

Stellus Capital Investment Corp
Form 10-Q
May 09, 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 March 31, 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, \$0.01 par value, outstanding as of May 8, 2013 was 12,050,272.

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	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$202,738,440 and \$195,455,671, respectively)	\$203,905,313	\$195,451,256
Cash and cash equivalents	35,045,836	62,131,686
Interest receivable	3,469,474	2,573,831
Prepaid loan structure fees	1,823,668	1,947,820
Prepaid expenses	344,407	438,384
Total Assets	\$244,588,698	\$262,542,977
LIABILITIES		
Payable for investments purchased	\$9,800,000	\$4,750,000
Credit facility payable	35,000,000	38,000,000
Short-term loan	21,999,800	45,000,943
Base management fees payable	884,003	527,034
Incentive fees payable	683,140	
Accrued offering costs		147,123
Interest payable	167,432	66,477
Other accrued expenses and liabilities	553,451	205,445
Total Liabilities	69,087,826	88,697,022
Net Assets	\$175,500,872	\$173,845,955
NET ASSETS		
Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 12,050,272 and 12,035,023 shares issued and outstanding, respectively)	\$12,050	\$12,035
Paid-in capital	174,929,530	174,714,838
Accumulated undistributed net realized gain	902,922	
Distributions in excess of net investment income	(1,279,512)	(874,986)
Unrealized appreciation (depreciation) on investments and cash equivalents	935,882	(5,932)
Net Assets	\$175,500,872	\$173,845,955
Total Liabilities and Net Assets	\$244,588,698	\$262,542,977
Net Asset Value Per Share	\$14.56	\$14.45

See Notes to Unaudited Consolidated Financial Statements.

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

	For the three months ended March 31, 2013
INVESTMENT INCOME	
Interest income and fees	\$ 6,446,440
Total Investment Income	6,446,440
OPERATING EXPENSES	
Management fees	\$ 884,003
Valuation fees	90,000
Incentive fees	683,140
Administrative services expenses	171,041
Professional fees	115,946
Directors' fees	89,000
Insurance expense	116,970
Interest expense and other fees	566,540
Other general and administrative expenses	42,418
Total Operating Expenses	\$ 2,759,058
Net Investment Income	\$ 3,687,382
Net Realized Gain on Investments and Cash Equivalents	\$ 902,922
Net Change in Unrealized Appreciation on Investments and Cash Equivalents	\$ 941,814
Net Increase in Net Assets Resulting from Operations	\$ 5,532,118
Net Investment Income Per Share	\$ 0.31
Net Increase in Net Assets Resulting from Operations Per Share	\$ 0.46
Weighted Average Shares of Common Stock Outstanding	12,035,531

See Notes to Unaudited Consolidated Financial Statements.

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STELLUS CAPITAL INVESTMENT CORPORATION

**STATEMENT OF CHANGES IN NET ASSETS
(unaudited)**

	For the three months ended March 31, 2013
Increase in Net Assets Resulting from Operations	
Net investment income	\$3,687,382
Net realized gain on investments and cash equivalents	902,922
Net change in unrealized appreciation on investments and cash equivalents	941,814
Net Increase in Net Assets Resulting from Operations	\$5,532,118
Stockholder distributions	
Distributions from net investment income	\$(4,091,908)
Capital share transactions	
Issuance of common stock	\$214,707
Net increase in net assets resulting from capital share transactions	\$214,707
Total increase in net assets	1,654,917
Net assets at beginning of period	173,845,955
Net assets at end of period	\$ 175,500,872

See Notes to Unaudited Consolidated Financial Statements.

TABLE OF CONTENTS**STELLUS CAPITAL INVESTMENT CORPORATION****STATEMENT OF CASH FLOWS (unaudited)**

	For the three months ended March 31, 2013
Cash flows from operating activities	
Net increase in net assets resulting from operations	\$5,532,118
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Purchases of investments	(31,486,000)
Proceeds from sales and repayments of investments	25,227,431
Net change in unrealized appreciation on long-term investments	(940,288)
Increase in investments due to PIK	(265,426)
Accretion of discount	(84,027)
Net realized gain on investments	(905,747)
Changes in other assets and liabilities	
Increase in interest receivable	(895,643)
Decrease in prepaid expenses and fees	218,129
Increase in payable for investments purchased	5,050,000
Increase in management fees payable	356,969
Increase in incentive fees payable	683,140
Increase in interest payable	100,955
Increase in other accrued expenses and liabilities	348,006
Net cash provided by operating activities	\$2,939,617
Cash flows from financing activities	
Offering costs paid	(147,123)
Stockholder distributions paid	(3,877,201)
Borrowings under credit facility	(3,000,000)
Borrowings under short-term loan	(23,001,143)
Net cash used in financing activities	(30,025,467)
Net decrease in cash and cash equivalents	(27,085,850)
Cash and cash equivalents balance at beginning of period	62,131,686
Cash and cash equivalents balance at end of period	\$35,045,836
Non-cash items	
Common Stock issued in connection with dividend reinvestments	\$214,707