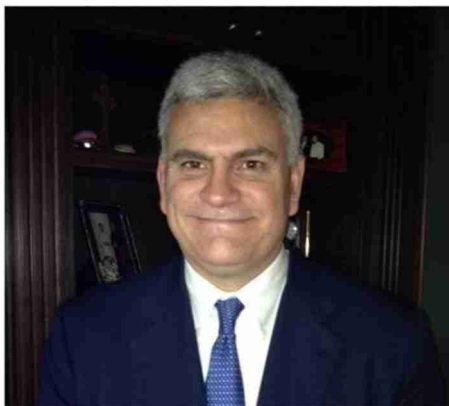


**As a Publicly Traded BDC that Focuses on Lower Middle Market Companies and Pays Out Substantially All of their Operating Earnings as Dividends, Fidus Investment Corporation is Well Positioned for Growth in Their Investment Portfolio and to Drive Earnings Growth**



**Financial  
 BDC  
 (FDUS-NASDAQ)**



**Edward H. Ross  
 Chairman, President and CEO**

**BIO:**

Edward H. Ross has served as our chairman of the board, chief executive officer and president since our initial public offering. Mr. Ross has more than 20 years of debt and equity capital investing experience with middle-market companies. Mr. Ross co-founded Fidus Capital, LLC, the predecessor firm to our Investment Advisor, in 2005. Mr. Ross was a managing director and the head of the Chicago office for Allied Capital Corporation, a publicly traded business development company, where he fo-

cused on making debt and equity investments in middle-market companies from 2002 to 2005. Prior to joining Allied Capital Corporation, Mr. Ross co-founded Middle Market Capital, a merchant banking group of Wachovia Securities and its predecessor, First Union Securities, Inc. Mr. Ross earned a bachelor of arts from Southern Methodist University and a master of business administration from the University of Notre Dame's Mendoza College of Business.

**Company Profile:**

Fidus Investment Corporation provides customized mezzanine debt and equity financing solutions to lower middle market companies, which we generally define as U.S. based companies having revenues between \$10.0 million and \$150.0 million. Fidus's investment objective is to provide attractive risk-adjusted returns by generating both current income from our debt investments and capital appreciation from our equity related investments. Fidus seeks to partner with business owners, management teams and financial sponsors by providing customized financing for change of ownership transactions, recapitalizations, strategic acquisitions, business expansion and other growth initiatives.

**Interview conducted by:  
 Lynn Fosse, Senior Editor  
 CEOCFO Magazine**

**CEOCFO:** Mr. Ross, what is the background of Fidus?

**Mr. Ross:** In early 2007, we raised Fidus Mezzanine Capital, a private investment fund focused on investing

subordinated debt and equity in lower middle market companies. We established the fund as a small business investment company, raising \$78 million of private capital, which in conjunction with \$150 million of SBA-related debentures resulted in a \$228 million fund to invest in lower middle market companies, and we did just that as a private fund through mid-2011. Then in June 2011, we closed our initial public offering and have been operating as a publicly traded Business Development Company, or BDC, since that point in time.

**CEOCFO:** Why did you make the decision to go public at that point?

**Mr. Ross:** There were several factors that drove the decision. We were primarily focused on our original investors, and our best thinking was that the IPO option would likely result in a best of both worlds opportunity for our investors. In addition to hopefully providing incremental returns to our LPs, it also provided the opportunity for near-term liquidity, which was a very meaningful contributor to the decision, given the difficulty the broader financial crisis caused for so many people. Secondly, for us as managers, we thought it made a lot of sense to have access to permanent capital, such as a BDC, as that matches up well with our long-term private debt and equity investment strategy.

**CEOCFO:** Are specific types of companies of interest for Fidus?

**Mr. Ross:** First, we primarily focus on businesses that have between \$10 and \$150 million in revenues, which is how we define the lower middle market. Second, we really focus on busi-

nesses where we have a meaningful level of industry expertise or experience.

**CEO CFO:** What are the criteria you use and when does overall experience or gut feeling play a part in the choice?

**Mr. Ross:** First and foremost, we focus on the quality of the management team and ownership group, their track records and experience levels. Importantly, we want to make sure we are going into partnerships with like-minded people that we not only think would be good partners, but also have a track record of success. When you get down to the company characteristics, we have specific criteria that we look for. In particular, we are looking for proven business models that have defensible market positions in industries we know well. Another critical component of our selection criteria is the company's ability to generate high free cash flow. Strong free cash flow generators can either invest in their business or pay down debt, both of which typically reduce risk for us and create long-term equity value as well. At the end of the day, our focus is one of capital preservation, while also striving to generate attractive risk adjusted returns. It is about making good high quality investments, hitting singles and doubles, but preserving our capital is really job one.

**CEO CFO:** As Fidus has high standards in choosing companies, why are companies coming to you and what does Fidus add to the mix for the companies you help?

**Mr. Ross:** That is a good question and it is obviously something that we strive to make sure people understand. What it comes down to is we go to market as value added partners. We try to act as partners in good situations and in difficult situations. For us that means that we strive to be value added on the front end of a business relationship, typically as we are going through due-diligence and trying to put together the right capital structure. It also means we try to be

value-added post investment. Therefore, we do not expect to make an investment and wake up five years from now and everything has worked out perfectly. We stay intimately involved with the businesses we invest in so we can react when things go off plan, either good or bad. We believe being a value-added partner is not only helpful to the long-term success of our portfolio companies, but also critical to the long-term success of our firm.

**CEO CFO:** Is there a particular mix you like in industries or is it opportunistic when you choose companies with whom you partner?

**Mr. Ross:** It is a little bit of both. We are opportunistic but we do have a

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number of industry sectors that we focus on. These are areas that we understand well, have spent time in before and ultimately gravitate to as we see opportunities.

**CEO CFO:** How has the uncertainty in the general economy affected Fidus?

**Mr. Ross:** For us as debt oriented investors, our goal is to invest in businesses that are stable and can withstand some difficult times. As I stated earlier, preservation of capital is key for us as investors. It comes down to the quality of those underlying portfolio companies, what I would call the staying power of those companies that ultimately drives our success. Post-crisis, it has actually been a relatively clear picture for us as we look to make new investments. We have gravitated towards those companies

that withstood the financial crisis in a reasonable fashion and continued to generate free cash flow throughout. The recent recession was a difficult test for most companies, and the companies that were not materially impacted to the negative are the ones that we at Fidus focus on.

**CEO CFO:** What is the financial picture like at Fidus today?

**Mr. Ross:** We are pleased with our financial picture today. As a BDC, we pay out substantially all of our operating earnings as dividends. We recently announced a strong fourth quarter and at the same time announced an increase in our quarterly dividend by 2 cents to \$0.34 a share. In addition, we have a good liquidity

position today that is comprised of both cash on our balance sheet, as well as liquidity supplied by our SBIC debentures. Therefore, we feel we are very well positioned for continued growth in our investment portfolio. By growing our investment portfolio, we believe we are in a good position to drive growth in earnings and hopefully dividends.

**CEO CFO:** Has the investment community been paying attention?

**Mr. Ross:** I believe so, but we are a smaller cap business, so that eliminates certain investors that focus only on large cap names. Overall, we have only been public for a short period, but we think investors have started to pay more attention recently and will continue to as we strive to deliver consistent results and realize attractive risk adjusted returns.

**CEO CFO:** Why should investors pay attention to Fidus today?

**Mr. Ross:** First and foremost is our people. We have a very experienced team. The leadership team averages over twenty years experience in the middle market. What that means is we have relationships to help drive origination activity, because everything that we do is self-originated. Second, our investment process is highly disciplined with an emphasis on

capital preservation and risk adjusted returns, and we have a track record as a team of doing that in the past. Next is our liquidity position, which should enable us to continue to grow our investment portfolio. In addition, we believe the lower middle market is an area that is underserved. There are fewer people and I would say

fewer of the more sophisticated investors out there who are willing to invest \$5, \$10 and \$15 million in a deal. They typically will want to invest much larger dollar amounts. For us, this results in a very large addressable market with less competition. Finally, at fiscal year end we were very pleased with the overall quality

of our investment portfolio and the yield it generates from our debt investments. When you combine these characteristics, we believe it puts us in a good position to continue to drive a high level of operating income, and deliver a relatively attractive yield to investors.

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