

Stellus Capital Investment Corp
Form 10-Q
August 06, 2013

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

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NUMBER: 1-35730**

STELLUS CAPITAL INVESTMENT CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or other Jurisdiction of
Incorporation or Organization)

46-0937320
(I.R.S. Employer
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

The number of shares of the issuer's Common Stock, \$0.001 par value, outstanding as of August 7, 2013 was 12,066,019.

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Item 1.

Financial Statements

STELLUS CAPITAL INVESTMENT CORPORATION**STATEMENTS OF ASSETS AND LIABILITIES**

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$260,614,004 and \$195,455,671, respectively)	\$ 262,185,828	\$ 195,451,256
Cash and cash equivalents	10,982,998	62,131,686
Interest receivable	4,110,605	2,573,831
Prepaid loan structure fees	1,716,629	1,947,820
Prepaid expenses	183,491	438,384
Total Assets	279,179,551	262,542,977
LIABILITIES		
Payable for investments purchased		4,750,000
Credit facility payable	91,000,000	38,000,000
Short-term loan	8,999,899	45,000,943
Base management fees payable	1,041,199	527,034
Incentive fees payable	1,250,375	
Accrued offering costs		147,123
Interest payable	197,081	66,477
Directors' fees payable	89,000	29,452
Other accrued expenses and liabilities	495,440	175,993
Total Liabilities	103,072,994	88,697,022
Net Assets	\$ 176,106,557	\$ 173,845,955
NET ASSETS		
Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 12,066,019 and 12,035,023 shares issued and outstanding, respectively)	\$ 12,066	\$ 12,035
Paid-in capital	175,154,696	174,714,838
Accumulated undistributed net realized gain	1,002,917	
Distributions in excess of net investment income	(1,403,946)	(874,986)
Unrealized appreciation (depreciation) on investments and cash equivalents	1,340,824	(5,932)
Net Assets	\$ 176,106,557	\$ 173,845,955
Total Liabilities and Net Assets	\$ 279,179,551	\$ 262,542,977
Net Asset Value Per Share	\$ 14.60	\$ 14.45

TABLE OF CONTENTS**STELLUS CAPITAL INVESTMENT CORPORATION****STATEMENTS OF OPERATIONS (unaudited)**

	For the three months ended June 30, 2013	For the period from inception (May 18, 2012) through June 30, 2012	For the six months ended June 30, 2013	For the period from inception (May 18, 2012) through June 30, 2012
INVESTMENT INCOME				
Interest income	\$6,710,905	\$	\$13,035,629	\$
Other Income	630,322		752,038	
Total Investment Income	7,341,227		13,787,667	
OPERATING EXPENSES				
Management fees	\$1,041,199	\$	\$1,925,202	\$
Valuation fees	113,710		203,710	
Administrative services expenses	228,535		399,576	
Incentive fees	867,096		1,550,236	
Professional fees	107,516	126,628	223,462	126,628
Directors' fees	89,000		178,000	
Insurance expense	118,268		235,238	
Interest expense and other fees	718,219		1,284,759	
Other general and administrative expenses	85,026		127,444	
Total Operating Expenses	\$3,368,569	\$126,628	\$6,127,627	\$126,628
Net Investment Income (Loss)	\$3,972,658	\$(126,628)	\$7,660,040	\$(126,628)
Net Realized Gain on Investments and Cash Equivalents	\$99,995	\$	\$1,002,917	\$
Net Change in Unrealized Appreciation on Investments and Cash Equivalents	\$404,942	\$	\$1,346,756	\$
Net Increase (Decrease) in Net Assets Resulting from Operations	\$4,477,595	\$(126,628)	\$10,009,713	\$(126,628)
Net Investment Income Per Share	\$0.33	\$	\$0.64	\$
Net Increase in Net Assets Resulting from Operations Per Share	\$0.37	\$	\$0.83	\$
Weighted Average Shares of Common Stock Outstanding	12,050,618		12,043,117	

See Notes to Unaudited Consolidated Financial Statements.

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STELLUS CAPITAL INVESTMENT CORPORATION

STATEMENTS OF CHANGES IN NET ASSETS

	For the six months ended June 30, 2013 (Unaudited)	For the Period from inception (May 18, 2012) through June 30, 2012 (Unaudited)
Increase in Net Assets Resulting from Operations		
Net investment income (loss)	\$7,660,040	\$ (126,628)
Net realized gain on investments and cash equivalents	1,002,917	
Net change in unrealized appreciation on investments and cash equivalents	1,346,756	
Net Increase (Decrease) in Net Assets Resulting from Operations	10,009,713	(126,628)
Stockholder distributions		
Distributions	(8,189,000)	
Capital share transactions		
Issuance of common stock	439,889	
Net increase in net assets resulting from capital share transactions	439,889	
Total increase (decrease) in net assets	2,260,602	(126,628)
Net assets at beginning of period	173,845,955	
Net assets at end of period	\$176,106,557	\$ (126,628)

See Notes to Unaudited Consolidated Financial Statements.

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	For the six months ended June 30, 2013 (Unaudited)	For the Period from Inception (May 18, 2012) through June 30, 2012 (Unaudited)
Cash flows from operating activities		
Net increase (decrease) in net assets resulting from operations	\$ 10,009,713	\$ (126,628)
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Purchases of investments	(112,467,250)	
Proceeds from sales and repayments of investments	48,792,161	
Net change in unrealized appreciation on investments	(1,345,238)	
Increase in investments due to PIK	(523,926)	
Accretion of discount	(184,489)	
Net realized gain on investments	(1,005,830)	
Changes in other assets and liabilities		
Increase in interest receivable	(1,536,774)	
Decrease in prepaid expenses and fees	486,084	
Decrease in payable for investments purchased	(4,750,000)	
Increase in management fees payable	514,165	
Increase in directors' fees payable	59,548	
Increase in incentive fees payable	1,250,375	
Increase in interest payable	130,604	
Increase in other accrued expenses and liabilities	319,447	126,628
Net cash (used in) provided by operating activities	\$(60,251,410)	\$ 126,628
Cash flows from financing activities		
Offering costs paid	(147,123)	
Stockholder distributions paid	(7,749,111)	
Borrowings under credit facility	53,000,000	
Borrowings under short-term loan	(36,001,044)	
Net cash provided by financing activities	9,102,722	
Net increase (decrease) in cash and cash equivalents	(51,148,688)	
Cash and cash equivalents balance at beginning of period	62,131,686	
Cash and cash equivalents balance at end of period	\$ 10,982,998	
Non-cash items		
Common stock issued in connection with dividend reinvestments	\$ 439,889	\$

See Notes to Unaudited Consolidated Financial Statements.

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STELLUS CAPITAL INVESTMENT CORPORATION

**SCHEDULE OF INVESTMENTS (unaudited)
JUNE 30, 2013**