

CITADEL BROADCASTING CORP

Form 425

March 10, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of report (Date of earliest event reported): March 10, 2011 (March 9, 2011)
CUMULUS MEDIA INC.**

(Exact name of registrant as specified in its charter)

Delaware

000-24525

36-4159663

(State or other jurisdiction
of incorporation)

(Commission File Number)

(IRS employer
Identification No.)

3280 Peachtree Road, N.W., Suite 2300, Atlanta GA

30305

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (404) 949-0700
n/a

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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On March 9, 2011, Cumulus Media Inc. (the Company) entered into an Agreement and Plan of Merger (the Merger Agreement) with Citadel Broadcasting Corporation (Citadel), Cadet Holding Corporation, a direct wholly owned subsidiary of the Company (Holdco), and Cadet Merger Corporation, an indirect, wholly owned subsidiary of the Company (Merger Sub).

Pursuant to the Merger Agreement, at the closing, Merger Sub will merge with and into Citadel, with Citadel surviving the merger as an indirect, wholly owned subsidiary of the Company (the Merger). At the effective time of the Merger, each outstanding share of common stock and warrant of Citadel will be canceled and converted automatically into the right to receive, at the election of the stockholder (subject to certain limitations set forth in the Merger Agreement), (i) \$37.00 in cash, (ii) 8.525 shares of the Company's common stock, or (iii) a combination thereof. Additionally, prior to the Merger, each outstanding unvested option to acquire shares of Citadel common stock issued under Citadel's equity incentive plan will automatically vest, and all outstanding options will be deemed exercised pursuant to a cashless exercise, with the resulting net Citadel shares to be converted into the right to receive the Merger consideration. Holders of unvested restricted shares of Citadel common stock will be eligible to receive the Merger consideration for their shares pursuant to the original vesting schedule of such shares. Elections by Citadel stockholders are subject to adjustment so that the maximum amount of shares of the Company's common stock that may be issuable in the Merger is 151,485,282 and the maximum amount of cash payable by the Company in the Merger is \$1,408,728,600.

The Company, which previously announced the pending acquisition of the remaining equity interests of Cumulus Media Partners LLC (CMP) it does not currently own, also expects to complete a refinancing of all of the outstanding debt of the Company, Citadel and CMP in conjunction with the proposed Merger. The Company has obtained commitments for up to \$500 million in equity financing from Crestview Partners and Macquarie Capital, and commitments from a group of banks for up to \$2.525 billion in senior secured credit facilities and \$500 million in senior note bridge financing, the proceeds of which shall pay the cash portion of the Merger consideration, and effect the refinancing. Final terms of the debt financing will be set forth in definitive agreements relating to such indebtedness.

The consummation of the Merger is subject to various customary closing conditions, including (i) approval by Citadel's stockholders, (ii) the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (HSR approval), (iii) regulatory approval by the Federal Communications Commission, and (iv) the absence of a material adverse effect on Citadel or the Company.

Completion of the Merger is anticipated to occur by the end of 2011, although there can be no assurance the Merger will occur within the expected timeframe or at all.

The Merger Agreement contains customary representations and warranties made by Citadel, the Company, Holdco and Merger Sub. Citadel and the Company also agreed to various covenants in the Merger Agreement, including, among other things, covenants (i) to conduct their respective material operations in the ordinary course of business consistent with past practice and (ii) not to take certain actions prior to the closing of the Merger without prior consent of the other.

Citadel agreed in the Merger Agreement not to solicit or encourage competing acquisition proposals. Under certain circumstances, however, Citadel may provide information to a third party that makes an unsolicited acquisition proposal and engage in discussions and negotiations with such third party; provided that, among other things, the Citadel board determines in good faith (after consultation with its financial advisors and outside counsel) such unsolicited acquisition proposal is, or could reasonably be expected to lead to, a Superior Proposal (as defined in the Merger Agreement). Citadel may terminate the Merger Agreement to enter into a definitive agreement with respect to such Superior Proposal, provided that, among other things, Citadel must, among other things, notify the Company at least four business days in advance of its intention to take such action and concurrently with entering into such agreement pay the Company's designees the termination fee discussed below.

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The Merger Agreement may be terminated by either Citadel or the Company in certain circumstances, and if the Merger Agreement is terminated, then Citadel may be required under certain circumstances specified in the Merger Agreement to pay the Company a termination fee of up to \$80 million. In other circumstances, the Company may be required to pay to Citadel a reverse termination fee of up to \$80 million.

Investment Agreement

On March 9, 2011, concurrent with the execution of the Merger Agreement, the Company entered into an Investment Agreement (the "Investment Agreement") with Crestview Radio Investors, LLC ("Crestview") and MIHI LLC ("Macquarie"), and, with Crestview, the "Investors"), pursuant to which the Investors have committed to purchase with cash an aggregate of \$500 million in shares of the Company's common stock, at a purchase price per share of \$4.34 (the "Investment"). Specifically, Crestview has agreed to purchase \$250 million in shares of the Company's Class A Common Stock and Macquarie has agreed to purchase \$250 million in warrants immediately exercisable at an exercise price of \$0.01 per share for shares of the Company's non-voting Class B Common Stock. Macquarie may, at its option, elect to receive instead shares of non-convertible preferred stock, and will also be permitted to syndicate up to \$125 million of its commitment to one or more third parties, subject to certain limitations set forth in the Investment Agreement.

Contemporaneously with the closing of the Investment, Crestview and Macquarie will each receive a cash commitment fee equal to 4% of its respective equity commitment. In addition, Crestview will receive warrants to purchase, at an exercise price of \$4.34 per share, a number of shares of Cumulus common stock equal to approximately 13.5% of its equity commitment and, pursuant to a monitoring agreement to be entered into in connection with the closing, a monitoring fee of \$2 million per year, payable quarterly in arrears, until the fifth anniversary of the closing. Macquarie will also receive additional fees, based on the dollar amount of the syndicated and non-syndicated portion of its commitment.

The Investment Agreement provides for a stockholders' agreement and a registration rights agreement, each to be executed upon closing of the Investment. The stockholders' agreement will provide for, among other things, board representation for certain significant stockholders (including Crestview) and provisions limiting certain significant stockholders' abilities to sell their shares or engage in certain transactions. The registration rights agreement will provide certain registration rights to the Investors, including the right to up to three demand registrations for Crestview, the Company's obligation to file resale shelf registration statements, and unlimited piggyback registration rights. In accordance with the Investment Agreement, prior to closing, the Company's stockholders will approve a new equity incentive plan, pursuant to which the Company will be able to issue equity awards for up to 15%, pro forma for their issuance, of the fully diluted shares outstanding of the Company upon closing of the Merger. Upon adoption of the new plan, the remaining authorization for equity awards under preexisting incentive plans will be canceled. Upon closing of the Merger, two-thirds of the equity issuable under the new plan will be issued to certain of the Company's employees in the form of stock options having an exercise price expected to be equal to \$4.34 per share (subject to certain adjustments in amount of shares and exercise price). Specific awards will be issued in amounts authorized by the Compensation Committee of the Board and, for the initial issuances under the plan, approved by a majority (in commitment amount) of the Investors. Also, in accordance with the Investment Agreement, upon closing of the Investment, the Company will adopt a shareholder rights plan.

The Investment Agreement contains limited customary representations and warranties made by the Company and the Investors. Consummation of the Investment is subject to various customary closing conditions, including (i) regulatory approval of the Investors by the Federal Communications Commission, (ii) HSR approval for the Investment Agreement transactions, (iii) consummation of the debt financing referred to above, and (iv) satisfaction of all of the conditions precedent in the Merger Agreement to the Company's obligation to consummate the transactions contemplated thereby.

* * * * *

The foregoing summary descriptions of the Merger Agreement and the Investment Agreement and the transactions contemplated thereby do not purport to be complete and are subject to and qualified in their entirety by

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reference to the Merger Agreement and Investment Agreement, copies of which are attached hereto as Exhibit 2.1 and Exhibit 10.1, respectively, and the terms of which are incorporated herein by reference.

The Merger Agreement and Investment Agreement have been attached as exhibits to this Current Report on Form 8-K to provide investors and security holders with information regarding their respective terms. They are not intended to provide any other financial information about the parties thereto or their respective subsidiaries and affiliates. The representations, warranties and covenants contained in the Merger Agreement or the Investment Agreement were made only for purposes of those agreements and as of specific dates; were solely for the benefit of the parties thereto; may be subject to limitations agreed upon by such parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties thereto instead of establishing these matters as facts; and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts or condition of the parties to the Merger Agreement or the Investment Agreement or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Merger Agreement or the Investment Agreement, which subsequent information may or may not be fully reflected in public disclosures by the parties thereto.

A copy of the press release issued by the Company on March 10, 2011 in connection with the execution of the Merger Agreement and Investment Agreement is being furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

To the extent required, the information set forth in Item 1.01 of this Current Report on Form 8-K under the heading Investment Agreement is incorporated into this Item 3.02 by this reference. In reliance upon certain representations and warranties made by the Investors in the Investment Agreement, the securities will be issued pursuant to the exemption from registration under the Securities Act of 1933 available under Section 4(2) of such act.

Item 5.07. Submission of Matters to a Vote of Security Holders.

On March 9, 2011, concurrent with the execution of the Merger Agreement, stockholders holding approximately 54% of the voting power of the outstanding shares of the Company's common stock executed written consents approving an amendment to the Company's certificate of incorporation, increasing the number of authorized shares of common stock as necessary to consummate the Merger and the Investment, as well as the issuance of securities pursuant to the Merger and the Investment. No further approval of the stockholders of the Company is required with respect to the Merger Agreement or the Investment Agreement, and the transactions contemplated thereby, including the Merger and the Investment.

Item 8.01. Other Events.

On March 10, 2011, the Company issued a press release in which it announced the acquisition of Citadel pursuant to the Merger Agreement. The press release is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits**

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of March 9, 2011, by and among Citadel Broadcasting Corporation, Cumulus Media Inc., Cadet Holding Corporation and Cadet Merger Corporation*
10.1	Investment Agreement, dated as of March 9, 2011, by and among Cumulus Media Inc., Crestview Radio Investors, LLC and MIHI LLC*
99.1	Press release, dated March 10, 2011

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- * Schedules and exhibits have been omitted from this exhibit pursuant to Item 601(b)(2) of Regulation S-K and are not filed herewith. The Registrant agrees to furnish supplementally a copy of the omitted schedules and exhibits to the Securities and Exchange Commission upon request.

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SIGNATURES

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

CUMULUS MEDIA INC.

By: /s/ J.P. Hannan

Name: J.P. Hannan

Title: Senior Vice President, Treasurer and
Chief Financial Officer

Date: March 10, 2011

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10.1	Investment Agreement, dated as of March 9, 2011, by and among Cumulus Media Inc., Crestview Radio Investors, LLC and MIHI LLC*
99.1	Press release, dated March 10, 2011

* Schedules and exhibits have been omitted from this exhibit pursuant to Item 601(b)(2) of Regulation S-K and are not filed herewith. The Registrant agrees to furnish supplementally a copy of the omitted schedules and exhibits to the Securities and Exchange Commission upon request.

Underwriting Agreement, dated April 5, 2017, by and among the Registrant, Stellus Capital Management, LLC and Raymond James & Associates, Inc. and Keefe, Bruyette and Woods, Inc., as representatives to the several underwriters named in Exhibit A thereto (Incorporated by reference to Exhibit (h) to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 (File No. 333-216138)).(h)(2) Underwriting Agreement, dated August 16, 2017, by and among Registrant, Stellus Capital Management, LLC and Keefe, Bruyette and Woods, Inc., as representative of the several underwriters named therein.⁽²⁾(i) Not applicable(j) Custodian Agreement between Registrant and State Street Bank and Trust Company (Incorporated by reference to Exhibit (j) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on October 23, 2012).(k)(1) Administration Agreement between Registrant and Stellus Capital Management, LLC (Incorporated by reference to Exhibit (k)(1) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on October 23, 2012).(k)(2) Form of License Agreement between the Registrant and Stellus Capital Management, LLC (Incorporated by reference to Exhibit (k)(2) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on October 23, 2012).(k)(3) Form of Indemnification Agreement between the Registrant and the directors (Incorporated by reference to Exhibit (k)(3) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on October 23, 2012).(k)(4) Form of Senior Secured Revolving Credit Agreement among the Registrant and SunTrust Bank (Incorporated by reference to Exhibit (k)(5) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on November 7, 2012).(k)(5) Form of Guarantee and Security Agreement among the Registrant and SunTrust Bank (Incorporated by reference to Exhibit (k)(6) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on November 7, 2012).(k)(6) Form of Senior Secured Term Credit Agreement among the Registrant and SunTrust Bank (Incorporated by reference to Exhibit (k)(7) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on November 7, 2012).(k)(7) Second Senior Secured Revolving Credit Agreement among the Registrant and SunTrust Bank, dated May 31, 2016, (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, Filed on August 3, 2016).(k)(8) Third Senior Secured Revolving Credit Agreement among the Registrant and SunTrust Bank, dated July 29, 2016, (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, Filed on August 3, 2016).

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- (k)(9) Form of Security Agreement among the Registrant and SunTrust Bank (Incorporated by reference to Exhibit (k)(8) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on November 7, 2012).
- (k)(10) At Market Issuance Sales Agreement, dated August 23, 2017, by and between the Registrant, Stellus Capital Management, LLC and Raymond James & Associates, Inc.*
- (l)(1) Form of Opinion and Consent of Eversheds Sutherland (US) LLP, special counsel for Registrant.⁽²⁾
- (l)(2) Opinion and Consent of Eversheds Sutherland (US) LLP, counsel to the Registrant (Incorporated by reference to Exhibit (l)(2) to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 (File No. 333-216138)).
- (l)(3) Opinion and Consent of Eversheds Sutherland (US) LLP, counsel to the Registrant.⁽²⁾
- (l)(4) Opinion and Consent of Eversheds Sutherland (US) LLP, counsel to the Registrant.*
- (m) Not applicable
- (n)(1) Consent of Grant Thornton LLP (Incorporated by reference to Exhibit (n)(1) to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 (File No. 333-216138)).
- (n)(2) Consent of Grant Thornton LLP.⁽²⁾
- (n)(3) Report of Grant Thornton LLP with respect to the Senior Securities table.
- (n)(4) Consent of Grant Thornton LLP.*
- (p) Not applicable
- (q) Not applicable
- (r)(1) Code of Ethics of Stellus Capital Investment Corporation (Incorporated by reference to Exhibit (r)(1) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on October 23, 2012).
- (r)(2) Code of Ethics of Stellus Capital Management, LLC (Incorporated by reference to Exhibit (r)(2) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on October 23, 2012).

*

Filed as an exhibit hereto.

- (1) To be filed by post-effective amendment, if applicable.
- (2) Previously filed as an exhibit to this registration statement.

Item 26. Marketing Arrangements

The information contained under the heading "Underwriting" on this Registration Statement is incorporated herein by reference.

Item 27. Other Expenses of Issuance and Distribution

Securities and Exchange Commission registration fee	\$ 23,180
FINRA filing fee	\$ 30,500
New York Stock Exchange listing fees ⁽¹⁾	\$ 64,000
Printing expenses ⁽¹⁾	\$ 100,000
Accounting fees and expenses ⁽¹⁾	\$ 80,000
Legal fees and expenses ⁽¹⁾	\$ 200,000
Miscellaneous ⁽¹⁾	\$ 20,000
Total ⁽¹⁾	\$ 517,680

*

To be included by pre-effective amendment.

(1)

These amounts are estimates.

Item 28. Persons Controlled by or Under Common Control

None.

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Item 29. Number of Holders of Securities

The following table sets forth the approximate number of record holders of the Company's common stock as of March 29, 2017.

Title of Class	Number of Record Holders
Common Stock, \$0.001 par value	28

Item 30. Indemnification

Reference is made to Section 2-418 of the Maryland General Corporation Law, Article VII of the Registrant's charter and Article XI of the Registrant's Amended and Restated Bylaws.

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. The Registrant's charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the Investment Company Act of 1940, as amended (the "1940 Act").

The Registrant's charter authorizes the Registrant, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while serving as the Registrant's director or officer and at the Registrant's request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The Registrant's bylaws obligate the Registrant, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while serving as the Registrant's director or officer and at the Registrant's request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit the Registrant to indemnify and advance expenses to any person who served a predecessor of the Registrant in any of the capacities described above and any of the Registrant's employees or agents or any employees or agents of the Registrant's predecessor. In accordance with the 1940 Act, the Registrant will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

Maryland law requires a corporation (unless its charter provides otherwise, which the Registrant's charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may

be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received unless, in either case, a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer in advance of final disposition of a proceeding upon the

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corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Adviser and Administrator

The investment advisory agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Stellus Capital Management LLC (the investment adviser) and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the investment adviser's services under the investment advisory agreement or otherwise as an investment adviser of the Registrant.

The administration agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Stellus Capital Management LLC and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Stellus Capital Management LLC's services under the administration agreement or otherwise as administrator for the Registrant.

The law also provides for comparable indemnification for corporate officers and agents. Insofar as indemnification for liability arising under the Securities Act of 1933, as amended (the Securities Act) may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant has entered into indemnification agreements with its directors. The indemnification agreements are intended to provide the Registrant's directors the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that the Registrant shall indemnify the director who is a party to the agreement (an Indemnitee), including the advancement of legal expenses, if, by reason of his or her corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding, other than a proceeding by or in the right of the Registrant.

Item 31. Business and Other Connections of Investment Adviser

A description of any other business, profession, vocation or employment of a substantial nature in which the Adviser, and each managing director, director or executive officer of the Adviser, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the sections entitled Management. Additional information regarding

the Adviser and its officers and directors is set forth in its Form ADV, which is filed with the Securities and Exchange Commission.

Item 32. Location of Accounts and Records

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, and the rules thereunder are maintained at the offices of:

(1) the Registrant, Stellus Capital Investment Corporation, 4400 Post Oak Parkway, Suite 2200, Houston, TX 77027;
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- (2) the Transfer Agent, State Street Bank and Trust Company, 225 Franklin Street, Boston, MA 02110;
- (3) the Custodian, State Street Bank and Trust Company, 225 Franklin Street, Boston, MA 02110; and
- (4) the Adviser, Stellus Capital Management, LLC, 4400 Post Oak Parkway, Suite 2200, Houston, TX 77027.

Item 33. Management Services

Not Applicable.

Item 34. Undertakings

Registrant undertakes to suspend the offering of the shares of common stock covered hereby until it amends its prospectus contained herein if (a) subsequent to the effective date of this Registration Statement, its net asset value (1) per share of common stock declines more than 10% from its net asset value per share of common stock as of the effective date of this Registration Statement, or (b) its net asset value per share of common stock increases to an amount greater than its net proceeds as stated in the prospectus contained herein.

(2) Not applicable.

Registrant undertakes in the event that the securities being registered are to be offered to existing stockholders pursuant to warrants or rights, and any securities not taken by shareholders are to be reoffered to the public, to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to (3) be purchased by underwriters, and the terms of any subsequent underwriting thereof. Registrant further undertakes that if any public offering by the underwriters of the securities being registered is to be made on terms differing from those set forth on the cover page of the prospectus, the Registrant shall file a post-effective amendment to set forth the terms of such offering.

(4) Registrant undertakes:

a. to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the (ii) most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective b. amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at the time shall be deemed to be the initial bona fide offering thereof;

c. to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

d. that, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, if the Registrant is subject to Rule 430C [17 CFR 230.430C]: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the Securities Act of 1933 [17 CFR 230.497(b), (c), (d) or (e)] as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the Securities Act of 1933 [17 CFR 230.430A], shall be deemed to be part of and included in the registration statement as of the date it is first used after

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effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use; and

that for the purpose of determining liability of the Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of securities, the undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

- (i) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the Securities Act of 1933 [17 CFR 230.497];
- (ii) the portion of any advertisement pursuant to Rule 482 under the Securities Act of 1933 [17 CFR 230.482] relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and
- (iii) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

To file a post-effective amendment to the registration statement, and to suspend any offers or sales pursuant the registration statement until such post-effective amendment has been declared effective under the 1933 Act, in the event the shares of Registrant are trading below its net asset value and either (i) Registrant receives, or has been advised by its independent registered accounting firm that it will receive, an audit report reflecting substantial doubt regarding the Registrant's ability to continue as a going concern or (ii) Registrant has concluded that a material adverse change has occurred in its financial position or results of operations that has caused the financial statements and other disclosures on the basis of which the offering would be made to be materially misleading.

For the purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant under Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of the Registration Statement as of the time it was declared effective.

a.

N/A

For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

- (6) The Registrants undertake to send by first class mail or other means designed to ensure equally prompt delivery within two business days of receipt of a written or oral request, any Statement of Additional Information.
- (7) The Registrant undertakes to file a post-effective amendment to the registration statement pursuant to Section 8(c) of the Securities Act of 1933 in connection with any rights offering off of the registration statement.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Post-Effective Amendment No. 3 to the Registration Statement on Form N-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in The City of Houston, in the State of Texas, on the 23rd day of August, 2017.

STELLUS CAPITAL INVESTMENT CORPORATION

/S/ Robert T. Ladd

By:

Name: Robert T. Ladd

Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 3 to the Registration Statement on Form N-2 has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ Robert T. Ladd	Chief Executive Officer and Director (Principal Executive Officer)	August 23, 2017
Robert T. Ladd		
/S/ W. Todd Huskinson	Chief Financial Officer, Chief Compliance Officer and Secretary (Principal Financial and Accounting Officer)	August 23, 2017
W. Todd Huskinson		
*		
Dean D Angelo	Director	August 23, 2017
*		
Joshua T. Davis	Director	August 23, 2017
*		
J. Tim Arnoult	Director	August 23, 2017
*		
Bruce R. Bilger	Director	August 23, 2017
*		
Paul Keglevic	Director	August 23, 2017
*		
William C. Repko	Director	August 23, 2017

* Signed by Robert T. Ladd pursuant to a power of attorney signed by each individual on February 21, 2017.

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