

Stellus Capital Investment Corp
Form 10-Q
November 03, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

x

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

..

OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 1-35730

STELLUS CAPITAL INVESTMENT CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Maryland 46-0937320
(State or other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)

4400 Post Oak Parkway, Suite 2200

Houston, Texas 77027

(Address of Principal Executive Offices) (Zip Code)

(713) 292-5400

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(do not check if a smaller reporting company)

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

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The number of shares of the issuer's Common Stock, \$0.001 par value, outstanding as of November 2, 2016 was 12,479,957.

STELLUS CAPITAL INVESTMENT CORPORATION

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PART I — FINANCIAL INFORMATION**STELLUS CAPITAL INVESTMENT CORPORATION****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (unaudited)**

	September 30, 2016	December 31, 2015
ASSETS		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$362,534,225 and \$364,212,459, respectively)	\$ 352,701,256	\$ 349,017,697
Cash and cash equivalents	8,640,005	10,875,790
Receivable for sales and repayments of investments	3,561,582	10,000
Interest receivable	4,158,012	4,720,031
Deferred offering costs	—	261,761
Accounts receivable	—	7,684
Prepaid expenses	147,344	475,449
Total Assets	\$ 369,208,199	\$ 365,368,412
LIABILITIES		
Notes Payable, net of deferred financing costs	\$ 24,518,185	\$ 24,381,108
Credit facility payable, net of prepaid loan structure fees	106,590,075	108,197,373
SBA Debentures, net of prepaid loan fees	63,260,043	63,015,846
Dividends payable	1,413,982	1,413,982
Base management fees payable	1,574,354	1,518,779
Incentive fees payable	1,437,030	607,956
Interest payable	408,237	570,189
Unearned revenue	21,773	36,877
Administrative services payable	239,576	397,799
Deferred tax liability	19,607	381,723
Other accrued expenses and liabilities	319,301	195,676
Total Liabilities	\$ 199,802,163	\$ 200,717,308
Commitments and contingencies (Note 5)		
Net Assets	\$ 169,406,036	\$ 164,651,104
NET ASSETS		
Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 12,479,958 and 12,479,960 shares issued and outstanding, respectively)	\$ 12,480	\$ 12,480
Paid-in capital	180,994,732	180,994,752
Accumulated undistributed net realized loss	(895,809)	—
Distributions in excess of net investment income	(852,791)	(779,643)
Net unrealized depreciation on investments and cash equivalents, net of provision for taxes of \$19,607 and \$381,723, respectively.	(9,852,576)	(15,576,485)

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Net Assets	\$ 169,406,036	\$ 164,651,104
Total Liabilities and Net Assets	\$ 369,208,199	\$ 365,368,412
Net Asset Value Per Share	\$ 13.57	\$ 13.19

STELLUS CAPITAL INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	For the three months ended September 30, 2016	For the three months ended September 30, 2015	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
INVESTMENT INCOME				
Interest income	\$ 9,773,863	\$ 8,509,804	\$ 28,477,016	\$ 25,776,147
Other income	428,890	93,009	816,739	231,219
Total Investment Income	\$ 10,202,753	\$ 8,602,813	\$ 29,293,755	\$ 26,007,366
OPERATING EXPENSES				
Management fees	\$ 1,574,354	\$ 1,462,024	\$ 4,673,568	\$ 4,322,488
Valuation fees	157,179	139,266	357,346	328,065
Administrative services expenses	244,303	224,836	782,230	800,863
Incentive fees	1,110,297	954,908	3,121,395	2,914,633
Professional fees	177,410	92,320	564,724	454,675
Directors' fees	73,000	76,000	251,000	260,000
Insurance expense	119,323	119,417	355,376	354,603
Interest expense and other fees	2,037,782	1,557,629	5,932,814	4,522,176
Deferred offering costs	—	—	261,761	—
Other general and administrative expenses	100,362	156,782	340,406	391,330
Total Operating Expenses	\$ 5,594,010	\$ 4,783,182	\$ 16,640,620	\$ 14,348,833
Net Investment Income	\$ 4,608,743	\$ 3,819,631	\$ 12,653,135	\$ 11,658,533
Net Realized Gain (Loss) on Investments and Cash Equivalents	\$ (898,189)	\$ 2,146	\$ (895,809)	\$ 294,863
Net Change in Unrealized Appreciation (Depreciation) on Investments and Cash Equivalents	\$ 6,176,947	\$ (4,593,553)	\$ 5,361,794	\$ (3,216,547)
Net Tax Benefit for Unrealized Appreciation/ Depreciation on Investments	\$ 39,965	\$ 147,439	\$ 362,116	\$ 33,181
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ 9,927,466	\$ (624,337)	\$ 17,481,236	\$ 8,770,030
Net Investment Income Per Share	\$ 0.37	\$ 0.31	\$ 1.01	\$ 0.93
Net Increase (Decrease) in Net Assets Resulting from Operations Per Share	\$ 0.80	\$ (0.05)	\$ 1.40	\$ 0.70
Weighted Average Shares of Common Stock Outstanding	12,479,958	12,479,962	12,479,959	12,479,962
Distributions Per Share	\$ 0.34	\$ 0.34	\$ 1.02	\$ 1.02

STELLUS CAPITAL INVESTMENT CORPORATION**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (unaudited)**

	For the nine months Ended September 30, 2016	For the nine months ended September 30, 2015
Increase in Net Assets Resulting from Operations		
Net investment income	\$ 12,653,135	\$ 11,658,533
Net realized gain (loss) on investments and cash equivalents	(895,809)	294,863
Net change in unrealized appreciation (depreciation) on investments and cash equivalents	5,361,794	(3,216,547)
Net tax benefit for unrealized appreciation/depreciation on investments	362,116	33,181
Net Increase in Net Assets Resulting from Operations	\$ 17,481,236	\$ 8,770,030
Stockholder distributions from:		
Net investment income	(12,726,304)	(12,726,816)
Total Distributions	\$(12,726,304)	\$(12,726,816)
Total increase (decrease) in net assets	\$ 4,754,932	\$(3,956,786)
Net assets at beginning of period	\$ 164,651,104	\$ 173,949,452
Net assets at end of period (includes \$852,791 and \$1,847,907 of distributions in excess of net investment income, respectively)	\$ 169,406,036	\$ 169,992,666

STELLUS CAPITAL INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 17,481,236	\$ 8,770,030
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Purchases of investments	(37,392,617)	(85,108,716)
Proceeds from sales and repayments of investments	35,618,611	76,333,638
Net change in unrealized depreciation (appreciation) on investments	(5,361,794)	3,216,547
Deferred tax benefit	(362,116)	(33,181)
Increase in investments due to PIK	(165,110)	(387,975)
Amortization of premium and accretion of discount, net	(830,040)	(759,387)
Amortization of loan structure fees	392,702	392,297
Amortization of deferred financing costs	244,197	163,619
Amortization of loan fees on SBIC debentures	137,077	136,646
Net realized (gain) loss on investments	895,809	(294,863)
Deferred offering cost	261,761	—
Changes in other assets and liabilities		
Decrease in interest receivable	562,019	736,112
Decrease (increase) in accounts receivable	7,684	(6,988)
Decrease in prepaid expenses and fees	328,105	278,779
Increase in management fees payable	55,575	102,005
Increase in incentive fees payable	829,074	7,762
Decrease in administrative services payable	(158,223)	(211,504)
Decrease in interest payable	(161,952)	(20,273)
Decrease in unearned revenue	(15,104)	(116,869)
Increase in other accrued expenses and liabilities	123,625	123,073
Net cash provided by operating activities	\$ 12,490,519	\$ 3,320,752
Cash flows from financing activities		
Proceeds from SBA Debentures	—	9,750,000
Financing costs paid on SBA Debentures	—	(561,437)
Stockholder distributions paid	(12,726,304)	(12,726,816)
Borrowings under credit facility	28,250,000	86,500,000
Repayments of credit facility	(30,250,000)	(82,250,000)
Net cash provided (used) by financing activities	\$ (14,726,304)	\$ 711,747
Net increase (decrease) in cash and cash equivalents	(2,235,785)	4,032,499

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Cash and cash equivalents balance at beginning of period	10,875,790	2,046,563
Cash and cash equivalents balance at end of period	\$ 8,640,005	\$ 6,079,062
Supplemental and non-cash financing activities		
Interest expense paid	\$ 5,315,790	\$ 3,844,890

Stellus Capital Investment Corporation

Consolidated Schedule of Investments – (unaudited)

September 30, 2016

Investments	Footnotes	Lien	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amortized Cost	V
Non-controlled, non-affiliate investments											
<u>Abrasive Products & Equipment, LLC, et al</u>											
Term Loan (SBIC)	(2)(3)	Second Lien	L+10.50%	1.00%	11.50%		3/5/2020	Deer Park, TX Chemicals, Plastics, & Rubber	\$5,325,237	\$5,247,795	\$
APE Holdings, LLC Class A Units	(4)	Equity							375,000 units	375,000	4.
Total										5,622,795	5.
<u>Apex Environmental Resources Holdings, LLC</u>											
Common Units	(4)	Equity						Amsterdam, OH	517 shares	517	5.
Preferred Units	(4)	Equity						Environmental Industries	517 shares	517,439	5.
Total										517,956	5.
<u>Atkins Nutritionals Holdings II, Inc.</u>											
Term Loan	(3)	Second Lien	L+8.50%	1.25%	9.75%		4/3/2019	Denver, CO Beverage, Food, & Tobacco Hauppauge, NY	\$8,000,000	7,921,378	8.
<u>Binder & Binder National</u>											

Social Security Disability Advocates, LLC

Term Loan	(4)(6)(7)	Unsecured	17.00%	15.00%	2.00%	2/27/2016	Services: Consumer	\$13,200,354	13,200,354	7
	(8)									

Calero Software, LLC et al

Rochester, NY

Term Loan	(3)	Second Lien	L+9.50%	1.00%	10.50%	6/5/2019	Telecommunications	\$7,500,000	7,416,056	7
Managed Mobility Holdings, LLC	(4)	Equity						8,932 units	525,000	1
Partnership Units										
Total										7,941,056

C.A.R.S. Protection Plus, Inc.

Murrysville, PA

Term Loan	(3)	First Lien	L+8.50%	0.50%	9.00%	12/31/2020	Automotive	\$118,046	115,972	1
Term Loan (SBIC)	(2)(3)	First Lien	L+8.50%	0.50%	9.00%	12/31/2020		\$9,207,579	9,029,261	9
CPP Holdings LLC	(4)	Equity						149,828 shares	149,828	2
Common Shares, Class A										
Total										9,295,061

Catapult Learning, LLC et al

Camden, NJ

Term Loan	(3)(14)	First Lien	L+6.50%	1.00%	9.03%	7/16/2020	Education	\$12,500,000	12,399,190	1
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Colford Capital Holdings, LLC

New York, NY

Delay Draw Term Loan #1	(5)	Unsecured	12.00%	12.00%	5/31/2018	Finance	\$12,500,000	12,385,868	1
Delay Draw Term Loan #2	(5)	Unsecured	12.00%	12.00%	5/31/2018		\$2,000,000	1,977,036	1
Delay Draw Term Loan #4	(5)	Unsecured	12.00%	12.00%	5/31/2018		\$5,000,000	4,953,819	4

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Colford Capital Holding, LLC	(4)(5)	Equity						38,893 units	557,143	6
Preferred Units										
Total									19,873,866	2
<u>Doskocil</u>										
<u>Manufacturing</u>										
<u>Company,</u>										
Arlington, TX										
<u>Inc.</u>										
<u>(Petmate)</u>										
Term Loan (SBIC)	(2)(14)	First Lien	L+6.00%	1.00%	9.43%	11/10/2020	Consumer goods: non-durable	\$8,750,000	8,619,584	8
<u>Douglas</u>										
<u>Products &</u>										
<u>Packaging</u>										
<u>Company,</u>										
Liberty, MO										
<u>LLC</u>										
Term Loan (SBIC)	(2)(12)	Second Lien	L+10.50%	0.50%	11.34%	12/31/2020	Chemicals, Plastics, & Rubber	\$9,000,000	8,870,179	9
Fumigation Holdings, Inc. Class A Common Stock	(4)	Equity						250 shares	250,000	4
Total									9,120,179	9

Stellus Capital Investment Corporation

Consolidated Schedule of Investments – (unaudited)

September 30, 2016

**Eating
Recovery
Center,
LLC**

Denver, CO

Term Loan ERC Group Holdings LLC	(6)	Unsecured	13.00%	12.00%	1.00%	6/28/2018	Healthcare & Pharmaceuticals	\$18,400,000	18,252,384	18,261,000
Class A Units	(4)	Equity						17,820 units	1,655,274	2,471,900
Total									19,907,658	20,733,000

**Empirix
Inc.**

Billerica, MA

Term Loan	(3)	Second Lien	L+9.50%	1.00%	10.50%	5/1/2020	Software	\$11,657,850	11,509,367	11,447,000
Term Loan (SBIC)	(2)(3)	Second Lien	L+9.50%	1.00%	10.50%	5/1/2020		\$9,750,000	9,624,854	9,574,000
Empirix Holdings I, Inc. Common Shares, Class A	(4)	Equity						1,304 shares	1,304,232	1,567,000
Empirix Holdings I, Inc. Common Shares, Class B	(4)	Equity						1,317,406 shares	13,174	15,829,000
Total									22,451,627	22,605,000

**Energy
Labs, Inc**

Houston, TX

(2)(12)(14)First Lien	P+5.50%	2.00%	12.03%	9/29/2021	\$5,300,000	5,194,000	5,194,000
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Term Loan (SBIC) Energy Labs Holding Corp Common Units (4)						Energy: Oil & Gas	500 shares	500,000	500,000	
								5,694,000	5,694,000	
<u>EOS Fitness OPCO Holdings, LLC</u>						Phoenix, AZ				
Term Loan (SBIC) EOS Fitness Holdings, LLC Class A Preferred Units (4)	(2)(3)	First Lien	L+8.75%	0.75%	9.50%	12/30/2019	Hotel, Gaming, & Leisure	\$3,353,059	3,305,881	3,332,500
EOS Fitness Holdings, LLC Class A Preferred Units (4)	(4)	Equity						118 shares	117,670	67,988
EOS Fitness Holdings, LLC Class B Common Units (4)	(4)	Equity						3,017 shares	3,020	1,743
Total									3,426,571	3,402,231
<u>Furniture Factory Outlet, LLC</u>							Fort Smith, AR			
Term Loan (12)	(12)	First Lien	L+9.00%	0.50%	9.84%	6/10/2021	Consumer goods: non-durable	\$9,937,500	9,748,928	9,746,800
Furniture Factory Holdings, LLC (6)	(6)	Unsecured	11.00%		11.00%	2/3/2021		\$122,823	122,823	122,823
Term Loan Sun Furniture Factory, LP Common (4)	(4)	Equity						13,445 Shares	94,569	89,254

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LP/LLC										9,966,320	9,958,9
Units											
Total											
<u>GK</u>											
<u>Holdings,</u>											
<u>Inc.</u>											
Term Loan	(3)	Second Lien	L+9.50%	1.00%	10.50%	1/30/2022	Cary, NC Services: Business	\$5,000,000	4,917,424	4,979,7	
<u>Glori</u>											
<u>Energy</u>											
<u>Production</u>											
<u>Inc.</u>											
Term Loan	(3)	First Lien	L+10.00%	1.00%	11.00%	3/14/2017	Houston, TX Energy: Oil & Gas	\$1,651,500	1,646,188	1,556,7	
<u>Good</u>											
<u>Source</u>											
<u>Solutions,</u>											
<u>Inc.</u>											
Term Loan	(2)(12)(14)	First Lien	L+7.25%	0.50%	11.25%	7/15/2021	Carlsbad, CA Beverage, Food, & Tobacco	\$1,200,000	1,176,705	1,176,7	
(SBIC)											
Term Loan		First Lien	L+7.25%	0.50%	11.25%	7/15/2021		\$1,350,000	1,323,794	1,323,7	
Good Source Holding, LLC	(4)	Equity						159 shares	159,375	159,375	
Class A Preferred											
Good Source Holding, LLC	(4)	Equity						4,482 shares	0	0	
Class B Preferred											
Total										2,659,874	2,659,8

Stellus Capital Investment Corporation

Consolidated Schedule of Investments – (unaudited)

September 30, 2016

Grupo**HIMA****San Pablo,****Inc., et al**

San Juan, PR

Term Loan	(3)	First Lien	L+7.00%	1.50%	8.50%	1/31/2018	Healthcare & Pharmaceuticals	\$4,825,000	4,794,990	4,705,650
Term Loan		Second Lien	13.75%		13.75%	7/31/2018		\$4,000,000	3,914,403	3,535,590
Total									8,709,393	8,241,240

Hollander**Sleep****Products,****LLC**

Boca Raton, FL

Term Loan	(3)	First Lien	L+8.00%	1.00%	9.00%	10/21/2020	Services: Consumer	\$7,286,790	7,207,398	7,286,790
Dream II Holdings, LLC Class A LP/LLC Units	(4)	Equity						250,000 units	242,304	141,712
Total									7,449,702	7,428,502

Hostway**Corporation**

Chicago, IL

Term Loan	(3)	Second Lien	L+8.75%	1.25%	10.00%	12/13/2020	High Tech Industries	\$6,750,000	6,656,780	5,548,500
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HUF**Worldwide,****LLC**

Los Angeles, CA

Revolver	(9)(12)	First Lien	L+9.00%	0.50%	9.65%	10/22/2019	Retail	\$375,000	375,000	375,000
Term Loan	(12)	First Lien	L+9.00%	0.50%	9.65%	10/22/2019		\$4,770,680	4,704,863	4,770,680
Term Loan (SBIC)	(2)(12)	First Lien	L+9.00%	0.50%	9.65%	10/22/2019		\$8,019,677	7,914,054	8,019,677
HUF Holdings,	(4)	Equity						556,948 units	556,090	470,258

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LLC Common Class A Units Total																						13,550,007	13,635,6		
Keais Records Service, LLC																									
Term Loan	(12)	Second Lien	L+10.25%	0.50%	10.78%		12/30/2021	Houston, TX Services: Business	\$1,250,000	1,225,817	1,250,000														
KidKraft, Inc.																									
Term Loan	(6)	Second Lien	12.00%		11.00%	1.00%	3/30/2022	Dallas, TX Consumer Goods: Durable	\$9,200,000	9,016,000	9,016,000														
Livingston International, Inc.																									
Term Loan	(3)(5)	Second Lien	L+8.25%	1.25%	9.50%		4/18/2020	Toronto, Ontario Transportation: Cargo	\$6,841,739	6,760,628	6,638,000														
Momentum Telecom Inc., et al																									
Term Loan	(3)	First Lien	L+8.50%	1.00%	9.50%		3/10/2019	Birmingham, AL Media: Broadcasting & Subscription	\$7,016,214	6,930,414	6,879,540														
Term Loan (SBIC)	(2)(3)	First Lien	L+8.50%	1.00%	9.50%		3/10/2019		\$9,423,534	9,307,140	9,239,970														
MBS Holdings, Inc. Series E Preferred Stock	(4)	Equity							2,774,695 shares	1,000,000	1,196,550														
MBS Holdings, Inc. Series F Preferred Stock	(4)	Equity							399,308 shares	206,682	247,306														
Total																								17,444,236	17,563,30
MTC Intermediate Holdco, Inc.																									
Term Loan	(3)	Second Lien	L+9.50%	1.00%	10.50%		5/31/2022	Oak Brook, IL Finance	\$575,000	564,562	575,000														
Term Loan (SBIC)	(2)(3)	Second Lien	L+9.50%	1.00%	10.50%		5/31/2022		\$9,750,000	9,572,996	9,750,000														

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MTC Parent, LP Class A-2 (4) Common Units Total	Equity							750,000 shares	750,000	1,157,520
NetMotion Wireless, Inc., et al										
Milpitas, CA										
Term Loan (3)(13)	Second Lien	L+10.50%	1.00%	11.50%	8/19/2020	Services: Business		\$9,000,000	8,862,689	9,090,000
Term Loan (2)(3)(13) (SBIC)	Second Lien	L+10.50%	1.00%	11.50%	8/19/2020			\$1,000,000	984,743	1,010,000
Endpoint Security Holdings, LLC (6)	Unsecured	15.00%		15.00%	10/3/2016			\$117,646	117,646	117,646
Endpoint Security Holdings, LLC Class A Common Stock (4)	Equity							9,174 shares	293,103	293,103
Endpoint Security Holdings, LLC Class B Common Stock (4)	Equity							9,174 shares	706,897	706,897
Total									10,965,078	11,217,646

Stellus Capital Investment Corporation**Consolidated Schedule of Investments – (unaudited)****September 30, 2016**

<u>OG Systems, LLC</u>											
Chantilly, Virginia											
Term Loan	(3)(6)	Unsecured	L+11.00%	1.00%	11.00%	1.00%	1/22/2020	Services: Government	\$4,028,288	3,976,228	3,940,000
OGS Holdings, Inc. Series A Convertible Preferred Stock											
	(4)	Equity							11,521 shares	50,000	59,800
Total										4,026,228	4,000,000
<u>Refac Optical Group, et al</u>											
Blackwood, NJ											
Revolver	(10)(11)	First Lien	L+7.50%		8.03%		9/30/2018	Retail	\$400,000	400,000	400,000
Term A Loan	(11)	First Lien	L+7.50%		8.03%		9/30/2018		\$1,633,046	1,633,046	1,633,046
Term B Loan	(6)(11)	First Lien	L+10.25%		9.03%	1.75%	9/30/2018		\$6,388,073	6,388,073	6,388,073
Total										8,421,119	8,421,119
<u>Securus Technologies Holdings, Inc.</u>											
Dallas, TX											
Term Loan	(3)	Second Lien	L+7.75	1.25%	9.00%		4/30/2021	Telecommunications	\$8,500,000	8,453,811	8,210,000
<u>Sitel Worldwide Corporation</u>											
Nashville, TN											
Term Loan	(3)	Second Lien	L+9.50	1.00%	10.50%		9/18/2022	Services: Business	\$10,000,000	9,820,148	9,980,000
<u>Skopos Financial, LLC</u>											
Irving, TX											
Term Loan	(5)	Unsecured	12.00%		12.00%		1/31/2019	Finance	\$20,000,000	19,770,124	19,600,000

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Skopos Financial Group, LLC (4)(5) Class A Units Total	Equity							1,120,684 units	1,162,544	982,2		
<u>SPM Capital, LLC</u>												
						Bloomington, MN						
Term Loan (3)	First Lien	L+5.50	1.50%	7.00%	10/31/2017	Healthcare & Pharmaceuticals		\$6,404,654	6,372,262	6,369		
<u>SQAD, LLC</u>												
Term Loan (SBIC) (2)(6)	Unsecured	12.25%		11.00%	1.25%	4/30/2019	Tarrytown, NY Media: Broadcasting & Subscription	\$7,222,170	7,151,331	7,199		
<u>SQAD Holdco, Inc.</u>												
Preferred Shares, Series A (SBIC) (2)(4)	Equity									5,624 shares	562,368	799,8
<u>SQAD Holdco, Inc.</u>												
Common Shares (SBIC) (2)(4)	Equity									5,800 shares	62,485	88,8
									7,776,184	8,088		
<u>Stratose Intermediate Holdings, II, LLC et al</u>												
						Atlanta, GA						
Term Loan (3)	Second Lien	L+9.50%	1.00%	10.50%	7/26/2022	Services: Business		\$15,000,000	14,696,437	15,000		
<u>Atmosphere Aggregator Holdings, LP</u>												
Common Units (4)	Equity									750,000 units	750,000	1,798
<u>Atmosphere Aggregator Holdings II, LP</u>												
Common Units (4)	Equity									254,250 units	254,250	609,5
									15,700,687	17,400		
<u>360 Holdings III Corp</u>												
						Irvine, CA						
Term Loan (3)	First Lien	L+9.00%	1.00%	10.00%	10/1/2021	Consumer goods: non-durable Sikeston, MO		\$3,960,000	3,816,145	3,960		

Telecommunications

Management,

LLC

Term Loan (3)	Second Lien	L+8.00%	1.00%	9.00%	10/30/2020	Media: Broadcasting & Subscription	\$5,000,000	4,968,894	4,910,000
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U.S. Auto

Sales, Inc. et

al Lawrenceville, GA

Term Loan (3)(5)	Second Lien	L+10.50%	1.00%	11.50%	6/8/2020	Finance	\$4,500,000	4,464,554	4,464,554
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USASF Blocker II, LLC (4)(5)	Equity						441 units	441,000	495,200
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USASF Blocker LLC (4)(5)	Equity						9,000 units	9,000	10,100
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Common Units									
Common Units									
Total								4,914,554	4,970,000

Stellus Capital Investment Corporation

Consolidated Schedule of Investments – (unaudited)

September 30, 2016

**Vandelay
Industries
Finance,
LLC, et al**

La Vergne,
TN

Term Loan	(6)	Second Lien	11.75%	10.75%	1.00%	11/12/2019	Construction & Building	\$2,500,000	2,484,313	2,500,000	1.48
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**Vision
Media
Management
&
Fulfillment,
LLC**

Valencia, CA

Term Loan (SBIC)	(2)(3)(14)	First Lien	L+8.50%	1.00%	10.36%	1/27/2021	Media: Broadcasting & Subscription	\$1,585,374	1,555,049	1,585,374	0.94
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**Wise
Holding
Corporation**

Salt Lake
City, UT

Term Loan	(3)(14)	Unsecured	L+10.00%	1.00%	11.00%	12/31/2021	Beverage, Food, & Tobacco	\$1,250,000	1,231,861	1,250,000	0.74
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WCI Holdings, LLC

Class A Preferred LP/LLC Units	(4)	Equity						55 units	55,550	69,102	0.04
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WCI Holdings, LLC

Class B LP/LLC Common Units	(4)	Equity						3,044 units	3,044	3,786	0.00
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Total									1,290,455	1,322,888	0.78
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**Zemax,
LLC**

Redmond,
WA

Term Loan (SBIC) Zemax Software Holdings, LLC Preferred LP/LLC Units (SBIC) Zemax Software Holdings, LLC Common LP/LLC Units (SBIC) Total	(2)(3)	Second Lien	L+10.00%	1.00%	11.00%	4/23/2020	Software	\$3,962,500	3,905,428	3,902,403	2.30	
	(2)(4)	Equity						24,500 units	245,000	236,377	0.14	
	(2)(4)	Equity						5,000 shares	5,000	4,824	0.00	
										4,155,428	4,143,604	2.44