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.
- (6) 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.

**Note 11. Selected Quarterly Financial Data (unaudited)**

	<b>March 31, 2016</b>	<b>June 30, 2016</b>	<b>September 30, 2016</b>	<b>December 31, 2016</b>
Total investment income	\$ 14,691	\$ 13,832	\$ 14,431	\$ 17,275
Net investment income	7,082	4,943	6,735	7,841
Net increase in net assets from operations	7,540	12,793	8,594	12,643
Net investment income per share	0.43	0.29	0.35	0.39
Net increase in net assets from operations per share	0.46	0.74	0.45	0.62
Net asset value per share at end of period	15.25	15.52	15.58	15.76

	<b>March 31, 2015</b>	<b>June 30, 2015</b>	<b>September 30, 2015</b>	<b>December 31, 2015</b>
Total investment income	\$ 12,838	\$ 12,799	\$ 13,557	\$ 15,075
Net investment income	6,229	6,039	7,050	7,175
Net increase in net assets from operations	6,409	6,246	5,487	7,835
Net investment income per share	0.39	0.37	0.43	0.44
Net increase in net assets from operations per share	0.40	0.39	0.34	0.48
Net asset value per share at end of period	15.18	15.18	15.12	15.17

**Note 12. Income Taxes**

The Company has elected to be treated for federal income tax purposes as a RIC, whereby the Company generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that the Company distributes to its stockholders as dividends. The Company must generally distribute at least 90% of its investment company taxable income to maintain its RIC status. As part of maintaining RIC status, undistributed taxable income pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared prior to the later of the filing of the federal income tax return for the prior year or the 15th day of the 9th month following the prior tax year. Such taxable income carried forward to the next tax year will be subject to excise tax equal to 4% of the amount by which (i) 98% of the Company's ordinary income recognized during a calendar year and (ii) 98.2% of the Company's long term capital gains, as defined by Subchapter M of the Code, recognized for the one year period ending October 31<sup>st</sup> of a calendar year exceeds the respective distributions for the

year. For the years ended December 31, 2016, 2015 and 2014, the excise tax provision (benefit) was \$370, \$395 and \$340, respectively. Excise tax is included as a component of income tax provision and income tax (provision) on realized gains on investments, depending on the character of the underlying taxable income, on the consolidated statements of operations.

The Taxable Subsidiaries hold certain portfolio investments for the Company. The Taxable Subsidiaries are consolidated for financial reporting purposes, and the portfolio investments held by the Taxable Subsidiaries are included in the Company's consolidated financial statements. The principal purpose of the Taxable Subsidiaries are to permit the Company to hold equity investments in portfolio companies which are pass through entities

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

for federal income tax purposes in order to comply with the source-of-income requirements contained in the RIC tax provisions of Subchapter M of the Code. The Taxable Subsidiaries are not consolidated for federal income tax purposes and may generate income tax expense or income tax benefit as a result of their ownership of various portfolio investments. The Company classifies interest and penalties, if any, as a component of income tax provision on the consolidated statements of operations. For the years ended December 31, 2016, 2015 and 2014, income tax expense at the taxable subsidiaries was \$28, \$34, and \$28, respectively. Income tax expense is included as a component of the income tax provisions on the consolidated statements of operations.

Listed below is a reconciliation of net increase in net assets resulting from operations on the consolidated statements of operations to taxable income and to total distributions declared to common stockholders for the years ended December 31, 2016, 2015 and 2014.

	<b>2016</b> <sup>(1)</sup>	<b>2015</b>	<b>2014</b>
Net increase in net assets resulting from operations	\$ 41,570	\$ 25,977	\$ 19,485
Net change in unrealized depreciation (appreciation) on investments	(29,009)	10,086	(13,250)
Permanent book income and tax income differences		1,253	367
Temporary book income and tax income differences	2,969	(7,207)	5,391
Capital loss carry forward (utilization)	13,438	(3,134)	11,288
Taxable income	28,968	26,975	23,281
Taxable income earned in prior year and carried forward for distribution in current year	14,871	13,843	15,386
Taxable income earned in current period and carried forward for distribution in following year	(13,192)	(14,871)	(13,843)
Total distributions to common stockholders	\$ 30,647	\$ 25,947	\$ 24,824

(1) The Company's taxable income for 2016 is an estimate and will not be finalized until the Company files its 2016 federal income tax return in 2017. Therefore, the Company's actual taxable income, and the Company's actual taxable income that was earned in 2016 and carried forward for distribution in 2017, may be different than this estimate.

For tax purposes, distributions paid to stockholders are reported as ordinary income, long term capital gains, qualified dividends, return of capital or a combination thereof. There were no return of capital distributions paid during 2016, 2015 and 2014. The tax character of distributions paid for the years ended December 31, 2016, 2015 and 2014 was as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Ordinary income	\$ 29,211	\$ 25,639	\$ 14,242
Long term capital gains			10,389
Qualified dividends	1,436	308	193
Total distributions	\$ 30,647	\$ 25,947	\$ 24,824

The Company estimates that it generated undistributed ordinary taxable income of approximately \$13,192, or \$0.59 per share during 2016 that will be carried forward and distributed in 2017. Ordinary dividend distributions from a RIC do not qualify for the preferential federal income tax rate on dividend income from certain 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.

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

The Company may distribute a portion of its realized net long term capital gains in excess of realized net short term capital losses to its stockholders, but may also decide to retain a portion, or all, of its net capital gains and elect to make a deemed distribution to its stockholders. For the years ended December 31, 2016, 2015 and 2014, the Company did not elect to designate retained net capital gains as a deemed distribution.

As of December 31, 2016, 2015 and 2014, the tax basis components of distributable earnings were as follows:

	<b>2016</b> <sup>(1)</sup>	<b>2015</b>	<b>2014</b>
Undistributed ordinary income	\$ 13,148	\$ 14,782	\$ 13,733
Undistributed qualified income	44	89	110
Undistributed long term capital gains			
Unrealized appreciation (depreciation) <sup>(2)</sup>	23,944	(6,703)	3,805
Temporary book/tax differences	(1,882)	1,087	(6,121)
Capital loss carry forward	(21,592)	(8,154)	(11,288)
<b>Total distributable earnings</b>	<b>\$ 13,662</b>	<b>\$ 1,101</b>	<b>\$ 239</b>

- (1) The Company's undistributed earnings for 2016 is an estimate and will not be finally determined until the Company files its 2016 federal income tax return in 2017. Therefore, the Company's actual distributable earnings may be different than this estimate.
- (2) In addition, there is net unrealized appreciation (depreciation) of \$(4), \$1,633 and \$1,211 included in additional paid in capital as of December 31, 2016, 2015 and 2014, respectively, that was recognized prior to the Formation Transactions.

For federal income tax purposes, the cost of investments owned at December 31, 2016 and 2015 was approximately \$501,205 and \$448,889, respectively.

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Tax-basis amortized cost of investments	\$ 501,205	\$ 448,889
Tax-basis gross unrealized appreciation on investments	36,733	11,621
Tax-basis gross unrealized depreciation on investments	(13,484)	(17,241)
Tax-basis net unrealized appreciation on investments	23,249	(5,620)

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Fair value of investments	\$ 524,454	\$ 443,269
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Distributions from net investment income and net realized capital gains are determined in accordance with U.S. federal tax regulations, which may differ from amounts determined in accordance with GAAP and those differences could be material. These permanent book-to-tax differences are reclassified on the consolidated statements of changes in net assets to reflect their tax character but have no impact on total net assets. The following permanent book-to-tax differences were reclassified on the consolidated statements of changes in net assets for the years ended December 31, 2016, 2015 and 2014.

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Additional paid in capital	\$ (1,700)	\$ (770)	\$ (590)
Undistributed net investment income	(215)	908	366
Accumulated net realized gain (loss) on investments, net of taxes	1,915	(138)	224

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**FIDUS INVESTMENT CORPORATION**

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

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

**Note 13. Subsequent Events**

On January 4, 2017, the Company invested \$12,250 in subordinated notes and common equity of Revenue Management Solutions, LLC, a leading provider of services that match, reconcile, and facilitate the posting of healthcare payments received against submitted claims from healthcare providers, benefit managers, and billing companies.

On February 3, 2017, the Company exited its debt and equity investments in Worldwide Express Operations, LLC ( Worldwide Express ). The Company received payment in full on its subordinated note, including a prepayment penalty, and sold a portion of its equity for a realized gain, net of estimated taxes, of approximately \$5,049. Concurrently, the Company rolled over \$4,000 of its equity investment into a new equity investment in the portfolio company. On February 27, 2017, the Company invested \$10,000 in a subordinated note of Worldwide Express.

On February 14, 2017, the Board declared a regular quarterly dividend of \$0.39 per share payable on March 24, 2017 to stockholders of record as of March 10, 2017.

On February 28, 2017, the Company repaid \$24,750 of SBA debentures with an interest rate of 6.2% which would have matured on March 1, 2018.

On February 28, 2017, the Company invested \$10,500 in subordinated notes and common equity of TransGo, LLC, a specialty manufacturer and designer of aftermarket automotive transmission parts and repair kits.

On February 28, 2017, the Company exited its debt investment in Grindmaster Corporation. The Company received payment in full on its subordinated note, including a prepayment penalty.

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**Fidus Investment Corporation**

**\$50,000,000**

**Common Stock**

**Prospectus Supplement**

**Raymond James**

**Baird**

**August 21, 2017**