

Stellus Capital Investment Corp  
Form 10-Q  
November 07, 2018

**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 September 30, 2018**

**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**



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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 per share, outstanding as of November 5, 2018 was 15,953,810.

**STELLUS CAPITAL INVESTMENT CORPORATION**  
**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

Item 1.	Financial Statements	
	<u>Consolidated Statements of Assets and Liabilities as of September 30, 2018 (unaudited) and December 31, 2017</u>	<u>2</u>
	<u>Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2018 and 2017 (unaudited)</u>	<u>3</u>
	<u>Consolidated Statements of Changes in Net Assets for the nine-month periods ended September 30, 2018 and 2017 (unaudited)</u>	<u>4</u>
	<u>Consolidated Statements of Cash Flows for the nine-month periods ended September 30, 2018 and 2017 (unaudited)</u>	<u>5</u>
	<u>Consolidated Schedules of Investments as of September 30, 2018 (unaudited) and December 31, 2017</u>	<u>6</u>
	<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>20</u>
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>52</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>67</u>
Item 4.	<u>Controls and Procedures</u>	<u>68</u>
<b><u>PART II. OTHER INFORMATION</u></b>		
Item 1.	<u>Legal Proceedings</u>	<u>69</u>
Item 1A.	<u>Risk Factors</u>	<u>69</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>69</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>69</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>69</u>
Item 5.	<u>Other Information</u>	<u>69</u>
	<u>SIGNATURES</u>	<u>71</u>

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

	September 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
Non-controlled, affiliated investments, at fair value (amortized cost of \$52,184 and \$1,052,185, respectively)	\$ 55,000	\$990,000
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$470,695,036 and \$367,401,021, respectively)	477,949,195	370,849,772
Cash and cash equivalents	29,882,423	25,110,718
Receivable for sales and repayments of investments	81,683	26,891
Interest receivable	3,110,008	2,922,204
Other receivables	135,246	—
Deferred offering costs	17,898	—
Prepaid expenses	125,970	361,270
<b>Total Assets</b>	<b>\$511,357,423</b>	<b>\$400,260,855</b>
<b>LIABILITIES</b>		
Notes payable	\$47,558,013	\$47,306,488
Credit facility payable	81,901,962	39,332,479
SBA-guaranteed debentures	146,235,472	87,818,813
Dividends payable	1,807,570	1,806,671
Management fees payable	1,422,948	1,621,592
Income incentive fees payable	1,795,933	371,647
Capital gains incentive fees payable	1,173,250	—
Interest payable	679,293	1,021,173
Unearned revenue	304,061	139,304
Administrative services payable	385,417	327,033
Deferred tax liability	34,353	—
Other accrued expenses and liabilities	154,067	268,413
<b>Total Liabilities</b>	<b>\$283,452,339</b>	<b>\$180,013,613</b>
Commitments and contingencies (Note 7)		
<b>Net Assets</b>	<b>\$227,905,084</b>	<b>\$220,247,242</b>
<b>NET ASSETS</b>		
Common Stock, par value \$0.001 per share (200,000,000 shares and 100,000,000 shares authorized; 15,953,810 and 15,945,879 issued and outstanding, respectively)	\$ 15,954	\$ 15,946
Paid-in capital	228,160,772	228,066,762
Accumulated net realized loss from investments, net of cumulative dividends of \$4,246,819 for both periods	(5,603,190 )	(10,786,240 )

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Distributions in excess of net investment income	(1,891,073 )	(435,794 )
Net Unrealized appreciation on non-controlled, non-affiliated investments and cash equivalents, net of provision for taxes of \$34,353 and \$0, respectively	7,219,806	3,448,753
Net Unrealized appreciation (depreciation) on non-controlled, affiliated investments	2,815	(62,185 )
Net Assets	\$ 227,905,084	\$ 220,247,242
Total Liabilities and Net Assets	\$ 511,357,423	\$ 400,260,855
Net Asset Value Per Share	\$ 14.29	\$ 13.81

## STELLUS CAPITAL INVESTMENT CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
<b>INVESTMENT INCOME</b>				
Interest income	\$ 13,859,431	\$ 9,728,749	\$ 36,804,945	\$ 28,847,532
Other income	628,192	249,596	1,214,116	1,389,158
Total Investment Income	\$ 14,487,623	\$ 9,978,345	\$ 38,019,061	\$ 30,236,690
<b>OPERATING EXPENSES</b>				
Management fees	\$ 2,172,948	\$ 1,546,781	\$ 5,970,867	\$ 4,634,318
Valuation fees	132,325	137,445	287,042	326,839
Administrative services expenses	348,901	313,256	1,008,293	933,214
Income incentive fees	1,565,301	462,743	3,846,441	2,718,586
Capital gains incentive fees	651,231	—	1,173,250	—
Professional fees	289,125	356,654	982,384	803,818
Directors' fees	73,000	83,000	244,000	254,000
Insurance expense	87,601	111,680	259,947	331,398
Interest expense and other fees	3,440,115	2,042,608	8,917,739	5,892,047
Other general and administrative expenses	117,102	145,494	516,509	481,700
Total Operating Expenses	\$ 8,877,649	\$ 5,199,661	\$ 23,206,472	\$ 16,375,920
Loss on extinguishment of debt	—	302,732	—	302,732
Net Investment Income	\$ 5,609,974	\$ 4,475,952	\$ 14,812,589	\$ 13,558,038
Net Realized Gain on Non-Controlled, Non-Affiliated Investments and Cash Equivalents	\$ 2,771,817	\$ 5,211,960	\$ 5,183,050	\$ 4,499,963
Net Change in Unrealized Appreciation (Depreciation) on Non-Controlled, Non-Affiliated Investments and Cash Equivalents	\$ 529,552	\$ (4,011,314 )	\$ 3,805,406	\$ (248,293 )
Net Change in Unrealized Appreciation (Depreciation) on Non-Controlled, Affiliated Investments and Cash Equivalents	(1,667 )	(40,000 )	65,000	(112,185 )
Benefit (provision) for Taxes on Net Unrealized Gain (Loss) on	\$ (25,159 )	\$ -	\$ (34,353 )	\$ 8,593
Investments				
Net Increase in Net Assets Resulting from Operations	\$ 8,884,517	\$ 5,636,598	\$ 23,831,692	\$ 17,706,116
Net Investment Income Per Share	\$ 0.35	\$ 0.29	\$ 0.93	\$ 0.93
	\$ 0.56	\$ 0.36	\$ 1.49	\$ 1.22

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Net Increase in Net Assets Resulting from  
Operations Per Share

Weighted Average Shares of Common Stock Outstanding	15,953,810	15,668,415	15,953,491	14,510,408
Distributions Per Share	\$ 0.34	\$ 0.34	\$ 1.02	\$ 1.02



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

	<b>For the nine months ended September 30, 2018</b>	<b>For the nine months ended September 30, 2017</b>
Increase in Net Assets Resulting from Operations		
Net investment income	\$ 14,812,589	\$ 13,558,038
Net realized gain on investments and cash equivalents	5,183,050	4,499,963
Net change in unrealized appreciation (depreciation) on non-controlled, non-affiliated investments and cash equivalents	3,805,406	(248,293 )
Net change in unrealized appreciation (depreciation) on non-controlled, affiliated investments and cash equivalents	65,000	(112,185 )
Benefit (provision) for taxes on unrealized appreciation on investments	(34,353 )	8,593
Net Increase in Net Assets Resulting from Operations	\$ 23,831,692	\$ 17,706,116
Stockholder distributions		
Net investment income	(16,267,868 )	(14,903,394 )
Total Distributions	\$ (16,267,868 )	\$ (14,903,394 )
Capital share transactions		
Issuance of common stock	\$ 94,788	\$ 47,491,626
Sales load	—	(1,340,131 )
Offering costs	—	(299,960 )
Partial Share Redemption	(770 )	—
Net increase in net assets resulting from capital share transactions	\$ 94,018	\$ 45,851,535
Total increase in net assets	\$ 7,657,842	\$ 48,654,257
Net assets at beginning of period	\$ 220,247,242	\$ 170,881,785
Net assets at end of period (includes \$1,891,073 and \$1,781,150 of distributions in excess of net investment income, respectively)	\$ 227,905,084	\$ 219,536,042

## STELLUS CAPITAL INVESTMENT CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	For the nine months ended September 30, 2018 (Unaudited)	For the nine months ended September 30, 2017 (Unaudited)
Cash flows from operating activities		
Net Increase in net assets resulting from operations	\$23,831,692	17,706,116
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchases of investments	(198,335,218)	(117,683,094)
Proceeds from sales and repayments of investments	102,813,575	133,380,057
Net change in unrealized depreciation (appreciation) on investments	(3,870,406 )	360,478
Increase in investments due to PIK	(491,628 )	(347,482 )
Amortization of premium and accretion of discount, net	(1,152,487 )	(881,710 )
Deferred tax provision (benefit)	34,353	(8,593 )
Amortization of loan structure fees	329,483	372,820
Amortization of deferred financing costs	251,525	165,763
Amortization of loan fees on SBA-guaranteed debentures	471,658	243,306
Net realized gain on investments	(5,183,050 )	(4,499,963 )
Loss on extinguishment of debt	—	302,732
Changes in other assets and liabilities		
Decrease (increase) in interest receivable	(187,804 )	457,744
Increase in other receivable	(135,246 )	(3,058 )
Decrease in prepaid expenses	235,300	318,054
Decrease in management fees payable	(198,644 )	(61,514 )
Increase (decrease) in incentive fees payable	1,424,286	(733,654 )
Increase in capital gains incentive fees payable	1,173,250	—
Increase in directors' fees payable	—	83,000
Increase in administrative services payable	58,384	41,084
Decrease in interest payable	(341,880 )	(278,895 )
Increase in unearned revenue	164,757	108,139
Decrease in other accrued expenses and liabilities	(114,346 )	(37,706 )
Net cash provided by (used in) operating activities	\$(79,222,446 )	\$29,003,624
Cash flows from financing activities		
Proceeds from the issuance of common stock	\$—	\$47,491,626
Sales load for common stock issued	—	(1,340,131 )
Offering costs paid for common stock issued	(17,898 )	(299,961 )
Proceeds from notes issued	—	48,875,000

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Financing costs paid for Notes issued	—	(1,688,961 )
Repayments on Notes issued	—	(25,000,000 )
Stockholder distributions paid	(16,172,181 )	(14,521,068 )
Proceeds from SBA Debentures	60,000,000	—
Financing costs paid on SBA Debentures	(2,055,000 )	—
Borrowings under Credit Facility	188,300,000	116,000,000
Repayments of Credit Facility	(145,750,000)	(196,000,000)
Financing costs paid on Credit facility	(310,000 )	(47,453 )
Partial Share Redemption	(770 )	—
Net cash provided by (used in) financing activities	\$83,994,151	\$(26,530,948 )
Net increase in cash and cash equivalents	\$4,771,705	\$2,472,676
Cash and cash equivalents balance at beginning of period	25,110,718	9,194,129
Cash and cash equivalents balance at end of period	\$29,882,423	\$11,666,805
Supplemental and non-cash financing activities		
Interest expense paid	\$8,201,952	\$5,384,053
Excise tax paid	27,717	37,648
Shares issued pursuant to Dividend Reinvestment Plan	94,788	—
Conversion from debt to equity	—	864,101
Increase in Distribution Payable	899	382,326

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments (unaudited)

September 30, 2018

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Princip Amount Shares
Non-controlled, affiliated investments	(2)								Houston, TX	
Glori Energy Production Inc. Glori Energy Production, LLC Class A Common Units	(4)	Equity					2/1/2017		Energy: Oil & Gas	1,000 shares
Subtotal Non-controlled, affiliated investments										
Non-controlled, non-affiliated investments	(2)								Deer Park, TX	
Abrasive Products & Equipment, LLC, et al									Chemicals, Plastics, & Rubber	\$5,325,
Term Loan (SBIC)	(2)(12)(20)	Second Lien	3M L+10.50%	1.00%	0.00%		9/5/2014	3/5/2020		
APE Holdings, LLC Class A Common Units	(4)	Equity					9/5/2014			375,00 units
Total Adams Publishing Group, LLC	(3)								Greenville, TN	
Term Loan	(12)			1.00%	9.93%		8/3/2018	6/30/2023		\$7,312,

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		First Lien	3M L+7.5%						Media: Broadcasting & Subscription	
Advanced Barrier Extrusions, LLC									Rhineland, WI	
Revolver	(11)(12)	First Lien	3M L+5.75%	1.00%	8.14 %	8/8/2018	8/8/2023		Containers, Packaging, & Glass	\$ 100,000
Term Loan (SBIC)	(2)(12)	First Lien	3M L+5.75%	1.00%	8.14 %	8/8/2018	8/8/2023			\$ 11,400
GP ABX Holdings Partnership, L.P.	(4)	Equity				8/8/2018				250,000 units
Common Stock Total										
Apex Environmental Resources Holdings, LLC									Amsterdam, OH	
Common Units	(4)	Equity				10/30/2015			Environmental Industries	945 shares
Preferred Units	(4)	Equity				10/30/2015				945 shares
Total										
Atmosphere Aggregator Holdings II, LP									Atlanta, GA	
Common Units	(4)	Equity				6/30/2015			Services: Business	254,250 units
Atmosphere Aggregator Holdings, LP	(4)	Equity				6/30/2015				750,000 units
Common Units Total										
ASC Communications, LLC	(7)								Chicago, IL	
Term Loan (SBIC)	(2)(12)	First Lien	1M L+5.75%	1.00%	7.99 %	6/29/2017	6/29/2022		Healthcare & Pharmaceuticals	\$5,333,000
ASC Communications Holdings, LLC	(2)(4)	Equity				6/29/2017				73,529 shares
Class A Preferred Units (SBIC) Total										
Beneplace, LLC									Austin TX	
Term Loan (SBIC)	(2)(12)	Second Lien	3M L+10.00%	1.00%	12.39 %	3/27/2017	9/27/2022		FIRE: Insurance	\$5,000,000
Beneplace Holdings, LLC	(4)	Equity				3/27/2017				500,000 units
Preferred Units Total										



## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments (unaudited) – (continued)

September 30, 2018

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount
BFC Solmetex, LLC	(23)								Nashville, TN	
Revolver	(12)(19)	First Lien	3M L+6.25%	1.00%	8.64 %		9/24/2018	9/26/2023	Services: Business	\$244
Term Loan (SBIC)	(2)(12)	First Lien	3M L+6.25%	1.00%	8.64 %		4/2/2018	9/26/2023		\$11,7
Bonded Filter Co. LLC, Term Loan (SBIC)	(2)(12)	First Lien	3M L+6.25%	1.00%	8.64 %		4/2/2018	9/26/2023		\$1,22
Total BW DME Acquisition, LLC									Tempe, AZ	
Term Loan (SBIC)	(2)(13)(22)	First Lien	3M L+6.00%	1.00%	10.09%		8/24/2017	8/24/2022	Healthcare & Pharmaceuticals	\$16,0
BW DME Holdings, LLC, Term Loan	(6)	Unsecured	17.50%			17.50%	6/1/2018	12/31/2019		\$265
BW DME Holdings, LLC Class A-1 Preferred Units	(4)	Equity					8/24/2017			1,00 shar
BW DME Holdings, LLC Class A-2 Preferred	(4)	Equity					1/26/2018			937 shar

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Units Total C.A.R.S. Protection Plus, Inc.								Murrysville, PA	
Term Loan	(12)	First Lien	3M L+8.50%	0.50%	10.82%	12/23/2015	12/31/2020	Automotive	\$98,7
Term Loan (SBIC)	(2)(12)	First Lien	3M L+8.50%	0.50%	10.82%	12/23/2015	12/31/2020		\$7,70
CPP Holdings LLC Class A Common	(4)	Equity				12/23/2015			149 shar
Units Total Catapult Learning, Inc.	(8)							Camden, NJ	
Term Loan	(13)(22)	First Lien	2M L+6.35%	1.00%	10.76%	6/27/2018	4/24/2023	Education	\$20,8
Colford Capital Holdings, LLC								New York, NY	
Preferred Units	(4)(5)	Equity				8/20/2015		Finance	38,8 unit
Condor Borrower, LLC								Clifton, NJ	
Term Loan	(12)	Second Lien	3M L+8.75%	1.00%	11.11%	10/11/2017	4/27/2025	Services: Business	\$13,7
Condor Top Holdco Limited Convertible Preferred Shares	(4)	Equity				10/11/2017			500 shar
Condor Holdings Limited Preferred Shares, Class B	(4)	Equity				10/11/2017			500 shar
Total Convergence Technologies, Inc.	(14)							Indianapolis, IN	
Term Loan (SBIC)	(2)(12)	First Lien	3M L+6.75%	1.50%	9.14%	8/31/2018	8/30/2024	Services: Business	\$7,14
Tailwind Core Investor, LLC Class A Preferred	(4)	Equity				8/31/2018			3,75



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Units Total Dream II Holdings, LLC Class A Common Units	(4)	Equity				10/20/2014		Boca Raton, FL Services: Consumer	250 unit
DTE Enterprises, LLC	(18)							Roselle, IL	
Term Loan	(12)	First Lien	3M L+7.50%	1.50%	9.84 %	4/13/2018	4/13/2023	Energy: Oil & Gas	\$13,2
DTE Holding Company, LLC Common Shares, Class A-2	(4)	Equity				4/13/2018			776 shar
DTE Holding Company, LLC Preferred Shares, Class AA	(4)	Equity				4/13/2018			723 shar
Total Empirix Inc. Empirix Holdings I, Inc. Common Shares, Class A	(4)	Equity				11/1/2013		Billerica, MA Software	1,30 shar
Empirix Holdings I, Inc. Common Shares, Class B Total	(4)	Equity				11/1/2013			1,31 shar

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments (unaudited) – (continued)

September 30, 2018

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Princ Amou Shar
Energy Labs Inc. Term Loan (SBIC)	(2)(13)(22)	First Lien	3M L+7.00%	0.50%	12.24%		9/29/2016	9/29/2021	Houston, TX Energy: Oil & Gas	\$8,44
Energy Labs Holding Corp. Common Stock Total	(4)	Equity					9/29/2016			500
EOS Fitness OPCO Holdings, LLC Term Loan (SBIC)	(2)(12)	First Lien	1M L+8.25%	0.75%	10.36%		12/30/2014	12/30/2019	Phoenix, AZ Hotel, Gaming, & Leisure	\$3,06
EOS Fitness Holdings, LLC Class A Preferred Units EOS Fitness Holdings, LLC Class B Common Units Total	(4)	Equity					12/30/2014			118
Fast Growing Tree, LLC	(16)	Equity					12/30/2014		Fort Mill, SC	3,01 shar

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Term Loan (SBIC) SP FGT Holdings, LLC, Class A Common Total Fumigation Holdings, Inc. Class A Common Stock Furniture Factory Outlet, LLC	(2)(12)	First Lien	3M L+7.75%	1.00%	10.14%	2/5/2018	02/05/23	Retail	\$20,3
Class A Common Stock Furniture Factory Outlet, LLC	(4)	Equity				2/5/2018		Liberty, MO	1,00 shar
Class A Common Stock Furniture Factory Outlet, LLC	(4)	Equity				6/30/2015		Chemicals, Plastics, & Rubber	250
Class A Common Stock Furniture Factory Outlet, LLC	(4)	Equity						Fort Smith, AR	
Term Loan Furniture Factory Holdings, LLC Term Loan Furniture Factory Ultimate Holdings, LP Common Units Total GK Holdings, Inc.	(12)	First Lien	3M L+8.00%	0.50%	10.39%	6/10/2016	6/10/2021	Consumer Goods: Durable	\$15,1
Term Loan Furniture Factory Ultimate Holdings, LP Common Units Total GK Holdings, Inc.	(6)	Unsecured	11.00%			11.00%	6/10/2016	2/3/2021	\$140
Term Loan Furniture Factory Ultimate Holdings, LP Common Units Total GK Holdings, Inc.	(4)	Equity				6/10/2016		Cary, NC	13,4 shar
Term Loan General LED OPCO, LLC	(12)	Second Lien	3M L+10.25%	1.00%	12.64%	2/6/2015	1/30/2022	Education	\$5,00
Term Loan Good Source Solutions, Inc.	(12)	Second Lien	3M L+9.00%	1.50%	11.39%	5/1/2018	11/1/2023	Services: Business	\$4,50
Term Loan HV GS Acquisition, LLC Class A Preferred Units HV GS Acquisition,	(13)(22)	First Lien	3M L+6.00%	1.00%	10.71%	6/29/2018	6/29/2023	Beverage, Food, & Tobacco	\$28,5
Term Loan HV GS Acquisition, LLC Class A Preferred Units HV GS Acquisition,	(4)	Equity				6/29/2018			1,00 shar
Term Loan HV GS Acquisition,	(4)	Equity				6/29/2018			28,1 shar

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LLC Class B Common Units Total Grupo HIMA San Pablo, Inc., et al								San Juan, PR	
Term Loan	(12)	First Lien	3M L+7.00%	1.50%	9.34 %	2/1/2013	1/31/2018	Healthcare & Pharmaceuticals	\$4,75
Term Loan	(15)	Second Lien	13.75%		0.00 %	2/1/2013	7/31/2018		\$4,10
Total Hostway Corporation								Chicago, IL	
Term Loan	(12)	Second Lien	3M L+4.25%	1.25%	6.59 %	12/27/2013	12/13/2020	High Tech Industries	\$6,75
ICD Intermediate Holdco 2, LLC								San Francisco, CA	
Term Loan (SBIC)	(2)(5)(12)	Second Lien	3M L+9.00%	1.00%	11.39%	1/2/2018	7/1/2024	Finance	\$10,0
ICD Holdings, LLC, Class A Preferred Total	(4)(5)	Equity				1/2/2018			9,96 shar

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments (unaudited) – (continued)

September 30, 2018

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares
J.R. Watkins, LLC Revolver	(9)(12)	First Lien	3M L+6.50%	1.25 %	8.89 %		7/5/2018	12/22/2022	San Francisco, CA Consumer Goods: non-durable	\$750,000
Term Loan (SBIC)	(2)(12)	First Lien	3M L+6.50%	1.25 %	8.89 %		12/22/2017	12/22/2022		\$12,406,2
J.R. Watkins Holdings, Inc. Class A Preferred	(4)	Equity					12/22/2017			1,000 shares
Total Kelleyamerit Holdings, Inc. Term Loan (SBIC)	(2)(13)(22)	First Lien	3M L+7.50%	1.50 %	10.58 %		3/30/2018	3/30/2023	Walnut Creek, CA Automotive	\$9,750,00
Keais Records Service, LLC									Houston, TX	
Term Loan	(12)	Second Lien	3M L+10.50%	0.50 %	12.89 %		6/30/2016	6/30/2022	Services: Business	\$7,750,00
Keais Holdings, LLC Class A Units	(4)	Equity					6/30/2016			148,335 units
Total KidKraft, Inc. Term Loan	(6)	Second Lien	12.00%		11.00 %	1.00 %	9/30/2016	3/30/2022	Dallas, TX Consumer Goods: Durable	\$9,385,04

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Livingston International, Inc.								Toronto, Ontario	
Term Loan	(5)(12)	Second Lien	3M L+8.25%	1.25 %	10.64 %	4/23/2013	4/18/2020	Transportation: Cargo	\$6,841,73
Madison Logic, Inc.								New York, NY	
Term Loan (SBIC)	(2)(12)	First Lien	1M L+8.00%	0.50 %	10.24 %	11/30/2016	11/30/2021	Media: Broadcasting & Subscription	\$4,761,23
Madison Logic Holdings, Inc. Common Stock (SBIC)	(2)(4)	Equity				11/30/2016			5,000 shares
Madison Logic Holdings, Inc. Series A Preferred Stock (SBIC)	(2)(4)	Equity				11/30/2016			4,500 shares
Total Magdata Intermediate Holdings, LLC								Austin TX	
Term Loan	(12)	Second Lien	3M L+9.50%	1.00 %	11.89 %	10/13/2017	4/16/2024	Software	\$14,750,0
Mobileum, Inc.								Santa Clara, CA	
Term Loan	(12)	Second Lien	3M L+10.25%	0.75 %	12.64 %	11/1/2016	5/1/2022	Software	\$21,500,0
Mobile Acquisition Holdings, LP Class A-2 Common Units	(4)	Equity				11/1/2016			750 units
Total MTC Parent, L.P. Class A-2 Common Units	(4)	Equity				12/1/2015		Oak Brook, IL	750,000 shares
National Trench Safety, LLC, et al								Houston, TX	
Term Loan (SBIC)	(2)	Second Lien	11.50%		11.50 %	3/31/2017	3/31/2022	Construction & Building	\$10,000,0
	(4)	Equity				3/31/2017			2,335 un

NTS					
Investors, LP					
Class A					
Common					
Units					
Total					
OGS					
Holdings, Inc.					Chantilly, Virginia
Series A					
Convertible	(4)	Equity		4/22/2014	Services: 11,521
Preferred					Government shares
Stock					

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments (unaudited) – (continued)

September 30, 2018

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Prin Amo Shar
Price for Profit, LLC	(17)								Cleveland, OH	
Term Loan (SBIC)	(2)(12)	First Lien	3M L+6.50%	1.00%	8.89 %		1/31/2018	1/31/2023	Services: Business	\$8,9
I2P Holdings, LLC, Series A Preferred	(4)	Equity					1/31/2018			750 sha
Total Protect America, Inc.									Austin TX	
Term Loan (SBIC) Refac Optical Group, et al	(2)(6)(12)	Second Lien	3M L+9.75%	1.00%	10.19 %	2.00%	8/30/2017	10/30/2020	Services: Consumer Blackwood, NJ	\$17,
Revolver	(10)(12)	First Lien	1M L+8.00%		10.26 %		11/7/2012	9/30/2018	Retail	\$880
Term A Loan	(12)	First Lien	1M L+8.00%		10.26 %		11/7/2012	9/30/2018		\$590
Term B Loan	(6)(12)	First Lien	1M L+10.75%		11.26 %	1.75%	11/7/2012	9/30/2018		\$6,5
Total Resolute Industrial, LLC									Wheeling, IL	
Resolute Industrial Holdings, LLC Class A Preferred Units	(4)	Equity					7/26/2017		Capital Equipment	601
Total Roberts-Gordon, LLC									Buffalo, NY	
Term Loan	(12)			1.00%	12.39 %		6/30/2017	1/1/2022		\$7,2



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		Second Lien	3M L+10.00%						Construction & Building	
Specified Air Solutions, LLC Class A Common Units Total	(4)	Equity					6/30/2017			3,8 sha
Skopos Financial, LLC Term Loan	(5)	Unsecured	12.00%	12.00%			1/31/2014	1/31/2020	Irving, TX Finance	\$17,
Skopos Financial Group, LLC Class A Units Total	(4)(5)	Equity					1/31/2014			1,1 uni
SQAD, LLC Term Loan (SBIC)	(2)	First Lien	3M L+6.50	1.00%	8.89 %		12/22/2017	12/22/2022	Tarrytown, NY Media: Broadcasting & Subscription	\$14,
SQAD Holdco, Inc. Preferred Shares, Series A (SBIC)	(2)(4)	Equity					10/31/2013			5,6 sha
SQAD Holdco, Inc. Common Shares (SBIC) Total	(2)(4)	Equity					10/31/2013			5,8 sha
TechInsights, Inc. Term Loan	(5)(13)(22)	First Lien	3M L+6.50%	1.00%	9.10 %		8/16/2017	8/16/2022	Ottawa, Ontario High Tech Industries	\$18,
Time Manufacturing Acquisition, LLC Term Loan	(6)	Unsecured	11.50%	10.75%	0.75%		2/3/2017	8/3/2023	Waco, TX Capital Equipment	\$6,3
Time Manufacturing Investments, LLC Class A Common Units Total	(4)	Equity					2/3/2017			5,0
TFH Reliability, LLC Term Loan (SBIC)	(2)(12)	Second Lien	3M L+10.75%	0.50%	13.14%		10/20/2016	4/21/2022	Houston, TX Chemicals, Plastics, & Rubber	\$5,8
TFH Reliability Group, LLC Class A	(4)	Equity					10/20/2016			250 sha

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Common Units								Lawrenceville, GA	
Total									
U.S. Auto Sales, Inc. et al									
Term Loan	(5)(12)	Second Lien	1M L+10.50%	1.00%	12.61%	6/8/2015	6/8/2020	Finance	\$4,5
USASF Blocker II, LLC	(4)(5)	Equity				6/8/2015			441
Common Units USASF Blocker III, LLC Series C Preferred	(4)(5)	Equity				2/13/2018			50
Units USASF Blocker LLC Common	(4)(5)	Equity				6/8/2015			9,0
Total									

10

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments (unaudited) – (continued)

September 30, 2018

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Princip Amount Shares
VRI Intermediate Holdings, LLC									Franklin, OH	
Term Loan (SBIC)	(2)(12)	Second Lien	3M L+9.25%	1.00%	11.64%		5/31/2017	10/31/2020	Healthcare & Pharmaceuticals	\$9,000
VRI Ultimate Holdings, LLC Class A Preferred Units Total	(4)	Equity					5/31/2017			326,7 shares
Wise Holding Corporation									Salt Lake City, UT	
Term Loan	(12)(20)	Unsecured	3M L+11.00%	1.00%	0.00%		6/30/2016	12/31/2021	Beverage, Food, & Tobacco	\$1,250
Delayed Draw Term Loan	(12)(21)	First Lien	1M L+6.5%	1.00%	8.74%		8/27/2018	6/30/2021		\$230,4
Wise Parent Company, LLC Membership Units Total	(4)	Equity					6/30/2016			1 unit
Total Non-controlled, non-affiliated investments Net Investments LIABILITIES IN EXCESS OF OTHER										

ASSETS

NET ASSETS

- (1) See Note 1 of the Notes to the Consolidated Financial Statements for a discussion of the methodologies used to value securities in the portfolio.

- (2) Investments held by the SBIC subsidiary, which include \$21,123,982 of cash and \$204,910,435 of investments (at cost) are excluded from the obligations to the lenders of the Credit Facility. The Company's obligations to the lenders of the Credit Facility, as defined in Note 9, are secured by a first priority security interest in all investments and cash and cash equivalents, except for investments held by the SBIC Subsidiary.

- (3) Excluded from the investment is an undrawn commitment in an amount not to exceed \$865,385, with an interest rate of LIBOR plus 7.50% and a maturity of June 30, 2023. This investment is accruing an unused commitment fee of 0.375% per annum.

- (4) Security is non-income producing.

- (5) The investment is not a qualifying asset under the Investment Company Act of 1940, as amended. The Company may not acquire any non-qualifying assets unless, at the time of the acquisition, qualifying assets represent at least 70% of the Company's total assets. Qualifying assets represent approximately 88% of the Company's total assets as of September 30, 2018.

- (6) Represents a PIK security. At the option of the issuer, interest can be paid in cash or cash and PIK. The percentage of PIK shown is the maximum PIK that can be elected by the issuer.

- (7) Excluded from the investment is an undrawn revolver commitment in an amount not to exceed \$666,666, with an interest rate of LIBOR plus 5.75% and a maturity of June 29, 2022. This investment is accruing an unused commitment fee of 0.50% per annum.

- (8) Excluded from the investment is an undrawn delayed draw term loan commitment in an amount not to exceed \$1,143,451, with an interest rate of LIBOR plus 6.35% and a maturity of April 23, 2023. This investment is accruing an unused commitment fee of 1.00% per annum.

**Stellus Capital Investment Corporation**

**Consolidated Schedule of Investments (unaudited) – (continued)**

**September 30, 2018**

Excluded from the investment is an undrawn revolver commitment in an amount not to exceed \$1,000,000, with an (9) interest rate of LIBOR plus 6.50% and a maturity of December 22, 2022. This investment is accruing an unused commitment fee of 0.50% per annum.

Excluded from the investment is an undrawn commitment in an amount not to exceed \$520,000, with an interest (10) rate of LIBOR plus 8.00% and a maturity of September 30, 2018. This investment is accruing an unused commitment fee of 0.50% per annum.

Excluded from the investment is an undrawn revolver commitment in an amount not to exceed \$1,900,000, with (11) an interest rate of LIBOR plus 5.75% and a maturity of August 8, 2023. This investment is accruing an unused commitment fee of 0.50% per annum.

(12) These loans have LIBOR floors that are lower than the applicable LIBOR rates; therefore, the floors are not in effect.

(13) These loans are last-out term loans with contractual rates higher than the applicable LIBOR rates; therefore, the floors are not in effect.

Excluded from the investment is an undrawn commitment in an amount not to exceed \$5,357,143, with an interest (14) rate of LIBOR plus 6.75% and a maturity of August 30, 2024. This investment is accruing an unused commitment fee of 0.50% per annum.

(15) Investment has been on non-accrual since November 1, 2017.

Excluded from the investment is an undrawn commitment in an amount not to exceed \$1,000,000, with an interest (16) rate of LIBOR plus 7.75% and a maturity of February 5, 2023. This investment is accruing an unused commitment fee of 0.50% per annum.

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Excluded from the investment is an undrawn commitment in an amount not to exceed \$1,500,000, with an interest (17) rate of LIBOR plus 6.50% and a maturity of January 31, 2023. This investment is accruing an unused commitment fee of 0.50% per annum.

Excluded from the investment is an undrawn revolver commitment in an amount not to exceed \$750,000, with an (18) interest rate of LIBOR plus 7.50% and a maturity of April 13, 2023. This investment is accruing an unused commitment fee of 0.50% per annum.

Excluded from the investment is an undrawn revolver commitment in an amount not to exceed \$1,283,619, with (19) an interest rate of LIBOR plus 6.25% and a maturity of September 26, 2023. This investment is accruing an unused commitment fee of 0.50% per annum.

(20) Investment has been on non-accrual since March 29, 2018.

Excluded from the investment is an undrawn commitment in an amount not to exceed \$23,438, with an interest (21) rate of LIBOR plus 6.50% and a maturity of June 30, 2021. This investment is not accruing an unused commitment fee.

(22) This loan is a unitranche investment.

Excluded from the investment is an undrawn commitment in an amount not to exceed \$1,662,592, with an interest (23) rate of LIBOR plus 6.25% and a maturity of September 26, 2023. This investment is accruing an unused commitment fee of 0.50% per annum.

### Abbreviation Legend

PIK — Payment-In-Kind

L — LIBOR

Euro — Euro Dollar

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments

December 31, 2017

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	Initial PI Investment Date	Maturity	Headquarters/ Industry
Non-controlled, affiliated investments	(2)							
Glori Energy Production Inc.								Houston, TX
Glori Energy Production, LLC Class A Common Units	(4)	Equity				2/1/2017		Energy: Oil & Gas
Subtotal Non-controlled, affiliated investments								
Non-controlled, non-affiliated investments	(2)							
Abrasive Products & Equipment, LLC, et al								Deer Park, TX
Term Loan (SBIC)	(2)(12)	Second Lien	3M L+10.50%	1.00%	12.20%	9/5/2014	3/5/2020	Chemicals, Plastics, & Rubber
APE Holdings, LLC Class A Common Units	(4)	Equity				9/5/2014		
Total Apex Environmental Resources Holdings, LLC								Amsterdam, OH
Common Units	(4)	Equity				10/30/2015		Environmental Industries
Preferred Units	(4)	Equity				10/30/2015		
Total								Atlanta, GA

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Atmosphere Aggregator Holdings II, LP									
Common Units	(4)	Equity				6/30/2015			Services: Business
Atmosphere Aggregator Holdings, LP	(4)	Equity				6/30/2015			
Common Units Total									
ASC Communications, LLC	(7)								Chicago, IL
Term Loan (SBIC)	(2)(12)	First Lien	3M L+6.25%	1.00%	7.94 %	6/29/2017	6/29/2022		Healthcare & Pharmaceuticals
ASC Communications Holdings, LLC	(2)(4)	Equity				6/29/2017			
Class A Preferred Units (SBIC) Total									
Beneplace, LLC									Austin TX
Term Loan (SBIC)	(2)(12)	Second Lien	3M L+10.00%	1.00%	11.70%	3/27/2017	9/27/2022		Insurance
Beneplace Holdings, LLC	(4)	Equity				3/27/2017			
Preferred Units Total									
Binder & Binder National Social Security Disability Advocates, LLC	(8)								Hauppauge, NY
Residual claim from Term Loan	(4)	Unsecured				11/7/2012			Services: Consumer
BW DME Acquisition, LLC									Tempe, AZ
Term Loan (SBIC)	(2)(12)(13)(17)	First Lien	3M L+6.00%	1.00%	9.43 %	8/24/2017	8/24/2022		Healthcare & Pharmaceuticals
BW DME Holdings, LLC	(4)	Equity				8/24/2017			
Class A Preferred Units Total									



## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments – (continued)

December 31, 2017

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	Initial PI Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares
C.A.R.S. Protection Plus, Inc.								Murrysville, PA	
Term Loan	(12)	First Lien	3M L+8.50%	0.50%	9.74 %	12/23/2015	12/31/2020	Automotive	\$98,746
Term Loan (SBIC)	(2)(12)	First Lien	3M L+8.50%	0.50%	9.74 %	12/23/2015	12/31/2020		\$7,702,191
CPP Holdings LLC Class A Common Units	(4)	Equity				12/23/2015			149,828 shares
Total Catapult Learning, LLC et al								Camden, NJ	
Term Loan	(13)(17)	First Lien	3M L+6.50%	1.00%	9.30 %	8/6/2015	7/16/2020	Education	\$12,335,526
Colford Capital Holdings, LLC Preferred Units	(4)(5)	Equity				8/20/2015		New York, NY	38,893 units
Condor Borrower, LLC								Clifton, NJ	
Term Loan	(12)	Second Lien	3M L+8.75%	1.00%	10.12 %	10/27/2017	4/27/2025	Services: Business	\$13,750,000
Condor Top Holdco Limited Convertible Preferred Shares	(4)	Equity				10/27/2017			500,000 shares
Condor Holdings	(4)	Equity				10/27/2017			500,000 shares

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Limited Preferred Shares, Class B									
Total Douglas Products & Packaging Company, LLC								Liberty, MO	
Term Loan (SBIC)	(2)(12)	Second Lien	3M L+10.50%	0.50%	12.20%	6/30/2015	12/31/2020	Chemicals, Plastics, & Rubber	\$9,000,000
Fumigation Holdings, Inc. Class A Common Stock	(4)	Equity				6/30/2015			250 shares
Total Dream II Holdings, LLC Class A Common Units	(4)	Equity				10/20/2014		Boca Raton, FL Services: Consumer	250,000 units
Empirix Inc. Term Loan (SBIC)	(12)	Second Lien	3M L+9.50%	1.00%	10.88%	11/1/2013	5/1/2020	Software	\$11,657,850
Empirix Holdings I, Inc. Common Shares, Class A	(2)(12)	Second Lien	3M L+9.50%	1.00%	10.88%	5/14/2013	5/1/2020		\$9,750,000
Empirix Holdings I, Inc. Common Shares, Class B	(4)	Equity				11/1/2013		Billerica, MA	1,304 shares
Total Energy Labs Inc. Term Loan (SBIC)	(2)(13)(17)	First Lien	3M L+7.00%	0.50%	11.58%	9/29/2016	9/29/2021	Houston, TX Energy: Oil & Gas	\$5,300,000
Energy Labs Holding Corp.	(4)	Equity				9/29/2016			500 shares

Common  
Stock  
Total  
EOS Fitness  
OPCO  
Holdings,  
LLC

Phoenix, AZ

Term Loan (SBIC)	(2)(12)	First Lien	1M L+8.25%	0.75%
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