

Earnings Release

Stellus Capital Investment Corporation Reports Results from Inception (May 18, 2012) through December 31, 2012

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Declares a dividend of \$0.34 per share for the first quarter of 2013

HOUSTON—March 12, 2013 (BUSINESS WIRE)

Stellus Capital Investment Corporation (NYSE:SCM) (“Stellus” or “the Company”) today announced financial results for the period from May 18, 2012 (“Inception”) through December 31, 2012. Additionally, on March 7, 2013, Stellus announced that its Board of Directors has declared a first quarter 2013 dividend of \$0.34 per share payable on March 28, 2013 to shareholders of record as of March 21, 2013.

Highlights

As of December 31, 2012

(\$ in millions, except data relating to per share amounts and number of portfolio companies)

Portfolio results	\$31,2012
Total assets	\$262.5
Investment portfolio, at fair value	\$195.5
Net assets	\$173.8
Weighted average yield on debt investments	12.5%
Net asset value per share	\$14.45

For the period Inception (May 18, 2012) through December 31, 2012

Portfolio activity

Total investments made, at cost	\$261.9
Number of new portfolio companies	18
Number of portfolio companies at end of period	15

About Stellus Capital Investment Corporation: The Company is an externally-managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940. The Company’s investment objective is to maximize the total return to its stockholders in the form of current income and capital appreciation by investing primarily in private middle-market companies (typically those with \$5.0 million to \$50.0 million of EBITDA (earnings before interest, taxes, depreciation and amortization)) through first lien, second lien, unitranche and mezzanine debt financing, often with a corresponding equity investment. The Company’s investment activities are managed by its investment adviser, Stellus Capital Management. To learn more about Stellus Capital Investment Corporation, visit www.stelluscapital.com/scic.

FORWARD-LOOKING STATEMENTS: Statements included herein may contain “forward-looking statements” which relate to future performance or financial condition. Statements other than statements of historical facts included in this press release may constitute forward-looking statements and are not guarantees of future performance or results and involve a number of assumptions, risks and uncertainties, which change over time. Actual results may differ materially from those anticipated in any forward-looking statements as a result of a number of factors, including those described from time to time in filings by the Company with the Securities and Exchange Commission including the final prospectus that will be filed with the Securities and Exchange Commission. The Company undertakes no duty to update any forward-looking statement made herein. All forward-looking statements speak only as of the date of this press release.

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For the period Inception (May 18, 2012) through December 31, 2012

(\$ in millions, except data relating to per share amounts and number of portfolio companies)

Operating results

Total investment income	\$3.7
Net investment income	\$1.3
Adjusted net investment income*	\$2.4
Net increase in net assets from operations	\$1.3
Net investment income per share	\$0.11
Adjusted net investment income per share*	\$0.20
Dividends declared per share	\$0.18

* Adjusted net investment income and adjusted net investment income per share are non-GAAP measures that are calculated by excluding non-recurring expenses of \$1.1 million, or \$0.09 per common share, related to the Company's initial public offering from the GAAP reported amounts. See discussion below under "Results of Operations" for more information.

"We are pleased to have completed our initial public offering in November 2012 and report that we have declared a dividend of \$0.34 per share for the first quarter of 2013 which equates to a 9% annualized return to our shareholders based on the IPO price of \$15 per share," said Robert T. Ladd, Chief Executive Officer of Stellus. "We are active in the marketplace and we have been able to further diversify our portfolio since the close of our initial public offering."

Portfolio and Investment Activity

We completed 2012 with a portfolio of \$195.5 million (at fair value) invested in 15 companies. As of December 31, 2012, our portfolio included approximately 22% of first lien debt, 20% of second lien debt, 57% of mezzanine debt and 1% of equity investments at fair value. Our debt portfolio consisted of 60% fixed rate investments and 40% floating rate (subject to interest rate floors), such as LIBOR. The average size of our portfolio company investments was approximately \$13 million and our largest portfolio company investment was approximately \$33.7 million. The weighted average yield on all of our debt investments as of December 31, 2012 was approximately 12.5%.

During the period from November 7, 2012 (the date of our initial public offering) through December 31, 2012, we made \$67.5 million of investments in seven new portfolio companies. Repayments of investments during the period totaled \$66.5 million from three portfolio companies.

Results of Operations

Set forth below are our results of operations for the period from Inception (May 18, 2012) through December 31, 2012.

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Investment income totaled \$3.7 million, most of which was interest on portfolio investments.

Operating expenses totaled \$2.4 million for the period and consisted of base management fees of \$0.5 million, professional fees of \$0.8 million, fees and expenses related to our credit facilities of \$0.6 million, including interest and amortization of deferred financing costs and administrative expenses of \$0.5 million. Of the \$2.4 million of total expenses, approximately \$1.1 million were related to the completion of our initial public offering and the closing of the bridge facility used to acquire our initial portfolio and are non-recurring in nature.

Net investment income was \$1.3 million, or \$0.11 per common share (based on 12,035,023 common shares outstanding at December 31, 2012). Adjusted net investment income was \$2.4 million, or \$0.20 per common share (based on 12,035,023 common shares outstanding at December 31, 2012). Adjusted net investment income and adjusted net investment income per share are non-GAAP measures that are calculated by excluding non-recurring expenses of \$1.1 million, or \$0.09 per common share, related to the Company's initial public offering from the GAAP reported amounts. While these offering-related expenses are expensed for GAAP purposes, they are capitalized and expensed over time for tax purposes. The Company believes that providing these non-GAAP measures is important because the Company is required to pay out substantially all of its taxable income to qualify for pass-through tax treatment as a regulated investment company.

We did not recognize any realized gains or losses on our investments during the period.

Our net increase in net assets resulting from operations totaled \$1.3 million, or \$0.11 per common share (based on 12,035,023 common shares outstanding at December 31, 2012).

Liquidity and Capital Resources

Our liquidity and capital resources are derived from our committed credit facility and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and other operating expenses we incur, as well as the payment of dividends to the holders of our common stock. We used, and expect to continue to use, these capital resources as well as proceeds from public and private offerings of securities to finance our investment activities.

Our credit facility provides for borrowings in an aggregate amount up to \$115 million on a committed basis and has an accordion feature which allows for potential future expansion of the facility size to \$150 million. The exercise of the accordion will require sufficient borrowing base and additional commitments from the existing lender group and/or new lenders. As of December 31, 2012 we had \$38 million in outstanding borrowings under the credit facility.

Our operating activities used cash of \$164.4 million for the period from Inception through December 31, 2012, primarily in connection with the purchase of investments, including the initial investment portfolio we acquired immediately prior to our initial public offering.

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Our financing activities provided cash of \$226.5 million primarily from our initial public offering and debt financings.

Distributions

On December 7, 2012, we declared an initial dividend of \$0.18 per share. The amount of the initial distribution equated to an annualized dividend yield of 9.0% based on its \$15.00 per share initial public offering price.

On March 7, 2013, the Company's Board of Directors declared a first quarter 2013 dividend of \$0.34 per share, payable on March 28, 2013 to shareholders of record as of March 21, 2013. Unless a stockholder elects to receive its distributions in cash, the Company intends to make such distributions in additional shares of the Company's common stock under the Company's dividend reinvestment plan.

Tax characteristics of all distributions will be reported to stockholders on Form 1099-DIV after the end of the calendar year.

Recent Portfolio Activity

During the period from November 7, 2012 (the date of our initial public offering) through December 31, 2012, we made \$67.5 million of investments in seven new portfolio companies. During the same period the Company received three repayments of investments totaling \$66.5 million.

New investment transactions which occurred during the period are summarized as follows:

- \$18.4 million investment in the unsecured loan of Eating Recovery Center, a nationally recognized 'Center of Excellence' for treatment of eating disorders and \$1.5 million of the company's equity
- \$12.5 million investment in the first lien loan of Holley, a leading designer, manufacturer and marketer of high performance automotive aftermarket parts
- \$12 million investment in the second lien loan of Securus, a provider of telecommunications services to the correctional services industry
- \$10 million investment in the first lien term loan of Sportsman's Warehouse, a sporting goods retailer
- \$7.5 million investment in the first lien loan of Sightpath, a provider of access to state-of-the-art ophthalmic surgical solutions to hospitals and medical facilities
- \$5 million investment in the first lien loan of Blackhawk Mining, which owns and operates a number of coal mines in Kentucky
- \$1.5 million investment in the second lien loan of Aderant, the world's largest independent provider of enterprise software solutions to law firms and other professional services organizations

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Our repayments were:

- \$28.5 million first lien loan to Vivint, a full-service provider of home security systems and alarm monitoring services
- \$15.4 million Term A first lien loan and \$9.2 million Term B first lien loan to T&D Solutions, a provider of emergency response services for electric transmission and distribution lines
- \$13.4 million unsecured loan to Precision Dynamics, a manufacturer of hospital wristbands and specialty labels

Events Subsequent to December 31, 2013

Since December 31, 2012, we made investments totaling \$21.4 million in three new portfolio companies which brings the investment portfolio to \$217 million and the average investment per company to \$12 million. The outstanding balance under our credit facility as of March 5, 2013 was \$46 million due to additional borrowings subsequent to year end in order to fund new investments.

Conference Call Information

Stellus Capital Investment Corporation will host a conference call to discuss these results on March 12, 2013, at 10:00 a.m. Central Daylight Time. The conference call will be led by Robert T. Ladd, chief executive officer, and W. Todd Huskinson, chief financial officer, chief compliance officer, treasurer, and secretary.

For those wishing to participate by telephone, please dial (800) 231-9012 (domestic). Use passcode 4144359. Starting approximately two hours after the conclusion of the call, a replay will be available through March 19, 2013 by dialing (888) 203-1112 and entering passcode 4144359. The replay will also be available on the company's website.

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Statement of Assets and Liabilities

As of December 31, 2012

Assets	
Investments, at fair value (amortized cost of \$195,455,671)	\$195,451,256
Cash and cash equivalents	62,131,686
Interest receivable	2,573,831
Prepaid loan structure fees	1,947,820
Prepaid expenses	438,384
Total Assets	262,542,977
Liabilities	
Payable for investments purchased	4,750,000
Credit facility payable	38,000,000
Short-term loan	45,000,943
Base Management fees payable	527,034
Accrued offering costs	147,123
Interest payable	66,477
Other accrued expenses and liabilities	205,445
Total Liabilities	88,697,022
Net Assets	\$173,845,955
Net Assets	
Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 12,035,023 shares issued and outstanding)	\$12,035
Paid-in capital	174,714,838
Distributions in excess of net investment income	(874,986)
Unrealized depreciation on investments and cash equivalents	(5,932)
Net Assets	\$173,845,955
Total Liabilities and Net Assets	\$262,542,977
Net Asset Value Per Share	\$14.45

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Statement of Operations

For the period Inception
 (May 18, 2012) to
 December 31, 2012

Investment Income	
Interest income	\$3,696,432
Total Investment Income	3,696,432
Operating Expenses	
Management fees	527,034
Valuation fees	184,500
Administrative services expenses	103,482
Professional fees	734,365
Directors' fees	109,439
Insurance expense	79,279
Interest expense and other fees	282,629
Credit facility fees	317,594
Other general and administrative expenses	53,754
Total Operating Expenses	2,392,076
Net Investment Income	1,304,356
Net Change in Unrealized Depreciation on Investments and cash equivalents	(5,932)
Net Increase in Net Assets Resulting from Operations	\$1,298,424
Net Investment Income Per Share	\$0.11
Net Increase in Net Assets Resulting from Operations Per Share	\$0.11
Shares of Common Stock Outstanding	12,035,023

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Statement of Changes in Net Assets

For the period inception (May 18, 2012) to December 31, 2012

Increase in Net Assets Resulting from Operations	\$1,304,356
Net investment income	(5,932)
Net change in unrealized depreciation on investments and cash equivalents	1,298,424
Net Increase in Net Assets Resulting from Operations	(2,179,342)
Stockholder distributions	
Distributions from net investment income	180,409,145
Capital share transactions	
Issuance of common stock	112,948
Reinvestments of stockholder distributions	(4,959,720)
Sales load	(835,500)
Offering costs	
Net increase in net assets resulting from capital share transactions	174,726,873
Total increase in net assets	–
Net assets at beginning of period	173,845,955
Net assets at end of period	173,845,955

Available Information

Stellus' filings with the Securities and Exchange Commission, press releases, earnings release, and other financial information are available on its website at www.stelluscapital.com under the Stellus Capital Investment Corporation link.

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