

STELLUS

CAPITAL

INVESTMENT CORPORATION

May 8, 2015

Stellus Capital Investment Corporation Reports Results for Its First Fiscal Quarter Ended March 31, 2015

HOUSTON, TX -- (Marketwired) -- 05/08/15 -- Stellus Capital Investment Corporation (NYSE: SCM) ("Stellus" or "the Company") today announced financial results for its first fiscal quarter ended March 31, 2015.

HIGHLIGHTS

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

	As of March 31, 2015	
Portfolio results		
Total assets	\$332.2	
Investment portfolio, at fair value	\$322.3	
Net assets	\$175.1	
Weighted average yield on debt investments	10.9%	
Net asset value per share	\$14.03	
	Quarter ended March 31, 2015	Quarter ended March 31, 2014
Portfolio activity		
Total investments made, at cost	\$21.7	\$40.6
Number of new investments	4	5
Repayments of investments, including amortization	\$17.3	\$22.4
Number of portfolio companies at end of period	33	28
Operating results		
Total investment income	\$8.7	\$7.8
Net investment income	\$3.8	\$3.8
Net investment income per share	\$0.31	\$0.31
Regular dividends declared per share	\$0.34	\$0.34
Net increase in net assets from operations	\$5.4	\$4.3
Net increase in net assets from operations per share	\$0.43	\$0.36
Weighted average shares outstanding during the period	12,479,962	12,103,986

Portfolio and Investment Activity

We completed the first quarter of 2015 with a portfolio of \$322.3 million (at fair value) invested in 33 companies. As of March 31, 2015, our portfolio included approximately 26% of first lien debt, 36% of second lien debt, 35% of mezzanine debt and 3% of equity investments at fair value. Our debt portfolio consisted of 40% fixed rate investments and 60% floating rate investments (subject to interest rate floors). The average size of our portfolio company investments was \$9.8 million and our largest portfolio company investment was approximately \$23.1 million at fair value. The weighted average yield on all of our debt investments as of March 31, 2015 was approximately 10.9%.

During the three months ended March 31, 2015, we made \$21.7 million of investments in two new portfolio companies and two existing portfolio companies and received \$17.3 million of proceeds principally from the repayment of one investment, including \$0.4 million from amortization of certain other investments.

This compares to the portfolio as of March 31, 2014, which had a fair value of \$296.6 million invested in 28 companies comprising 25% of first lien debt, 35% of second lien debt, 38% of mezzanine debt and 2% of equity investments at fair value. As of March 31, 2014, our debt investments had a weighted average yield of 10.7% and consisted of 43% fixed rate investments and 57% floating rate investments (subject to interest rate floors).

Results of Operations

Investment income for the three months ended March 31, 2015 and 2014 totaled \$8.7 million and \$7.8 million, respectively, most of which was interest income from portfolio investments.

Operating expenses for the three months ended three months ended March 31, 2015 and 2014, totaled \$4.9 million and \$4.1 million, respectively. For the same respective periods, base management fees totaled \$1.4 million and \$1.2 million, incentive fees totaled \$1.0 million and \$0.8 million, fees and expenses related to our borrowings totaled \$1.5 million and \$1.1 million (including interest and amortization of deferred financing costs), administrative expenses totaled \$0.3 million and \$0.3 million and other expenses totaled \$0.7 million for both periods.

Net investment income was \$3.8 million, or \$0.31 per common share based on weighted average common shares outstanding for the three months ended March 31, 2015 and 2014.

The Company's investment portfolio had a net change in unrealized appreciation for the three months ended March 31, 2015 and 2014, of \$1.6 million and \$0.5 million, respectively. For the three months ended March 31, 2015 and 2014 the Company had realized gains of an immaterial amount and \$0.1 million, respectively.

Our net increase in net assets resulting from operations totaled \$5.4 million and \$4.3 million, or \$0.43 and \$0.36 per common share based on weighted average common shares outstanding, for the three months ended March 31, 2015 and 2014, respectively.

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 any future public and private offerings of securities to finance our investment activities.

As of March 31, 2015 and 2014, our credit facility provided for borrowings in an aggregate amount up to \$120 million and \$135 million, respectively, on a committed basis. As of March 31, 2015, our credit facility had an accordion feature which allowed for potential future expansion of the facility size to \$195 million. As of March 31, 2015 and 2014, we had \$110.3 million and \$110.0 million, respectively, in outstanding borrowings under the credit facility.

For the three months ended March 31, 2015, our operating activities used cash of \$0.3 million primarily in connection with the payment of operating expenses. For the same period, our financing activities used net cash of \$0.5 million, primarily related to distributions to stockholders offset by net borrowings under the credit facility.

For the three months ended March 31, 2014 our operating activities used cash of \$14.6 million primarily in connection with the acquisition of new investments, and our financing activities provided cash of \$7.6 million, primarily from net borrowings under the credit facility.

Distributions

During the three months ended March 31, 2015 and 2014, we declared distributions of \$0.34 per share (\$4.2 million and \$4.1 million, respectively) for each quarter. Separately, we paid a special dividend of \$0.065 (\$0.8 million) in January 2014. Tax characteristics of all distributions will be reported to stockholders on Form 1099-DIV after the end of the calendar year. None of these dividends are expected to include a return of capital.

Recent Portfolio Activity

New investment transactions and repayments which occurred during the three months ended March 31, 2015 are summarized as follows:

- On February 6, 2015, we made a \$5.0 million investment in the second lien loan of Global Knowledge, LLC, a provider of

IT and business skills training.

- On February 12, 2015, we received full repayment on the unsecured term loan of the Studer Group, LLC at par, resulting in total proceeds of \$16.9 million.
- On February 19, 2015, we made a \$10.0 million investment in the second lien loan of NetMotion Wireless, Inc., a provider of wireless software solutions. We also invested \$1.0 million in the company's equity.
- On March 4, 2015, we made an additional \$0.2 million equity investment in Skopos Financial Group, LLC.
- On March 4, 2015, we invested \$4.5 million in the debtor-in-possession financing of Binder & Binder; and we invested an additional \$1.5 million on March 24, 2015.

Events Subsequent to March 31, 2015

There have been no new investments or material repayments since March 31, 2015.

Credit Facility

The outstanding balance under the Credit Facility as of May 6, 2015 was \$108.5 million.

Conference Call Information

Stellus Capital Investment Corporation will host a conference call to discuss these results on May 8, 2015, 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 (888) 428-9490 (domestic). Use passcode 8075182. Starting approximately twenty-four hours after the conclusion of the call, a replay will be available through May 16, 2015 by dialing (888) 203-1112 and entering passcode 8075182. The replay will also be available on the company's website.

STELLUS CAPITAL INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$326,643,757 and \$321,955,480, respectively)	\$ 322,266,780	\$ 315,965,434
Cash and cash equivalents	1,210,355	2,046,563
Receivable for sales and repayments of investments	76,042	-
Interest receivable	5,027,204	5,082,665
Deferred offering costs	261,761	261,761
Deferred financing costs	752,724	828,956
Accounts receivable	40,696	696
Prepaid loan fees on SBA debentures	653,256	681,947
Prepaid loan structure fees	1,645,301	1,774,630
Prepaid expenses	343,208	419,282
Total Assets	<u>\$ 332,277,327</u>	<u>\$ 327,061,934</u>
LIABILITIES		
Notes Payable	25,000,000	25,000,000
Credit facility payable	110,250,000	106,500,000
SBA Debentures	16,250,000	16,250,000
Dividends payable	1,413,983	1,413,983
Base management fees payable	1,414,134	1,360,019
Incentive fees payable	1,166,832	1,121,556
Interest payable	318,858	346,204
Directors' fees payable	89,000	-

Unearned revenue	32,022	157,403
Administrative services payable	642,034	591,744
Deferred Tax Liability	354,400	288,122
Holdback liability	110,000	-
Other accrued expenses and liabilities	135,502	83,452
Total Liabilities	<u>157,176,765</u>	<u>153,112,482</u>
Commitments and contingencies (Note 7)		
Net Assets	<u>\$ 175,100,562</u>	<u>\$ 173,949,452</u>
NET ASSETS		
Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 12,479,962 and 12,479,962 shares issued and outstanding, respectively)	\$ 12,480	\$ 12,480
Paid-in capital	180,994,763	180,994,783
Accumulated undistributed net realized gain	3,169	-
Distributions in excess of net investment income	(1,178,472)	(779,644)
Net Unrealized depreciation on investments and cash equivalents, net of provision for taxes of \$354,400 and \$288,122, respectively.	(4,731,378)	(6,278,167)
Net Assets	<u>\$ 175,100,562</u>	<u>\$ 173,949,452</u>
Total Liabilities and Net Assets	<u>\$ 332,277,327</u>	<u>\$ 327,061,933</u>
Net Asset Value Per Share	<u>\$ 14.03</u>	<u>\$ 13.94</u>

STELLUS CAPITAL INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	For the three months ended March 31, 2015	For the three months ended March 31, 2014
INVESTMENT INCOME		
Interest income	\$ 8,631,296	\$ 7,687,334
Other income	82,795	161,912
Total Investment Income	<u>8,714,091</u>	<u>7,849,246</u>
OPERATING EXPENSES		
Management fees	\$ 1,414,134	\$ 1,268,404
Valuation fees	147,475	151,639
Administrative services expenses	279,200	268,767
Incentive fees	960,854	829,092
Professional fees	294,561	217,989
Directors' fees	89,000	86,000
Insurance expense	116,944	119,083
Interest expense and other fees	1,450,492	1,078,955
Other general and administrative expenses	118,016	68,273
Total Operating Expenses	<u>\$ 4,870,676</u>	<u>\$ 4,088,202</u>
Net Investment Income	<u>\$ 3,843,415</u>	<u>\$ 3,761,044</u>
Net Realized Gain on Investments and Cash Equivalents	<u>\$ 3,169</u>	<u>\$ 112,072</u>
Net Change in Unrealized Appreciation on Investments and Cash Equivalents	<u>\$ 1,613,068</u>	<u>\$ 470,645</u>
Provision for taxes on unrealized gain on investments	<u>\$ (66,278)</u>	<u>\$ -</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 5,393,374</u>	<u>\$ 4,343,761</u>
Net Investment Income Per Share	<u>\$ 0.31</u>	<u>\$ 0.31</u>

Net Increase in Net Assets Resulting from Operations Per Share	\$ 0.43	\$ 0.36
Weighted Average Shares of Common Stock Outstanding	12,479,962	12,103,986
Distributions Per Share	\$ 0.34	\$ 0.40

STELLUS CAPITAL INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (unaudited)

	For the three months ended March 31, 2015	For the three months ended March 31, 2014
Increase in Net Assets Resulting from Operations		
Net investment income	\$ 3,843,415	\$ 3,761,044
Net realized gain on investments and cash equivalents	3,169	112,072
Net change in unrealized appreciation on investments and cash equivalents	1,613,068	470,645
Provision for taxes on unrealized appreciation on investments	(66,278)	-
Net Increase in Net Assets Resulting from Operations	5,393,374	4,343,761
Stockholder distributions		
Net investment income	(4,242,264)	(4,901,200)
Total Distributions	(4,242,264)	(4,901,200)
Capital share transactions		
Reinvestments of stockholder distributions	-	145,973
Net increase in net assets resulting from capital share transactions	-	145,973
Total increase in net assets	1,151,110	(411,466)
Net assets at beginning of period	173,949,452	175,891,514
Net assets at end of period (includes \$1,178,472 and \$1,616,379 of distributions in excess of net investment income)	\$ 175,100,562	\$ 175,480,048

STELLUS CAPITAL INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	For the three months ended March 31, 2015	For the three months ended March 31, 2014
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 5,393,374	\$ 4,343,761
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchases of investments	(21,712,544)	(40,550,138)
Proceeds from sales and repayments of investments	17,342,354	22,404,877
Net change in unrealized appreciation on investments	(1,613,068)	(470,545)
Deferred tax provision	66,278	-
Increase in investments due to PIK	(178,581)	(215,228)
Amortization of premium and accretion of discount, net	(211,463)	(153,075)
Amortization of loan structure fees	129,329	144,924
Amortization of deferred financing costs	76,232	-
Amortization of loan fees on SBIC debentures	28,690	-

Net realized gain on investments	(3,169)	(112,150)
Changes in other assets and liabilities		
Increase (decrease) in interest receivable	54,545	(694,670)
Increase in accounts receivable	(40,000)	-
Decrease in prepaid expenses and fees	-	87,439
Increase in payable for investments purchased	76,074	-
Increase in management fees payable	54,115	91,674
Increase (decrease) in directors' fees payable	89,000	(10,000)
Increase in incentive fees payable	45,277	187,576
Increase in administrative services payable	50,290	133,597
Increase (decrease) in interest payable	(27,347)	26,806
Decrease (increase) in unearned revenue	(125,380)	34,268
Increase in holdback liability	110,000	-
Increase in other accrued expenses and liabilities	52,050	116,571
Net cash used in operating activities	<u>(343,944)</u>	<u>(14,634,313)</u>
Cash flows from financing activities		
Offering costs paid for common stock issued	-	(6,257)
Stockholder distributions paid	(4,242,264)	(3,383,218)
Borrowings under credit facility	22,750,000	44,000,000
Repayments of credit facility	(19,000,000)	(24,000,000)
Repayments of short-term loan	-	(9,000,000)
Net cash provided by (used in) financing activities	<u>(492,264)</u>	<u>7,610,525</u>
Net decrease in cash and cash equivalents	(836,208)	(7,023,788)
Cash and cash equivalents balance at beginning of period	2,046,563	13,663,542
Cash and cash equivalents balance at end of period	<u>\$ 1,210,355</u>	<u>\$ 6,639,754</u>
Supplemental and non-cash financing activities		
Accrued deferred offering costs	-	54,828
Shares issued pursuant to Dividend Reinvestment Plan	-	145,973
Interest expense paid	1,243,588	905,350

About Stellus Capital Investment Corporation

The Company is an externally-managed, closed-end, non-diversified investment management 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, and corresponding equity investments. 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 under the Stellus Capital Investment Corporation link.

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. 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.

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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