
**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, 2023

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	SCM	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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 May 9, 2023 was 20,835,746.

STELLUS CAPITAL INVESTMENT CORPORATION

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

	March 31, 2023 (unaudited)	December 31, 2022
ASSETS		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$912,581,782 and \$875,823,177, respectively)	\$ 877,493,781	\$ 844,733,638
Cash and cash equivalents	17,852,100	48,043,329
Receivable for sales and repayments of investments	777,568	718,794
Interest receivable	4,171,829	3,984,409
Other receivables	34,245	34,245
Deferred offering costs	3,800	1,100
Prepaid expenses	518,853	667,267
Total Assets	\$ 900,852,176	\$ 898,182,782
LIABILITIES		
Notes payable	\$ 98,659,842	\$ 98,549,692
Credit Facility payable	196,906,509	197,685,281
SBA-guaranteed debentures	308,212,703	307,895,195
Dividends payable	2,699,110	—
Management fees payable	4,557,841	7,150,407
Income incentive fees payable	4,589,243	2,464,408
Capital gains incentive fees payable	—	569,528
Interest payable	1,203,768	4,640,841
Related party payable	413,928	1,060,321
Unearned revenue	273,102	320,675
Administrative services payable	396,870	356,919
Income tax payable	1,549,833	1,175,373
Deferred tax liability	140,696	61,936
Other accrued expenses and liabilities	396,686	475,593
Total Liabilities	\$ 620,000,131	\$ 622,406,169
Commitments and contingencies (Note 7)		
Net Assets	\$ 280,852,045	\$ 275,776,613
NET ASSETS		
Common stock, par value \$0.001 per share (100,000,000 shares authorized; 20,248,383 and 19,666,769 issued and outstanding, respectively)	\$ 20,248	\$ 19,667
Paid-in capital	283,404,708	275,114,720
Total distributable (loss) earnings	(2,572,911)	642,226
Net Assets	\$ 280,852,045	\$ 275,776,613
Total Liabilities and Net Assets	\$ 900,852,176	\$ 898,182,782
Net Asset Value Per Share	\$ 13.87	\$ 14.02

STELLUS CAPITAL INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
INVESTMENT INCOME		
Interest income	\$ 23,408,604	\$ 15,116,951
Other income	666,743	377,453
Total Investment Income	\$ 24,075,347	\$ 15,494,404
OPERATING EXPENSES		
Management fees	\$ 3,735,102	\$ 3,492,713
Valuation fees	147,073	139,588
Administrative services expenses	461,964	474,318
Income incentive fees	2,124,835	—
Capital gains incentive fee reversal	(569,528)	(42,217)
Professional fees	430,848	312,062
Directors' fees	117,250	96,500
Insurance expense	120,546	124,507
Interest expense and other fees	7,886,424	4,891,597
Income tax expense	374,763	279,417
Other general and administrative expenses	178,450	211,736
Total Operating Expenses	\$ 15,007,727	\$ 9,980,221
Net Investment Income	\$ 9,067,620	\$ 5,514,183
Net realized gain on non-controlled, non-affiliated investments	\$ 34,967	\$ 3,458,090
Net realized loss on foreign currency translation	(39,912)	(7,350)
Net change in unrealized depreciation on non-controlled, non-affiliated investments	(4,249,642)	(3,721,602)
Net change in unrealized appreciation on foreign currency translation	1,874	—
Provision for taxes on net unrealized appreciation on investments	(78,760)	(21,157)
Net Increase in Net Assets Resulting from Operations	\$ 4,736,147	\$ 5,222,164
Net Investment Income Per Share—basic and diluted	\$ 0.46	\$ 0.28
Net Increase in Net Assets Resulting from Operations Per Share – basic and diluted	\$ 0.24	\$ 0.27
Weighted Average Shares of Common Stock Outstanding—basic and diluted	19,779,988	19,517,761
Distributions Per Share—basic and diluted	\$ 0.40	\$ 0.28

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

	Common Stock		Paid-in capital	Total distributable earnings (loss)	Net Assets
	Number of shares	Par value			
Balances at December 31, 2021	<u>19,517,595</u>	<u>\$ 19,518</u>	<u>\$ 274,559,121</u>	<u>\$ 10,532,594</u>	<u>\$ 285,111,233</u>
Net investment income	—	—	—	5,514,183	5,514,183
Net realized gain on non-controlled, non-affiliated investments	—	—	—	3,458,090	3,458,090
Net realized loss on foreign currency translation	—	—	—	(7,350)	(7,350)
Net change in unrealized depreciation on non-controlled, non-affiliated investments	—	—	—	(3,721,602)	(3,721,602)
Provision for taxes on realized gain on investments	—	—	—	(21,157)	(21,157)
Distributions from net investment income	—	—	—	(5,464,666)	(5,464,666)
Issuance of common stock, net of offering costs ⁽¹⁾	14,924	15	167,655	—	167,670
Balances at March 31, 2022	<u>19,532,519</u>	<u>\$ 19,533</u>	<u>\$ 274,726,776</u>	<u>\$ 10,290,092</u>	<u>\$ 285,036,401</u>
Balances at December 31, 2022	<u>19,666,769</u>	<u>\$ 19,667</u>	<u>\$ 275,114,720</u>	<u>\$ 642,226</u>	<u>\$ 275,776,613</u>
Net investment income	—	—	—	9,067,620	9,067,620
Net realized gain on non-controlled, non-affiliated investments	—	—	—	34,967	34,967
Net realized loss on foreign currency translation	—	—	—	(39,912)	(39,912)
Net change in unrealized depreciation on non-controlled, non-affiliated investments	—	—	—	(4,249,642)	(4,249,642)
Net change in unrealized appreciation on foreign currency translations	—	—	—	1,874	1,874
Provision for taxes on unrealized appreciation on investments	—	—	—	(78,760)	(78,760)
Distributions from net investment income	—	—	—	(7,951,284)	(7,951,284)
Issuance of common stock, net of offering costs ⁽¹⁾	581,614	581	8,289,988	—	8,290,569
Balances at March 31, 2023	<u>20,248,383</u>	<u>\$ 20,248</u>	<u>\$ 283,404,708</u>	<u>\$ (2,572,911)</u>	<u>\$ 280,852,045</u>

(1) See Note 4 to the Consolidated Financial Statements contained herein for more information on offering costs.

STELLUS CAPITAL INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 4,736,147	\$ 5,222,164
Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities:		
Purchases of investments	(41,237,273)	(74,535,403)
Proceeds from sales and repayments of investments	5,890,813	10,008,127
Net change in unrealized depreciation on investments	4,249,642	3,721,602
Net change in unrealized depreciation on foreign currency translations	10,126	—
Increase in investments due to PIK	(769,954)	(330,111)
Amortization of premium and accretion of discount, net	(665,998)	(546,806)
Deferred tax provision	78,760	21,157
Amortization of loan structure fees	143,822	133,262
Amortization of deferred financing costs	110,150	83,670
Amortization of loan fees on SBA-guaranteed debentures	317,508	283,144
Net realized gain on investments	(34,967)	(3,458,090)
Changes in other assets and liabilities		
(Increase) decrease in interest receivable	(187,420)	179,927
Decrease in other receivable	—	4,257
Decrease in prepaid expenses	148,414	9,959
(Decrease) increase in management fees payable	(2,592,566)	492,713
Increase (decrease) in income incentive fees payable	2,124,835	(1,000,000)
Decrease in capital gains incentive fees payable	(569,528)	(42,217)
Increase in administrative services payable	39,951	18,320
Decrease in interest payable	(3,437,073)	(2,855,244)
Decrease in related party payable	(646,393)	—
Decrease in unearned revenue	(47,573)	(62,731)
Increase (decrease) in income tax payable	374,460	(755,312)
(Decrease) increase in other accrued expenses and liabilities	(78,907)	482,638
Net Cash Used in Operating Activities	\$ (32,043,024)	\$ (62,924,974)
Cash flows from Financing Activities		
Proceeds from the issuance of common stock	\$ 8,487,127	\$ 221,176
Sales load for common stock issued	(126,303)	(3,137)
Offering costs paid for common stock issued	(72,955)	(50,369)
Stockholder distributions paid	(5,252,174)	(4,422,688)
Proceeds from SBA-guaranteed debentures	—	20,000,000
Financing costs paid on SBA-guaranteed debentures	—	(487,000)
Financing costs paid on Credit facility	—	(25,881)
Borrowings under Credit Facility	13,300,000	57,388,800
Repayments of Credit Facility	(14,483,900)	(29,240,000)
Net Cash Provided by Financing Activities	\$ 1,851,795	\$ 43,380,901
Net Decrease in Cash and Cash Equivalents	\$ (30,191,229)	\$ (19,544,073)
Cash and Cash Equivalents Balance at Beginning of Period	48,043,329	44,174,856
Cash and Cash Equivalents Balance at End of Period	\$ 17,852,100	\$ 24,630,783
Supplemental and Non-Cash Activities		
Cash paid for interest expense	\$ 10,752,017	\$ 7,216,009
Income and excise tax paid	303	1,034,730
Increase in dividends payable	2,699,110	1,041,978
Increase in deferred offering costs	2,700	26,481

Stellus Capital Investment Corporation

Consolidated Schedule of Investments
March 31, 2023
(unaudited)

Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares ⁽³⁾	Amortized Cost	Fair Value ⁽¹⁾	% of Net Assets
Non-controlled, non-affiliated investments	(4)(5)												
Ad.Net Acquisition, LLC	(9)								Los Angeles, CA				
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.00%	1.00%	11.16%		5/7/2021	5/7/2026	Services: Business	\$ 15,315,441	15,162,453	15,162,287	5.40%
Revolver	(11)	First Lien	3M SOFR+ 6.00%	1.00%	11.16%		5/7/2021	5/7/2026		519,608	519,608	514,412	0.18%
Ad.Net Holdings, Inc. Series A Common Stock (SBIC II)	(5)	Equity					5/7/2021			7,794	77,941	72,356	0.03%
Ad.Net Holdings, Inc. Series A Preferred Stock (SBIC II)	(5)	Equity					5/7/2021			7,015	701,471	651,201	0.23%
Total											\$ 16,461,473	\$ 16,400,256	5.84%
ADS Group Opco, LLC	(9)								Lakewood, CO				
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.75%	2.00%	11.75%		6/4/2021	6/4/2026	Aerospace & Defense	\$ 14,475,000	14,275,275	14,185,500	5.05%
Revolver	(11)	First Lien	3M SOFR+ 6.75%	2.00%	11.75%		6/4/2021	6/4/2026		60,000	60,000	58,800	0.02%
ADS Group Topco, LLC Class A Units		Equity					6/4/2021			77,626	288,691	151,859	0.05%
ADS Group Topco, LLC Class B Units		Equity					6/4/2021			56,819	211,309	76,180	0.03%
ADS Group Topco, LLC Class Z Units		Equity					6/15/2022			72,043	267,929	-	0.00%
Total											\$ 15,103,204	\$ 14,472,339	5.15%
American Refrigeration, LLC	(9)								Jacksonville, FL				
Term Loan (SBIC)	(4)(11)	First Lien	3M SOFR+ 6.50%	1.50%	11.40%		3/31/2023	3/31/2028	Services: Business	\$ 8,275,678	8,068,786	8,068,786	2.87%
AR-USA Holdings, LLC Class A Units		Equity					3/31/2023			141	141,261	141,261	0.05%
Total											\$ 8,210,047	\$ 8,210,047	2.92%
Advanced Barrier Extrusions, LLC	(9)								Rhineland, WI				
Term Loan B (SBIC)	(4)(11)	First Lien	1M SOFR+ 7.50%	1.00%	12.31%		11/30/2020	11/30/2026	Containers, Packaging, & Glass	\$ 17,106,250	16,878,340	14,027,125	4.99%
GP ABX Holdings Partnership, L.P. Partner Interests		Equity					8/8/2018			644,737	528,395	-	0.00%
GP ABX Holdings Partnership, L.P. Series B Preferred Interests		Equity					1/5/2023			353	35,308	8,712	0.00%
Total											\$ 17,442,043	\$ 14,035,837	4.99%
Anne Lewis Strategies, LLC	(9)								Washington, DC				
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+ 6.50%	1.00%	11.66%		3/5/2021	3/5/2026	Services: Business	\$ 10,350,000	10,217,562	10,298,250	3.67%
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+ 6.50%	1.00%	11.66%		4/15/2022	3/5/2026		6,229,922	6,132,676	6,198,772	2.21%
SG AL Investment, LLC Common Units	(6)	Equity					3/5/2021			1,000	670,871	3,835,624	1.37%
Total											\$ 17,021,109	\$ 20,332,646	7.25%
APE Holdings, LLC	(9)								Deer Park, TX				
Class A Units		Equity					9/5/2014		Chemicals, Plastics, & Rubber	375,000	375,000	8,479	0.00%
Total											\$ 375,000	\$ 8,479	0.00%
Atmosphere Aggregator Holdings II, L.P.	(9)								Atlanta, GA				
Common Units		Equity					1/26/2016		Services: Business	254,250	-	2,113,716	0.75%
Stratose Aggregator Holdings, L.P. Common Units		Equity					6/30/2015			750,000	-	6,235,152	2.22%
Total											\$ -	\$ 8,348,868	2.97%
ArborWorks Acquisition LLC	(9)								Oakhurst, CA				
Term Loan	(11)	First Lien	3M LIBOR+10.00%	1.00%	11.85%	3.00%	11/23/2021	11/9/2026	Environmental Industries	\$ 14,550,000	14,438,321	12,876,750	4.58%
Revolver	(11)	First Lien	3M LIBOR+10.00%	1.00%	11.83%	3.00%	11/23/2021	11/9/2026		2,307,692	2,307,692	2,042,307	0.73%
ArborWorks Holdings LLC Units		Equity					12/29/2021			115	115,385	-	0.00%
Total											\$ 16,861,398	\$ 14,919,057	5.31%
Archer Systems, LLC	(9)								Houston, TX				
Term Loan	(11)	First Lien	3M SOFR+ 6.00%	1.00%	11.05%		8/11/2022	8/11/2027	Services: Business	\$ 997,500	979,658	967,575	0.34%
CF Arch Holdings LLC Class A Units		Equity					8/10/2022			100,000	100,000	103,564	0.04%
Total											\$ 1,079,658	\$ 1,071,139	0.38%
Axis Portable Air, LLC	(9)								Phoenix, AZ				
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 5.75%	2.00%	10.80%		3/22/2022	3/22/2028	Capital Equipment	\$ 12,000,000	11,793,213	11,940,000	4.25%
Delayed Draw Term Loan	(11)	First Lien	3M SOFR+ 5.75%	1.00%	10.80%		3/22/2022	3/22/2028		100,000	99,086	99,500	0.04%
Axis Air Parent, LLC Preferred Units		Equity					3/22/2022			4,436	443,636	682,138	0.24%
Total											\$ 12,335,935	\$ 12,721,638	4.53%

Stellus Capital Investment Corporation

Consolidated Schedule of Investments
March 31, 2023
(unaudited)

Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares ⁽³⁾	Amortized Cost	Fair Value ⁽⁴⁾	% of Net Assets
Baker Manufacturing Company, LLC													
Term Loan (SBIC II)	(5)(10)(12)	First Lien	3M SOFR+ 5.25 %	1.00 %	11.04 %		7/5/2022	7/5/2027	Evansville, IN Capital Equipment	\$ 13,863,087	13,613,992	13,863,087	4.94 %
BSC Blue Water Holdings, LLC Series A Units (SBIC II)	(5)	Equity					7/5/2022			743,770	743,770	615,263	0.22 %
Total										\$ 14,357,762	\$ 14,478,350		5.16 %
BDS Solutions Intermediateco, LLC													
Term Loan (SBIC)	(4)(11)	First Lien	1M SOFR+ 6.25 %	1.00 %	11.08 %		2/24/2022	2/7/2027	Tampa Bay, FL Retail	\$ 13,354,659	13,245,843	13,221,112	4.71 %
Term Loan (SBIC)	(4)(11)	First Lien	1M SOFR+ 6.25 %	1.00 %	11.14 %		3/27/2023	2/7/2027	Retail	1,702,782	1,685,754	1,685,754	0.60 %
Revolver	(11)	First Lien	1M SOFR+ 6.25 %	1.00 %	11.08 %		2/24/2022	2/7/2027		30,065	30,065	29,764	0.01 %
Total										\$ 14,961,662	\$ 14,936,630		5.32 %
BLP Buyer, Inc.													
Term Loan	(11)	First Lien	3M SOFR+ 6.25 %	1.25 %	11.08 %		2/1/2022	2/1/2027	Houston, TX Capital Equipment	\$ 6,163,176	6,064,095	6,009,097	2.14 %
Revolver	(11)	First Lien	1M SOFR+ 6.25 %	1.25 %	11.09 %		2/1/2022	2/1/2027		36,566	36,566	35,652	0.01 %
BL Products Parent, L.P. Class A Units		Equity					2/1/2022			754,598	754,598	762,165	0.27 %
Total										\$ 6,855,259	\$ 6,806,914		2.42 %
Café Valley, Inc.													
Term Loan	(11)	First Lien	3M SOFR+ 7.24 %	2.00 %	12.14 %		8/28/2019	8/28/2024	Phoenix, AZ Beverage, Food, & Tobacco	\$ 15,680,952	15,579,512	15,367,333	5.47 %
CF Topco LLC Units		Equity					8/28/2019			9,160	916,015	968,753	0.34 %
Total										\$ 16,495,527	\$ 16,336,086		5.81 %
Camp Profiles LLC													
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+5.25 %	1.00 %	10.41 %		9/3/2021	9/3/2026	Boston, MA Media: Advertising, Printing & Publishing	\$ 10,096,250	9,949,234	10,096,250	3.59 %
CIVC VI-A 829 Blocker, LLC Units		Equity					9/3/2021			250	250,000	421,206	0.15 %
Total										\$ 10,199,234	\$ 10,517,456		3.74 %
CEATI International Inc.													
Term Loan	(11)	First Lien	3M LIBOR+6.50 %	1.00 %	11.66 %		2/19/2021	2/19/2026	Montreal, Canada Services: Business	\$ 13,230,000	13,062,608	12,899,250	4.59 %
CEATI Holdings, LP Class A Units		Equity					2/19/2021			250,000	250,000	223,804	0.08 %
Total										\$ 13,312,608	\$ 13,123,054		4.67 %
Cerebro Buyer, LLC													
Term Loan	(11)	First Lien	1M SOFR+ 6.75 %	1.00 %	11.68 %		3/15/2023	3/15/2029	Columbia, SC Healthcare & Pharmaceuticals	\$ 4,682,323	4,566,352	4,566,352	1.63 %
Cerebro Holdings Partnership, L.P. Series A Partner Interests		Equity					3/15/2023			62,961	62,961	62,961	0.02 %
Cerebro Holdings Partnership, L.P. Series B Partner Interests		Equity					3/15/2023			341,091	341,091	341,091	0.12 %
Total										\$ 4,970,404	\$ 4,970,404		1.77 %
CF512, Inc.													
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+6.00 %	1.00 %	10.96 %		9/1/2021	9/1/2026	Blue Bell, PA Media: Advertising, Printing & Publishing	\$ 14,145,058	13,939,086	13,720,706	4.89 %
Delayed Draw Term Loan	(11)	First Lien	3M LIBOR+6.00 %	1.00 %	11.16 %		9/1/2021	9/1/2026		3,054,360	3,031,204	2,962,729	1.05 %
StellPen Holdings, LLC Membership Interests		Equity					9/1/2021			22.09%	220,930	227,615	0.08 %
Total										\$ 17,191,220	\$ 16,911,050		6.02 %
CompleteCase, LLC													
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+6.50 %	1.00 %	11.66 %		12/21/2020	12/21/2025	Seattle, WA Services: Consumer	\$ 11,220,000	11,085,637	10,939,500	3.90 %
Revolver A	(11)	First Lien	3M LIBOR+6.50 %	1.00 %	11.66 %		12/21/2020	12/21/2025		40,000	40,000	39,000	0.01 %
CompleteCase Holdings, Inc. Class A Common Stock (SBIC II)	(5)	Equity					12/21/2020			417	5	4	0.00 %
CompleteCase Holdings, Inc. Series A Preferred Stock (SBIC II)	(5)	Equity					12/21/2020			522	521,734	389,762	0.14 %
Total										\$ 11,647,376	\$ 11,368,266		4.05 %
COPILOT Provider Support Services, LLC													
Term Loan	(11)	First Lien	3M SOFR+ 6.50 %	2.00 %	11.55 %		11/22/2022	11/22/2027	Maitland, FL Healthcare & Pharmaceuticals	\$ 4,975,000	4,880,276	4,900,375	1.74 %
QHP Project Captivate Blocker, Inc. Common Stock		Equity					11/22/2022			4	285,714	280,843	0.10 %
Total										\$ 5,165,990	\$ 5,181,218		1.84 %

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Credit Connection, LLC	(9)								Fresno, CA				
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+5.75%	1.00%	10.91%		7/30/2021	7/30/2026	Software	\$ 9,850,000	9,710,866	9,653,000	3.44%
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+5.75%	1.00%	10.91%		3/31/2022	7/30/2026		7,425,000	7,306,439	7,276,500	2.59%
Series A Units		Equity					7/30/2021			804,384	804,384	921,339	0.33%
Total											\$ 17,821,689	\$ 17,850,839	6.36%
Curion Holdings, LLC	(9)								Chicago, IL				
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.25%	1.00%	11.30%		7/29/2022	7/29/2027	Services: Business	\$ 12,994,701	12,762,814	12,539,886	4.46%
Revolver	(11)	First Lien	3M SOFR+ 6.25%	1.00%	11.30%		7/29/2022	7/29/2027		70,000	70,000	67,550	0.02%
SP CS Holdings LLC Class A Units		Equity					7/29/2022			739,999	739,999	359,148	0.13%
Total											\$ 13,572,813	\$ 12,966,584	4.61%
Data Centrum Communications, Inc.									Montvale, NJ				
Term Loan B	(11)	First Lien	3M SOFR+ 8.50%	1.00%	13.60%		5/15/2019	5/15/2024	Media: Advertising, Printing & Publishing	\$ 15,679,110	15,597,255	15,679,110	5.58%
Health Monitor Holdings, LLC Series A Preferred Units		Equity					5/15/2019			1,000,000	1,000,000	506,442	0.18%
Total											\$ 16,597,255	\$ 16,185,552	5.76%
Douglas Products Group, LP									Liberty, MO				
Partnership Interests		Equity					12/27/2018		Chemicals, Plastics, & Rubber	322	-	690,409	0.25%
Total											\$ -	\$ 690,409	0.25%
Dresser Utility Solutions, LLC									Bradford, PA				
Term Loan (SBIC)	(4)(11)	Second Lien	1M SOFR+ 8.50%	1.00%	13.41%		10/1/2018	4/1/2026	Utilities: Oil & Gas	\$ 10,000,000	9,926,667	9,850,000	3.51%
Total											\$ 9,926,667	\$ 9,850,000	3.51%
DRS Holdings III, Inc.	(9)								St. Louis, MO				
Term Loan	(11)	First Lien	1M LIBOR+5.75%	1.00%	10.59%		11/1/2019	11/1/2025	Consumer Goods: Durable	\$ 9,165,990	9,121,069	8,936,840	3.18%
Total											\$ 9,121,069	\$ 8,936,840	3.18%
DTE Enterprises, LLC	(9)								Roselle, IL				
Term Loan	(11)	First Lien	3M LIBOR+7.50%	1.50%	12.44%		4/13/2018	6/30/2023	Energy: Oil & Gas	\$ 5,634,219	5,631,926	5,634,219	2.01%
DTE Holding Company, LLC Class A-2 Units		Equity					4/13/2018			776,316	466,204	995,040	0.35%
DTE Holding Company, LLC Class AA Units		Equity					4/13/2018			723,684	723,684	329,442	0.12%
Total											\$ 6,821,814	\$ 6,958,701	2.48%
EH Real Estate Services, LLC									Skokie, IL				
Term Loan (SBIC)	(4)(18)	First Lien	- %	- %	- %		9/3/2021	9/3/2026	FIRE: Real Estate	\$ 7,874,359	7,757,286	3,661,577	1.30%
EH Holdco, LLC Series A Preferred Units		Equity					9/3/2021			7,892	7,891,642	-	0.00%
Total											\$ 15,648,928	\$ 3,661,577	1.30%
Elliott Aviation, LLC	(9)								Moline, IL				
Term Loan	(11)	First Lien	1M LIBOR+8.00%	2.00%	10.84%	2.00%	1/31/2020	1/31/2025	Aerospace & Defense	\$ 10,061,348	9,981,355	9,055,213	3.22%
Revolver A	(11)	First Lien	1M LIBOR+8.00%	2.00%	10.84%	2.00%	1/31/2020	1/31/2025		1,389,146	1,389,146	1,250,231	0.45%
SP EA Holdings LLC Class A Units		Equity					1/31/2020			900,000	900,000	131,893	0.05%
Total											\$ 12,270,501	\$ 10,437,337	3.72%
EOS Fitness Holdings, LLC									Phoenix, AZ				
Class A Preferred Units		Equity					12/30/2014		Hotel, Gaming, & Leisure	118	-	235,850	0.08%
Class B Common Units		Equity					12/30/2014			3,017	-	576,422	0.21%
Total											\$ -	\$ 812,272	0.29%
Evrholder Acquisition, Inc.	(9)								Anaheim, CA				
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.75%	1.50%	11.80%		1/23/2023	1/24/2028	Consumer Goods: Durable	\$ 13,000,000	12,682,993	12,682,993	4.52%
KEJ Holdings LP Class A Units		Equity					1/23/2023			873,333	873,333	873,333	0.31%
Total											\$ 13,556,326	\$ 13,556,326	4.83%
Exacta Land Surveyors, LLC	(9)								Cleveland, OH				
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+5.75%	1.50%	10.91%		2/8/2019	2/8/2024	Services: Business	\$ 16,331,875	16,262,295	16,250,216	5.80%
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+5.75%	1.50%	10.91%		7/15/2022	2/8/2024		992,500	981,194	987,538	0.35%
SP ELS Holdings LLC Class A Units		Equity					2/8/2019			1,122,250	1,122,250	694,504	0.25%
Total											\$ 18,365,739	\$ 17,932,258	6.40%

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Exigo, LLC	(9)								Dallas, TX				
Term Loan	(11)	First Lien	1M LIBOR+ 5.75 %	1.00 %	10.59 %		3/16/2022	3/16/2027	Software	\$ 8,970,233	8,858,917	8,880,531	3.16 %
Gauge Exigo Coinvest, LLC Common Units		Equity					3/16/2022			377,535	377,535	377,535	0.13 %
Total										\$ 9,236,452	\$ 9,236,452	\$ 9,258,066	3.29 %
Florachem Corporation	(9)								Jacksonville, FL				
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.66 %		4/29/2022	4/29/2028	Chemicals, Plastics, & Rubber	\$ 9,925,000	9,750,925	9,627,250	3.43 %
Revolver	(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.66 %		4/29/2022	4/29/2028		70,000	70,000	67,900	0.02 %
SK FC Holdings, L.P. Class A Units		Equity					4/29/2022			362	362,434	409,013	0.15 %
Total										\$ 10,183,359	\$ 10,183,359	\$ 10,104,163	3.60 %
General LED OPKO, LLC									San Antonio, TX				
Term Loan	(11)(14)	Second Lien	3M LIBOR+ 9.00 %	1.50 %	- %		5/1/2018	3/31/2026	Services: Business	\$ 4,500,000	4,465,216	4,230,000	1.51 %
Total										\$ 4,465,216	\$ 4,465,216	\$ 4,230,000	1.51 %
GS HVAM Intermediate, LLC	(9)								Carlsbad, CA				
Term Loan	(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.46 %		10/18/2019	10/2/2024	Beverage, Food, & Tobacco	\$ 12,490,958	12,446,606	12,490,958	4.45 %
Revolver	(11)	First Lien	1M LIBOR+ 6.50 %	1.00 %	11.46 %		10/18/2019	10/2/2024		1,325,758	1,325,758	1,325,758	0.47 %
HV GS Acquisition, LP Class A Interests		Equity					10/2/2019			2,144	1,967,133	2,153,133	0.77 %
Total										\$ 15,739,497	\$ 15,739,497	\$ 15,969,849	5.69 %
Heartland Business Systems, LLC	(9)								Little Chute, WI				
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.25 %	1.00 %	11.30 %		8/26/2022	8/26/2027	Services: Business	\$ 9,950,000	9,769,527	9,850,500	3.51 %
Delayed Draw Term Loan	(11)	First Lien	3M SOFR+ 6.25 %	1.00 %	11.30 %		8/26/2022	8/26/2027		24,938	24,702	24,689	0.01 %
AMCO HBS Holdings, LP Class A Units		Equity					8/26/2022			2,861	286,065	494,705	0.18 %
Total										\$ 10,080,294	\$ 10,080,294	\$ 10,369,894	3.70 %
Heat Makes Sense Shared Services, LLC	(9)								Brooklyn, NY				
Term Loan	(11)	First Lien	6M SOFR+ 5.25 %	0.75 %	10.26 %		7/1/2022	7/1/2029	Consumer Goods: Non-Durable	\$ 99,500	97,625	97,510	0.03 %
Revolver	(11)	First Lien	3M SOFR+ 5.25 %	0.75 %	9.99 %		7/1/2022	7/1/2028		45,714	45,714	44,800	0.02 %
Ishtar Co-Invest-B LP Partnership Interests		Equity					7/1/2022			77,778	77,778	96,736	0.03 %
Oshun Co-Invest-B LP Partnership Interests		Equity					7/1/2022			22,222	22,222	27,638	0.01 %
Total										\$ 243,339	\$ 243,339	\$ 266,684	0.09 %
HV Watterson Holdings, LLC	(9)								Schaumburg, IL				
Term Loan	(11)	First Lien	3M LIBOR+ 6.25 %	1.00 %	11.41 %		12/17/2021	12/17/2026	Services: Business	\$ 13,268,645	13,060,646	12,936,929	4.61 %
Revolver	(11)	First Lien	3M LIBOR+ 6.25 %	1.00 %	11.41 %		12/17/2021	12/17/2026		84,000	84,000	81,900	0.03 %
Delayed Draw Term Loan	(11)	First Lien	3M LIBOR+ 6.25 %	1.00 %	11.41 %		12/17/2021	12/17/2026		322,299	319,439	314,242	0.11 %
HV Acquisition VI, LLC Class A Units		Equity					12/17/2021			1,632	1,631,591	1,337,779	0.48 %
Total										\$ 15,095,676	\$ 15,095,676	\$ 14,670,850	5.23 %
I2P Holdings, LLC									Cleveland, OH				
Series A Preferred Units		Equity					1/31/2018		Services: Business	750,000	-	3,415,712	1.22 %
Total										\$ -	\$ -	\$ 3,415,712	1.22 %
ICD Holdings, LLC	(7)								San Francisco, CA				
Class A Units	(6)	Equity					1/1/2018		Finance	9,962	463,782	1,432,310	0.51 %
Total										\$ 463,782	\$ 463,782	\$ 1,432,310	0.51 %
Infolinks Media Buyco, LLC	(9)								Ridgewood, NJ				
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+ 5.50 %	1.00 %	10.66 %		11/1/2021	11/1/2026	Media: Advertising, Printing & Publishing	\$ 8,418,438	8,290,776	8,376,346	2.98 %
Tower Arch Infolinks Media, LP LP Interests		Equity					10/28/2021			447,183	429,507	842,762	0.30 %
Total										\$ 8,720,283	\$ 8,720,283	\$ 9,219,108	3.28 %
Inoapps Bidco, LLC	(9)								Houston, TX				
Term Loan B	(11)	First Lien	3M SONIA+ 5.75 %	1.00 %	8.99 %		2/15/2022	2/15/2027	High Tech Industries	\$ 9,925,000	\$ 13,239,489	\$ 12,091,062	4.31 %
Delayed Draw Term Loan	(11)	First Lien	3M LIBOR+ 5.75 %	1.00 %	10.58 %		2/15/2022	2/15/2027		\$ 82,917	82,189	81,259	0.03 %
Inoapps Holdings, LLC Series A-1 Preferred Units		Equity					2/15/2022			739,844	783,756	834,458	0.30 %
Total										\$ 14,105,434	\$ 14,105,434	\$ 13,006,779	4.64 %

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Integrated Oncology Network, LLC													
	(9)								Newport Beach, CA				
Term Loan	(11)	First Lien	3M SOFR+ 6.00 %	1.00 %	10.74 %		7/17/2019	6/24/2025	Healthcare & Pharmaceuticals	\$ 15,792,698	15,702,375	15,397,881	5.48 %
Term Loan	(11)	First Lien	3M SOFR+ 6.00 %	1.00 %	10.74 %		11/1/2021	6/24/2025		1,093,176	1,082,360	1,065,847	0.38 %
Total											\$ 16,784,735	\$ 16,463,728	5.86 %
International Designs Holdings LLC													
Common Units		Equity					4/1/2022		Farmingville, NY Construction & Building	200,000	200,000	210,235	0.07 %
Total											\$ 200,000	\$ 210,235	0.07 %
Interstate Waste Services, Inc.													
Common Stock		Equity					1/15/2020		Amsterdam, OH Environmental Industries	21,925	946,125	572,041	0.20 %
Total											\$ 946,125	\$ 572,041	0.20 %
Intuitive Health, LLC													
Term Loan (SBIC II)	(5)(10) (12)	First Lien	3M SOFR+ 5.50 %	1.50 %	11.75 %		10/18/2019	10/18/2027	Plano, TX Healthcare & Pharmaceuticals	\$ 5,820,000	5,757,841	5,703,600	2.03 %
Term Loan	(10)(12)	First Lien	3M SOFR+ 5.50 %	1.50 %	11.75 %		10/18/2019	10/18/2027		8,185,612	8,098,590	8,021,900	2.86 %
Term Loan (SBIC II)	(5)(10) (12)	First Lien	3M SOFR+ 5.50 %	1.50 %	11.75 %		8/31/2021	10/18/2027		3,065,650	3,029,642	3,004,337	1.07 %
Legacy Parent, Inc. Class A Common Stock		Equity					10/30/2020			58	-	169,820	0.06 %
Total											\$ 16,886,073	\$ 16,899,657	6.02 %
Invincible Boat Company LLC													
Term Loan	(9)	First Lien	3M LIBOR+ 6.50 %	1.50 %	11.66 %		8/28/2019	8/28/2025	Opa Locka, FL Consumer Goods: Durable	\$ 5,381,042	5,301,979	5,219,611	1.86 %
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+ 6.50 %	1.50 %	11.66 %		8/28/2019	8/28/2025		4,967,116	4,921,016	4,818,103	1.72 %
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+ 6.50 %	1.50 %	11.66 %		6/1/2021	8/28/2025		1,104,255	1,090,725	1,071,127	0.38 %
Revolver	(11)	First Lien	3M LIBOR+ 6.50 %	1.50 %	11.66 %		8/28/2019	8/28/2025		744,681	744,681	722,341	0.26 %
Warbird Parent Holdco, LLC Class A Units		Equity					8/28/2019			1,362,575	1,299,691	744,144	0.26 %
Total											\$ 13,358,092	\$ 12,575,326	4.48 %
J.R. Watkins, LLC													
Term Loan (SBIC)	(4)	First Lien	12.00 %		7.00 %	5.00 %	12/22/2017	3/31/2024	San Francisco Consumer Goods: Non-Durable	\$ 12,895,199	12,895,199	11,670,155	4.16 %
J.R. Watkins Holdings, Inc. Class A Preferred Stock		Equity					12/22/2017			1,133	1,132,576	135,642	0.05 %
Total											\$ 14,027,775	\$ 11,805,797	4.21 %
Jurassic Acquisition Corp.													
Term Loan	(11)	First Lien	1M SOFR+ 5.50 %	- %	10.41 %		12/28/2018	11/15/2024	Sparks, MD Metals & Mining	\$ 16,756,250	16,676,543	16,504,905	5.89 %
Total											\$ 16,676,543	\$ 16,504,905	5.89 %
Kelleymerit Holdings, Inc.													
Term Loan (SBIC)	(4)(10) (12)	First Lien	1M BSBY+ 6.75 %	1.00 %	12.86 %		12/24/2020	12/24/2025	Walnut Creek, CA Automotive	\$ 9,750,000	9,633,251	9,701,250	3.45 %
Term Loan	(10)(12)	First Lien	1M BSBY+ 6.75 %	1.00 %	12.86 %		12/24/2020	12/24/2025		1,500,000	1,482,039	1,492,500	0.53 %
Total											\$ 11,115,290	\$ 11,193,750	3.98 %
KidKraft, Inc.													
Term Loan	(10)(12)	First Lien	1M SOFR+ 6.00 %	1.00 %	10.81 %		4/3/2020	6/30/2023	Dallas, TX Consumer Goods: Durable	\$ 1,580,768	1,580,768	1,580,768	0.56 %
KidKraft Group Holdings, LLC Preferred B Units		Equity					4/3/2020			4,000,000	4,000,000	2,400,000	0.85 %
Total											\$ 5,580,768	\$ 3,980,768	1.41 %
Ledge Lounger, Inc.													
Term Loan A (SBIC)	(4)(11)	First Lien	3M SOFR+ 6.25 %	1.00 %	11.30 %		11/9/2021	11/9/2026	Katy, TX Consumer Goods: Durable	\$ 7,549,178	7,434,517	7,435,940	2.65 %
Revolver	(11)	First Lien	3M SOFR+ 6.25 %	1.00 %	11.30 %		11/9/2021	11/9/2026		50,000	50,000	49,250	0.02 %
SP L2 Holdings LLC Class A Units (SBIC)	(4)	Equity					11/9/2021			375,000	375,000	244,351	0.09 %
Total											\$ 7,859,517	\$ 7,729,541	2.76 %
Lightning Intermediate II, LLC													
Term Loan (SBIC)	(4)(11)	First Lien	6M SOFR+ 6.50 %	1.00 %	11.54 %		6/6/2022	6/6/2027	Jacksonville, FL Consumer Goods: Non-Durable	\$ 13,501,073	13,267,668	13,163,546	4.69 %
Gauge Vimergy Coinvest, LLC Units		Equity					6/6/2022			399	398,677	251,481	0.09 %
Total											\$ 13,666,345	\$ 13,415,027	4.78 %

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MacKenzie-Childs Acquisition, Inc.	(9)								Aurora, NY				
Term Loan	(11)	First Lien	3M SOFR+ 6.00%	1.00 %	11.05%		9/2/2022	9/2/2027	Consumer Goods: Durable	\$ 99,500	98,145	97,510	0.03 %
Revolver	(11)	First Lien	6M SOFR+ 6.00%	1.00 %	11.11%		9/2/2022	9/2/2027		93,333	93,333	91,466	0.03 %
MacKenzie-Childs Investment, LP Partnership Interests		Equity					9/2/2022			100,000	100,000	76,268	0.03 %
Total											\$ 291,478	\$ 265,244	0.09 %
Madison Logic Holdings, Inc.	(9)								New York, NY				
Term Loan	(11)	First Lien	3M SOFR+ 7.00%	1.00 %	11.90%		12/30/2022	12/30/2028	Media: Broadcasting & Subscription	\$ 4,529,217	4,398,331	4,398,331	1.57 %
Total											\$ 4,398,331	\$ 4,398,331	1.57 %
Microbe Formulas LLC	(9)								Meridian, ID				
Term Loan (SBIC II)	(5)(11)	First Lien	1M SOFR+ 6.25%	1.00 %	11.09%		4/4/2022	4/3/2028	Consumer Goods: Non-Durable	\$ 9,827,844	9,742,830	9,778,705	3.48 %
Total											\$ 9,742,830	\$ 9,778,705	3.48 %
MOM Enterprises, LLC	(9)								Richmond, CA				
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+6.25%	1.00 %	11.41%		5/19/2021	5/19/2026	Consumer Goods: Non-Durable	\$ 16,178,500	15,959,380	15,693,145	5.60 %
MBI SPC Holdings, LLC Units		Equity					5/19/2021			933,333	933,333	839,713	0.30 %
Total											\$ 16,892,713	\$ 16,532,858	5.90 %
Monitorous Holding, LLC	(7)(9)								London, UK				
Term Loan	(11)	First Lien	3M LIBOR+7.00%	1.00 %	12.16%		5/24/2022	5/24/2027	Media: Diversified & Production	\$ 100,000	99,138	99,000	0.04 %
Revolver	(11)	First Lien	3M LIBOR+7.00%	1.00 %	12.16%		5/24/2022	5/24/2027		€ 50,000	54,491	53,875	0.02 %
Delayed Draw Term Loan	(11)	First Lien	3M LIBOR+7.00%	1.00 %	12.16%		5/24/2022	5/24/2027		€ 100,000	100,931	99,922	0.04 %
Sapphire Aggregator S.a r.l. Class A Shares		Equity					9/1/2022			€ 557,689	11,156	13,279	0.00 %
Sapphire Aggregator S.a r.l. Class B Shares		Equity					9/1/2022			€ 557,682	11,156	13,279	0.00 %
Sapphire Aggregator S.a r.l. Class C Shares		Equity					9/1/2022			€ 557,682	11,156	13,279	0.00 %
Sapphire Aggregator S.a r.l. Class D Shares		Equity					9/1/2022			€ 557,682	11,156	13,279	0.00 %
Sapphire Aggregator S.a r.l. Class E Shares		Equity					9/1/2022			€ 557,682	11,156	13,279	0.00 %
Sapphire Aggregator S.a r.l. Class F Shares		Equity					9/1/2022			€ 557,682	11,156	13,279	0.00 %
Sapphire Aggregator S.a r.l. Class G Shares		Equity					9/1/2022			€ 557,682	11,156	13,279	0.00 %
Sapphire Aggregator S.a r.l. Class H Shares		Equity					9/1/2022			€ 557,682	11,156	13,279	0.00 %
Sapphire Aggregator S.a r.l. Class I Shares		Equity					9/1/2022			€ 557,682	11,156	13,279	0.00 %
Total											\$ 354,964	\$ 372,308	0.10 %
Naumann/Hobbs Material Handling Corporation II, Inc.	(9)								Phoenix, AZ				
Term Loan	(11)	First Lien	3M SOFR+ 6.75%	1.50 %	11.65%		8/30/2019	8/30/2024	Services: Business	\$ 8,503,848	8,448,381	8,376,290	2.98 %
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.75%	1.50 %	11.65%		8/30/2019	8/30/2024		5,362,558	5,327,581	5,282,120	1.88 %
Naumann Hobbs Holdings, L.P. Class A-1 Units		Equity					9/29/2022			123	220,379	347,303	0.12 %
Naumann Hobbs Holdings, L.P. Class A-2 Units		Equity					9/29/2022			123	220,379	347,303	0.12 %
Total											\$ 14,216,720	\$ 14,353,016	5.10 %
NINJIO, LLC	(9)								Westlake Village, CA				
Term Loan	(11)	First Lien	3M SOFR+ 6.50%	1.50 %	11.65%		10/12/2022	10/12/2027	Media: Diversified & Production	\$ 4,987,500	4,895,055	4,912,688	1.75 %
NINJIO Holdings, LLC Units		Equity					10/12/2022			184	313,253	322,428	0.11 %
Total											\$ 5,208,308	\$ 5,235,116	1.86 %
NS412, LLC	(11)								Dallas, TX				
Term Loan	(11)	Second Lien	3M LIBOR+8.50%	1.00 %	13.66%		5/6/2019	11/6/2025	Services: Consumer	\$ 7,615,000	7,542,602	7,462,700	2.66 %
NS Group Holding Company, LLC Class A Units		Equity					5/6/2019			782	795,002	575,130	0.20 %
Total											\$ 8,337,604	\$ 8,037,830	2.86 %
NuMet Machining Techniques, LLC	(7)								Birmingham, United Kingdom				
Term Loan	(11)(15)	Second Lien	PRIME+ 8.00%	- %	- %		11/5/2019	5/5/2026	Aerospace & Defense	\$ 12,675,000	12,534,083	7,668,375	2.73 %
Bromford Industries Limited Term Loan	(11)(15)	Second Lien	PRIME+ 8.00%	- %	- %		11/5/2019	5/5/2026		7,800,000	7,710,473	4,719,000	1.68 %
Total											\$ 20,244,556	\$ 12,387,375	4.41 %

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Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares ⁽³⁾	Amortized Cost	Fair Value ⁽⁴⁾	% of Net Assets
NuSource Financial, LLC													
Term Loan (SBIC II)	(5)(11)	First Lien	1M LIBOR+9.00%	1.00%	13.66%		1/29/2021	1/29/2026	Eden Prairie, MN	\$ 11,478,173	11,331,169	11,420,782	4.07%
NuSource Financial Acquisition, Inc. (SBIC II)	(5)	Unsecured	9.75%		4.00%	11.75%	1/29/2021	7/29/2026	Services: Business	5,807,885	5,741,802	5,343,254	1.90%
NuSource Holdings, Inc. Warrants (SBIC II)	(5)	Equity					1/29/2021			54,966	-	-	0.00%
Total											\$ 17,072,971	\$ 16,764,036	5.97%
Nutritional Medicinals, LLC													
Term Loan	(11)	First Lien	3M LIBOR+6.00%	1.00%	11.16%		11/15/2018	11/15/2025	Centerville, OH Healthcare & Pharmaceuticals	\$ 9,497,282	9,437,862	9,402,309	3.35%
Term Loan	(11)	First Lien	3M LIBOR+6.00%	1.00%	11.16%		10/28/2021	11/15/2025		4,020,411	3,978,997	3,980,207	1.42%
Functional Aggregator, LLC Units		Equity					11/15/2018			12,500	972,803	1,730,682	0.62%
Total											\$ 14,389,662	\$ 15,113,198	5.39%
Onpoint Industrial Services, LLC													
Term Loan (SBIC)	(4)(11)	First Lien	3M SOFR+ 7.00%	1.75%	11.90%		11/16/2022	11/16/2027	Deer Park, TX	\$ 12,861,025	12,616,673	12,668,110	4.51%
Spearhead TopCo, LLC Class A Units		Equity					11/16/2022		Services: Business	606,742	606,742	672,863	0.24%
Total											\$ 13,223,415	\$ 13,340,973	4.75%
PCP MT Aggregator Holdings, L.P.													
Common Units	(7)	Equity					3/29/2019		Oak Brook, IL Finance	825,020	119,281	2,287,468	0.81%
Total											\$ 119,281	\$ 2,287,468	0.81%
PCS Software, Inc.													
Term Loan	(11)	First Lien	3M SOFR+ 6.00%	1.50%	11.05%		7/1/2019	7/1/2024	Shenandoah, TX	\$ 14,028,057	13,943,538	13,887,776	4.95%
Term Loan (SBIC)	(4)(11)	First Lien	3M SOFR+ 6.00%	1.50%	11.05%		7/1/2019	7/1/2024	Transportation & Logistics	1,839,745	1,828,661	1,821,348	0.65%
Delayed Draw Term Loan	(11)	First Lien	3M SOFR+ 6.00%	1.50%	11.05%		7/1/2019	7/1/2024		970,000	970,000	960,300	0.34%
PCS Software Parent, LLC Class A Common Units	(6)	Equity					9/16/2022			461,216	-	445,910	0.16%
Total											\$ 16,742,199	\$ 17,115,334	6.10%
Pearl Media Holdings, LLC													
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.25%	1.50%	11.30%		8/31/2022	8/31/2027	Garland, TX	\$ 9,950,000	9,769,528	9,800,750	3.49%
Total									Consumer Goods: Durable		\$ 9,769,528	\$ 9,800,750	3.49%
Peltram Plumbing Holdings, LLC													
Term Loan	(11)	First Lien	3M SOFR+ 6.50%	2.00%	11.40%		12/30/2021	12/30/2026	Auburn, WA	\$ 16,537,890	16,278,642	16,207,132	5.77%
Peltram Group Holdings LLC Class A Units		Equity					12/30/2021		Construction & Building	508,516	508,516	273,126	0.10%
Total											\$ 16,787,158	\$ 16,480,258	5.87%
Premiere Digital Services, Inc.													
Term Loan	(11)	First Lien	1M LIBOR+5.25%	1.00%	10.09%		11/3/2021	11/3/2026	Los Angeles, CA	\$ 14,242,788	14,188,997	14,242,788	5.07%
Premiere Digital Holdings, Inc. Common Stock		Equity					10/18/2018		Media: Broadcasting & Subscription	5,000	-	2,975,800	1.06%
Total											\$ 14,188,997	\$ 17,218,588	6.13%
Protect America, Inc.													
Term Loan	(11)(13)	Second Lien	3M LIBOR+7.75%	1.00%	-		8/30/2017	9/1/2024	Austin, TX	\$ 17,979,749	17,979,749	-	0.00%
Total									Services: Consumer		\$ 17,979,749	\$ -	0.00%
Red's All Natural, LLC													
Term Loan (SBIC II)	(5)(10)(12)	First Lien	3M SOFR+ 6.00%	1.50%	11.88%		1/31/2023	1/31/2029	Franklin, TN	\$ 10,916,882	10,702,688	10,702,688	3.81%
Centcotl Co-Invest B, LP Common Units		Equity					1/31/2023		Beverage, Food, & Tobacco	710,600	710,600	710,600	0.25%
Total											\$ 11,413,288	\$ 11,413,288	4.06%
Rogers Mechanical Contractors, LLC													
Term Loan	(11)	First Lien	6M SOFR+ 8.00%	1.00%	11.70%	1.00%	4/28/2021	9/9/2025	Atlanta, GA	\$ 9,883,698	9,778,604	9,735,443	3.47%
Revolver	(11)	First Lien	6M SOFR+ 8.00%	1.00%	12.09%	1.00%	4/28/2021	9/9/2025	Construction & Building	53,333	53,333	52,533	0.02%
Delayed Draw Term Loan	(11)	First Lien	6M SOFR+ 8.00%	1.00%	11.70%	1.00%	4/28/2021	9/9/2025		49,464	49,139	48,722	0.02%
Total											\$ 9,881,076	\$ 9,836,698	3.51%
Sales Benchmark Index, LLC													
Term Loan	(11)	First Lien	3M LIBOR+6.00%	1.00%	11.16%		1/7/2020	1/7/2025	Dallas, TX	\$ 12,481,823	12,379,595	12,357,005	4.40%
SBI Holdings Investments LLC Class A Units		Equity					1/7/2020		Services: Business	66,573	665,730	581,678	0.21%
Total											\$ 13,045,325	\$ 12,938,683	4.61%

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Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares ⁽³⁾	Amortized Cost	Fair Value ⁽⁴⁾	% of Net Assets
Service Minds Company, LLC	(9)								Bradenton, FL				
Term Loan	(11)	First Lien	6M LIBOR+5.00%	1.00 %	10.18 %		2/7/2022	2/7/2028	Services: Consumer	\$ 5,344,357	5,254,656	5,237,470	1.86 %
Revolver	(11)	First Lien	6M LIBOR+5.00%	1.00 %	10.18 %		2/7/2022	2/7/2028		30,000	30,000	29,400	0.01 %
Delayed Draw Term Loan	(11)	First Lien	6M LIBOR+5.00%	1.00 %	10.18 %		2/7/2022	2/7/2028		99,508	98,580	97,518	0.03 %
Total											\$ 5,383,236	\$ 5,364,388	1.90 %
SIB Holdings, LLC									Charleston, SC				
Term Loan (SBIC)	(4)(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.21 %		10/29/2021	10/29/2026	Services: Business	\$ 12,707,974	12,515,259	12,199,655	4.34 %
Term Loan (SBIC)	(4)(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.21 %		6/15/2022	10/29/2026		854,305	837,364	820,133	0.29 %
Term Loan (SBIC)	(4)(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.21 %		7/20/2022	10/29/2026		2,278,147	2,238,372	2,187,021	0.78 %
Delayed Draw Term Loan	(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.21 %		10/29/2021	10/29/2026		2,847,684	2,823,703	2,733,777	0.97 %
Revolver	(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.21 %		10/29/2021	10/29/2026		100,000	100,000	96,000	0.03 %
SIB Holdings, LLC Units		Equity					10/29/2021			238,095	500,000	300,472	0.11 %
Total											\$ 19,014,698	\$ 18,337,058	6.52 %
TAC LifePort Holdings, LLC									Woodland, WA				
Common Units		Equity					3/1/2021		Aerospace & Defense	546,543	557,248	672,248	0.24 %
Total											\$ 557,248	\$ 672,248	0.24 %
Tilley Distribution, Inc.	(9)								Baltimore, MD				
Term Loan	(11)	First Lien	3M SOFR+ 5.50%	1.00 %	10.76 %		4/1/2022	12/31/2026	Chemicals, Plastics, & Rubber	\$ 98,994	97,758	95,529	0.03 %
Total											\$ 97,758	\$ 95,529	0.03 %
Trade Education Acquisition, L.L.C.	(9)								Austin, TX				
Term Loan (SBIC)	(4)(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.09 %		12/28/2021	12/28/2027	Education	\$ 10,470,026	10,296,706	9,789,474	3.49 %
Revolver	(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.09 %		12/28/2021	12/28/2027		80,000	80,000	74,800	0.03 %
Trade Education Holdings, L.L.C. Class A Units		Equity					12/28/2021			662,660	662,660	485,608	0.17 %
Total											\$ 11,039,366	\$ 10,349,882	3.69 %
TradePending, LLC	(9)								Carrboro, NC				
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+6.25%	1.00 %	11.41 %		3/2/2021	3/2/2026	Software	\$ 9,701,010	9,577,456	9,506,990	3.39 %
TradePending Holdings, LLC Series A Units		Equity					3/2/2021			829,167	868,750	1,124,248	0.40 %
Total											\$ 10,446,206	\$ 10,631,238	3.79 %
Unicat Catalyst Holdings, LLC	(9)								Alvin, TX				
Term Loan	(11)	First Lien	3M LIBOR+6.50%	1.00 %	11.66 %		4/27/2021	4/27/2026	Chemicals, Plastics, & Rubber	\$ 7,171,875	7,076,800	6,705,703	2.39 %
Unicat Catalyst, LLC Class A Units		Equity					4/27/2021			7,500	750,000	94,920	0.03 %
Total											\$ 7,826,800	\$ 6,800,623	2.42 %
U.S. Auto Sales, Inc. et al	(7)								Lawrenceville, GA				
USASF Blocker II LLC Units		Equity					6/8/2015		Finance	441	441,000	-	0.00 %
USASF Blocker III LLC 2018 Series Units		Equity					2/13/2018			50	50,000	57,125	0.02 %
USASF Blocker III LLC 2019 Series Units		Equity					12/27/2019			75	75,000	85,688	0.03 %
USASF Blocker IV LLC Units		Equity					5/27/2020			110	110,000	330,000	0.12 %
USASF Blocker IV LLC 2022 Series Units		Equity					7/28/2022			100	100,000	300,000	0.11 %
USASF Blocker V LLC Units		Equity					12/20/2022			200	200,000	600,000	0.21 %
USASF Blocker LLC Units		Equity					6/8/2015			9,000	9,000	-	0.00 %
Total											\$ 985,000	\$ 1,372,813	0.49 %
U.S. Expeditors, LLC	(9)								Stafford, TX				
Term Loan	(11)	First Lien	3M LIBOR+6.00%	1.00 %	11.16 %		12/22/2021	12/22/2026	Healthcare & Pharmaceuticals	\$ 15,826,730	15,578,002	15,747,596	5.61 %
Cathay Hypnos LLC Units		Equity					12/22/2021			1,372,932	1,316,740	2,219,695	0.79 %
Total											\$ 16,894,742	\$ 17,967,291	6.40 %

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Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares ⁽³⁾	Amortized Cost	Fair Value ⁽⁴⁾	% of Net Assets
Venbrook Buyer, LLC									Los Angeles, CA				
Term Loan B (SBIC)	(4)(11)	First Lien	3M SOFR+ 8.00 %	1.50 %	6.05 %	7.00 %	3/13/2020	3/13/2026	Services: Business	\$ 13,080,643	12,938,263	12,230,401	4.35 %
Term Loan B	(11)	First Lien	3M SOFR+ 8.00 %	1.50 %	6.05 %	7.00 %	3/13/2020	3/13/2026		148,832	147,212	139,158	0.05 %
Revolver	(11)	First Lien	3M SOFR+ 8.00 %	1.50 %	6.05 %	7.00 %	3/13/2020	3/13/2026		2,272,867	2,272,867	2,125,131	0.76 %
Delayed Draw Term Loan	(11)	First Lien	3M SOFR+ 8.00 %	1.50 %	6.05 %	7.00 %	3/13/2020	3/13/2026		4,459,652	4,431,414	4,169,775	1.48 %
Venbrook Holdings, LLC Term Loan	(16)	Unsecured	10.00 %	-	-	10.00 %	3/31/2022	12/20/2028		91,504	91,504	85,556	0.03 %
Venbrook Holdings, LLC Common Units		Equity					3/13/2020			822,758	819,262	-	0.00 %
Total										\$ 20,700,522	\$ 18,750,021		6.67 %
Vortex Companies, LLC									Houston, TX				
Term Loan (SBIC II)	(5)(11)	Second Lien	3M SOFR+ 9.50 %	1.00 %	14.50 %		12/21/2020	6/21/2026	Environmental Industries	\$ 10,000,000	9,867,646	9,850,000	3.51 %
Total										\$ 9,867,646	\$ 9,850,000		3.51 %
Whisps Holdings LP									Elgin, IL				
Class A Units		Equity					4/18/2019		Beverage, Food, & Tobacco	500,000	500,000	-	0.00 %
Class A-1 Units		Equity					3/6/2023		Beverage, Food, & Tobacco	107,418	107,418	107,418	0.04 %
Total										\$ 607,418	\$ 607,418		0.00 %
Xanitos, Inc.	(9)								Newtown Square, PA				
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.66 %		6/25/2021	6/25/2026	Healthcare & Pharmaceuticals	\$ 12,576,000	12,401,385	12,135,840	4.32 %
Revolver	(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.52 %		6/25/2021	6/25/2026		23,000	23,000	22,195	0.01 %
Delayed Draw Term Loan	(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.66 %		6/25/2021	6/25/2026		2,215,572	2,198,821	2,138,027	0.76 %
Pure TopCo, LLC Class A Units		Equity					6/25/2021			442,133	1,053,478	946,534	0.34 %
Total										\$ 15,676,684	\$ 15,242,596		5.43 %
Total Non-controlled, non-affiliated investments											\$912,581,782	877,493,781	312.44 %
Net Investments											\$912,581,782	\$ 877,493,781	312.44 %
LIABILITIES IN EXCESS OF OTHER ASSETS												\$(596,641,736)	(212.44)%
NET ASSETS												\$ 280,852,045	100.00 %

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- (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) Debt investments are income producing and equity securities are non-income producing, unless otherwise noted.
- (3) Par amount is presented for debt investments, while the number of shares or units owned is presented for equity investments. Par amount is denominated in U.S. Dollars (“\$”) unless otherwise noted, Euro (“€”), or Great British Pound (“£”).
- (4) Investments held by the SBIC subsidiary (as defined in Note 1), which include \$ 13,122,348 of cash and \$ 217,723,728 of investments (at cost), are excluded from the obligations to the lenders of the Credit Facility (as defined in Note 9). Stellus Capital Investment Corporation’s (the “Company”) obligations to the lenders of the Credit Facility are secured by a first priority security interest in all investments and cash and cash equivalents, except for cash and investments held by the SBIC subsidiaries (as defined in Note 1).
- (5) Investments held by the SBIC II subsidiary (as defined in Note 1), which include \$ 3,279,928 of cash and \$ 247,668,448 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 are secured by a first priority security interest in all investments and cash and cash equivalents, except for cash and investments held by the SBIC subsidiaries.
- (6) Security is income producing through dividends or distributions.
- (7) 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 96.0% of the Company’s total assets as of March 31, 2023.
- (8) Represents a PIK interest security. At the option of the issuer, interest can be paid in cash or cash and PIK interest. The percentage of PIK interest shown is the maximum PIK interest that can be elected by the issuer.
- (9) March 31, 2023, the Company had the following outstanding revolver and delayed draw term loan commitments:

Investments	Security	Unfunded Commitment	Unused Commitment Fee	Maturity
Ad.Net Acquisition, LLC	Revolver	\$ 779,412	0.50%	May 7, 2026
ADS Group Opco, LLC	Revolver	40,000	0.50%	June 4, 2026
American Refrigeration, LLC	Revolver	100,000	0.50%	March 31, 2028
American Refrigeration, LLC	Delayed Draw Term Loan	100,000	1.00%	March 31, 2028
Anne Lewis Strategies, LLC	Revolver	100,000	0.50%	March 5, 2026
ArborWorks Acquisition LLC (a)	Revolver	1,153,846	0.50%	November 9, 2026
Archer Systems, LLC	Revolver	100,000	0.50%	August 11, 2027
Axis Portable Air, LLC	Revolver	100,000	0.50%	March 22, 2028
BDS Solutions Intermediateco, LLC	Revolver	69,935	0.50%	February 7, 2027
BLP Buyer, Inc.	Revolver	63,434	0.50%	February 1, 2027
Camp Profiles LLC	Revolver	100,000	0.50%	September 3, 2026
CEATI International Inc.	Revolver	100,000	0.50%	February 19, 2026
Cerebro Buyer, LLC	Revolver	100,000	0.50%	March 15, 2029
CF512, Inc.	Revolver	100,000	0.50%	September 1, 2026
CompleteCase, LLC	Revolver A	60,000	0.50%	December 21, 2025
COPLOT Provider Support Services, LLC	Revolver	100,000	0.50%	November 22, 2027
Credit Connection, LLC	Revolver	100,000	0.50%	July 30, 2026
Curion Holdings, LLC	Delayed Draw Term Loan	100,000	0.50%	July 29, 2027
Curion Holdings, LLC	Revolver	30,000	0.50%	July 29, 2027
DRS Holdings III, Inc.	Revolver	909,091	0.50%	November 1, 2025
DTE Enterprises, LLC	Revolver	750,000	0.50%	June 30, 2023
Elliott Aviation, LLC	Revolver B	500,000	0.50%	January 31, 2025
Evriholder Acquisition, Inc.	Revolver	100,000	0.50%	January 24, 2028
Exacta Land Surveyors, LLC	Revolver	1,500,000	0.50%	February 8, 2024
Exigo, LLC	Revolver	100,000	0.50%	March 16, 2027
Exigo, LLC	Delayed Draw Term Loan	100,000	0.50%	March 16, 2027
Florachem Corporation	Revolver	30,000	0.50%	April 29, 2028
Florachem Corporation	Delayed Draw Term Loan	100,000	0.50%	April 29, 2028
GS HVAM Intermediate, LLC	Revolver	1,325,758	0.50%	October 2, 2024
Heartland Business Systems, LLC	Delayed Draw Term Loan	75,000	0.50%	August 26, 2027
Heat Makes Sense Shared Services, LLC	Revolver	54,286	0.50%	July 1, 2028
HV Watterson Holdings, LLC	Revolver	16,000	0.50%	December 17, 2026
HV Watterson Holdings, LLC	Delayed Draw Term Loan	2,555,354	1.00%	December 17, 2026
Infolinks Media Buyco, LLC	Delayed Draw Term Loan	2,475,000	0.50%	November 1, 2026
Inoapps Bidco, LLC	Revolver	100,000	0.50%	February 15, 2027
Inoapps Bidco, LLC	Delayed Draw Term Loan	16,667	0.50%	February 15, 2027

Stellus Capital Investment Corporation

**Consolidated Schedule of Investments
March 31, 2023
(unaudited)**

Investments	Security	Unfunded Commitment	Unused Commitment Fee	Maturity
Integrated Oncology Network, LLC	Revolver	\$ 553,517	0.50%	June 24, 2025
Invincible Boat Company LLC	Revolver	319,149	0.50%	August 28, 2025
Ledge Lounger, Inc.	Revolver	50,000	0.50%	November 9, 2026
Lightning Intermediate II, LLC	Revolver	100,000	0.50%	June 6, 2027
MacKenzie-Childs Acquisition, Inc.	Revolver	6,667	0.50%	September 2, 2027
Madison Logic Holdings, Inc.	Revolver	100,000	0.50%	December 30, 2027
Microbe Formulas LLC	Revolver	100,000	0.50%	April 3, 2028
MOM Enterprises, LLC	Revolver	100,000	0.50%	May 19, 2026
Monitorus Holding, LLC	Revolver	€ 50,000	0.50%	May 24, 2027
Naumann/Hobbs Material Handling Corporation II, Inc.	Revolver – Working Capital	1,763,033	0.50%	August 30, 2024
NINJIO, LLC	Delayed Draw Term Loan	100,000	0.50%	October 12, 2027
NINJIO, LLC	Revolver	100,000	0.50%	October 12, 2027
Nutritional Medicinals, LLC	Revolver	2,000,000	0.50%	November 15, 2025
PCS Software, Inc.	Revolver	1,318,143	0.50%	July 1, 2024
Pearl Media Holdings, LLC	Delayed Draw Term Loan	100,000	0.50%	August 31, 2027
Pearl Media Holdings, LLC	Revolver	100,000	0.50%	August 31, 2027
Peltram Plumbing Holdings, LLC	Revolver	100,000	0.50%	December 30, 2026
Premiere Digital Services, Inc.	Revolver	576,923	0.50%	November 3, 2026
Rogers Mechanical Contractors, LLC	Revolver	30,000	0.75%	September 9, 2025
Rogers Mechanical Contractors, LLC	Delayed Draw Term Loan	50,000	1.00%	September 9, 2025
Sales Benchmark Index, LLC	Revolver	1,331,461	0.50%	January 7, 2025
Service Minds Company, LLC	Revolver	70,000	0.50%	February 7, 2028
Tilley Distribution, Inc.	Revolver	100,000	0.50%	December 31, 2026
Trade Education Acquisition, L.L.C.	Revolver	20,000	0.50%	December 28, 2027
TradePending, LLC	Revolver	100,000	0.50%	March 2, 2026
Unicat Catalyst Holdings, LLC	Revolver	2,000,000	0.50%	April 27, 2026
U.S. Expeditors, LLC	Revolver	100,000	0.50%	December 22, 2026
Xanitos, Inc.	Revolver	77,000	0.50%	June 25, 2026

(a) The Company has full discretion to fund this revolver commitment.

- (10) This loan is a unitranche investment.
- (11) These loans include an interest rate floor feature which is lower than the applicable rates; therefore, the floor is not in effect.
- (12) These loans are last-out term loans with contractual rates higher than the applicable rates; therefore, the floor is not in effect.
- (13) Investment has been on non-accrual since June 28, 2019.
- (14) Investment has been on non-accrual since December 31, 2020.
- (15) Investment has been on non-accrual since April 1, 2022.
- (16) This loan is convertible to common units at maturity or at the election of the issuer.
- (17) Excluded from the investment is an uncalled capital commitment in an amount not to exceed \$ 302,817.
- (18) Investment has been on non-accrual since January 1, 2023

Abbreviation Legend

BSBY — Bloomberg Short-Term Bank Yield Index
LIBOR — London Interbank Offered Rate
PIK — Payment-In-Kind
SOFR — Secured Overnight Financing Rate

Stellus Capital Investment Corporation
Consolidated Schedule of Investments
December 31, 2022

Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares ⁽³⁾	Amortized Cost	Fair Value ⁽¹⁾	% of Net Assets
Non-controlled, non-affiliated investments													
Ad.Net Acquisition, LLC	(9)								Los Angeles, CA				
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.00 %	1.00 %	10.84 %		5/7/2021	5/7/2026	Services: Business	\$ 15,354,412	15,190,375	15,124,097	5.48 %
Revolver	(11)	First Lien	3M SOFR+ 6.00 %	1.00 %	10.84 %		5/7/2021	5/7/2026		\$ 1,039,216	1,039,216	1,023,628	0.37 %
Ad.Net Holdings, Inc. Series A Common Stock (SBIC II)	(5)	Equity					5/7/2021			7,794	77,941	85,488	0.03 %
Ad.Net Holdings, Inc. Series A Preferred Stock (SBIC II)	(5)	Equity					5/7/2021			7,015			0.28 %
Total											\$ 17,009,003	\$ 17,002,606	6.16 %
ADS Group Opco, LLC													
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+6.75 %	1.00 %	11.48 %		6/4/2021	6/4/2026	Lakewood, CO	\$ 14,550,000	14,337,005	13,822,500	5.01 %
Revolver	(11)	First Lien	3M LIBOR+6.75 %	1.00 %	11.48 %		6/4/2021	6/4/2026	Aerospace & Defense	100,000	100,000	95,000	0.03 %
ADS Group Topco, LLC Class A Units		Equity					6/4/2021			77,626	288,691	48,571	0.02 %
ADS Group Topco, LLC Class B Units		Equity					6/4/2021			56,819	211,309	35,552	0.01 %
ADS Group Topco, LLC Class Z Units		Equity					6/15/2022			72,043	267,929	293,847	0.11 %
Total											\$ 15,204,934	\$ 14,295,470	5.18 %
Advanced Barrier Extrusions, LLC													
Term Loan B (SBIC)	(4)(11)	First Lien	3M SOFR+ 7.50 %	1.00 %	11.88 %		11/30/2020	11/30/2026	Rhineland, WI	\$ 17,150,000	16,908,205	13,977,250	5.07 %
GP ABX Holdings Partnership, L.P. Partner Interests		Equity					8/8/2018		Containers, Packaging, & Glass	644,737	528,395	-	0.00 %
Total											\$ 17,436,600	\$ 13,977,250	5.07 %
AIP ATCO Buyer, LLC													
Term Loan	(9)								Sterling Heights, MI				
Term Loan (SBIC II)	(11)	First Lien	6M SOFR+ 6.50 %	1.00 %	11.31 %		5/17/2022	5/17/2028	Automotive	\$ 99,750	97,906	99,251	0.04 %
Revolver	(11)	First Lien	1M SOFR+ 6.50 %	1.00 %	10.93 %		5/17/2022	5/17/2028		50,000	50,000	49,750	0.02 %
Total											\$ 147,906	\$ 149,001	0.06 %
Anne Lewis Strategies, LLC													
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+6.50 %	1.00 %	11.23 %		3/5/2021	3/5/2026	Washington, DC	\$ 10,493,750	10,349,704	10,493,750	3.81 %
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+6.50 %	1.00 %	11.23 %		4/15/2022	3/5/2026	Services: Business	6,311,895	6,206,222	6,311,895	2.29 %
SG AL Investment, LLC Common Units	(6)	Equity					3/5/2021			1,000	680,630	4,318,702	1.57 %
Total											\$ 17,236,556	\$ 21,124,347	7.67 %
APE Holdings, LLC													
Class A Units		Equity					9/5/2014		Deer Park, TX	375,000	375,000	29,209	0.01 %
Total									Chemicals, Plastics, & Rubber		\$ 375,000	\$ 29,209	0.01 %
Atmosphere Aggregator Holdings II, L.P.													
Common Units		Equity					1/26/2016		Atlanta, GA	254,250	-	2,134,220	0.77 %
Stratose Aggregator Holdings, L.P. Common Units		Equity					6/30/2015		Services: Business	750,000	-	6,295,635	2.28 %
Total											\$ -	\$ 8,429,855	3.05 %
ArborWorks Acquisition LLC													
Term Loan	(9)								Oakhurst, CA				
Term Loan	(11)	First Lien	3M LIBOR+9.00 %	1.00 %	13.56 %		11/23/2021	11/9/2026	Environmental Industries	\$ 14,662,500	14,543,314	13,636,125	4.94 %
Revolver	(11)	First Lien	3M LIBOR+9.00 %	1.00 %	13.41 %		11/23/2021	11/9/2026		2,307,692	2,307,692	2,146,154	0.78 %
ArborWorks Holdings LLC Units		Equity					12/29/2021			115	115,385	-	0.00 %
Total											\$ 16,966,391	\$ 15,782,279	5.72 %
Archer Systems, LLC													
Term Loan	(9)								Houston, TX				
Term Loan	(11)	First Lien	1M SOFR+ 6.50 %	1.00 %	10.92 %		8/11/2022	8/11/2027	Services: Business	\$ 1,000,000	981,305	985,000	0.36 %
CF Arch Holdings LLC Class A Units		Equity					8/10/2022			100,000	100,000	106,221	0.04 %
Total											\$ 1,081,305	\$ 1,091,221	0.40 %
Axis Portable Air, LLC													
Term Loan (SBIC II)	(9)								Phoenix, AZ				
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 5.75 %	1.00 %	10.48 %		3/22/2022	3/22/2028	Capital Equipment	\$ 12,000,000	11,784,686	11,940,000	4.33 %
Delayed Draw Term Loan	(11)	First Lien	3M SOFR+ 5.75 %	1.00 %	10.48 %		3/22/2022	3/22/2028		\$ 100,000	99,050	99,500	0.04 %
Axis Air Parent, LLC Preferred Units		Equity					3/22/2022			4,436	443,636	686,447	0.25 %
Total											\$ 12,327,372	\$ 12,725,947	4.62 %
Baker Manufacturing Company, LLC													
Term Loan (SBIC II)	(5)(10)(12)	First Lien	3M SOFR+ 5.25 %	1.00 %	10.75 %		7/5/2022	7/5/2027	Evansville, IN	\$ 13,863,087	13,602,312	13,655,141	4.95 %
BSC Blue Water Holdings, LLC Series A Units (SBIC II)	(5)	Equity					7/5/2022		Capital Equipment	743,770	743,770	590,291	0.21 %
Total											\$ 14,346,082	\$ 14,245,432	5.16 %

Stellus Capital Investment Corporation
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Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares ⁽³⁾	Amortized Cost	Fair Value ⁽¹⁾	% of Net Assets
BDS Solutions Intermediateco, LLC	(9)								Tampa Bay, FL				
Term Loan (SBIC)	(4)(11)	First Lien	3M SOFR+ 6.25%	1.00 %	10.71 %		2/24/2022	2/7/2027	Retail	\$ 13,388,469	13,273,471	13,187,642	4.78 %
Revolver	(11)	First Lien	3M SOFR+ 6.25%	1.00 %	10.55 %		2/24/2022	2/7/2027		30,065		29,614	0.01 %
Total											\$ 13,303,536	\$ 13,217,256	4.79 %
BLP Buyer, Inc.	(9)								Houston, TX				
Term Loan	(11)	First Lien	3M SOFR+ 6.25%	1.00 %	10.49 %		2/1/2022	2/1/2027	Capital Equipment	\$ 6,178,740	6,074,029	6,024,272	2.18 %
Revolver	(11)	First Lien	1M SOFR+ 6.25%	1.00 %	10.67 %		2/1/2022	2/1/2027		36,566	36,566	35,652	0.01 %
BL Products Parent, L.P. Class A Units		Equity					2/1/2022			754,598	754,598	770,648	0.28 %
Total											\$ 6,865,193	\$ 6,830,572	2.47 %
Café Valley, Inc.									Phoenix, AZ				
Term Loan	(11)	First Lien	3M SOFR+ 7.24%	2.00 %	11.82 %		8/28/2019	8/28/2024	Beverage, Food, & Tobacco	\$ 15,725,000	15,606,117	15,410,501	5.60 %
CF Topco LLC Units		Equity					8/28/2019			9,160	916,015	976,521	0.35 %
Total											\$ 16,522,132	\$ 16,387,022	5.95 %
Camp Profiles LLC	(9)								Boston, MA				
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+5.25%	1.00 %	9.98 %		9/3/2021	9/3/2026	Media: Advertising, Printing & Publishing	\$ 10,121,875	9,965,356	10,121,875	3.67 %
CIVC VI-A 829 Blocker, LLC Units		Equity					9/3/2021			250	250,000	405,784	0.15 %
Total											\$ 10,215,356	\$ 10,527,659	3.82 %
CEATI International Inc.	(7)(9)								Montreal, Canada				
Term Loan	(11)	First Lien	3M LIBOR+6.50%	1.00 %	11.23 %		2/19/2021	2/19/2026	Services: Business	\$ 13,263,750	13,083,737	12,998,475	4.71 %
CEATI Holdings, LP Class A Units		Equity					2/19/2021			250,000		268,194	0.10 %
Total											\$ 13,333,737	\$ 13,266,669	4.81 %
CF512, Inc.	(9)								Blue Bell, PA				
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+6.00%	1.00 %	10.76 %		9/1/2021	9/1/2026	Media: Advertising, Printing & Publishing	\$ 14,180,959	13,961,673	13,684,625	4.96 %
Delayed Draw Term Loan	(11)	First Lien	3M LIBOR+6.00%	1.00 %	10.73 %		9/1/2021	9/1/2026		3,062,093	3,037,434	2,954,920	1.07 %
StellPen Holdings, LLC Membership Interests		Equity					9/1/2021			22.09%	220,930	218,292	0.08 %
Total											\$ 17,220,037	\$ 16,857,837	6.11 %
CompleteCase, LLC	(9)								Seattle, WA				
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+6.50%	1.00 %	11.23 %		12/21/2020	12/21/2025	Services: Consumer	\$ 11,248,696	11,103,143	10,967,479	3.98 %
Revolver A	(11)	First Lien	3M LIBOR+6.50%	1.00 %	11.23 %		12/21/2020	12/21/2025		40,000	40,000	39,000	0.01 %
CompleteCase Holdings, Inc. Class A Common Stock (SBIC II)	(5)	Equity					12/21/2020			417	5	4	0.00 %
CompleteCase Holdings, Inc. Series A Preferred Stock (SBIC II)	(5)	Equity					12/21/2020			522	521,734	403,084	0.15 %
Total											\$ 11,664,882	\$ 11,409,567	4.14 %
COPLOT Provider Support Services, LLC	(9)								Maitland, FL				
Term Loan	(11)	First Lien	3M SOFR+ 6.50%	2.00 %	11.23 %		11/22/2022	11/22/2027	Healthcare & Pharmaceuticals	\$ 4,987,500	4,888,742	4,888,742	1.77 %
QHP Project Captivate Blocker, Inc. Common Stock		Equity					11/22/2022			4	285,714	285,714	0.10 %
Total											\$ 5,174,456	\$ 5,174,456	1.87 %
Credit Connection, LLC	(9)								Fresno, CA				
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+5.75%	1.00 %	10.48 %		7/30/2021	7/30/2026	Software	\$ 9,875,000	9,726,674	9,776,250	3.54 %
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+5.75%	1.00 %	10.48 %		3/31/2022	7/30/2026		7,443,750	7,317,403	7,369,313	2.67 %
Series A Units		Equity					7/30/2021			804,384	804,384	961,718	0.35 %
Total											\$ 17,848,461	\$ 18,107,281	6.56 %
Curion Holdings, LLC	(9)								Chicago, IL				
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.25%	1.00 %	10.98 %		7/29/2022	7/29/2027	Services: Business	\$ 13,027,351	12,784,145	12,701,667	4.61 %
Revolver	(11)	First Lien	3M SOFR+ 6.25%	1.00 %	10.98 %		7/29/2022	7/29/2027		70,000	70,000	68,250	0.02 %
SP CS Holdings LLC Class A Units		Equity					7/29/2022			739,999	739,999	590,535	0.21 %
Total											\$ 13,594,144	\$ 13,360,452	4.84 %
Data Centrum Communications, Inc.									Montvale, NJ				
Term Loan B	(11)	First Lien	3M SOFR+ 8.50%	1.00 %	13.29 %		5/15/2019	5/15/2024	Media: Advertising, Printing & Publishing	\$ 15,760,360	15,661,301	15,445,154	5.61 %
Health Monitor Holdings, LLC Series A Preferred Units		Equity					5/15/2019			1,000,000	1,000,000	458,500	0.17 %
Total											\$ 16,661,301	\$ 15,903,654	5.78 %

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Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares ⁽³⁾	Amortized Cost	Fair Value ⁽¹⁾	% of Net Assets
Douglas Products Group, LP									Liberty, MO				
Partnership Interests	(6)	Equity					12/27/2018		Chemicals, Plastics, & Rubber	322	-	695,072	0.25 %
Total											\$ -	\$ 695,072	0.25 %
Dresser Utility Solutions, LLC									Bradford, PA				
Term Loan (SBIC)	(4)(11)	Second Lien	1M LIBOR+ 8.50 %	1.00 %	12.88 %		10/1/2018	4/1/2026	Utilities: Oil & Gas	\$ 10,000,000	9,921,469	9,800,000	3.55 %
Total											\$ 9,921,469	\$ 9,800,000	3.55 %
DRS Holdings III, Inc.	(9)								St. Louis, MO				
Term Loan	(11)	First Lien	1M LIBOR+ 5.75 %	1.00 %	10.13 %		11/1/2019	11/1/2025	Consumer Goods: Durable	\$ 9,190,990	9,142,111	8,961,215	3.25 %
Total											\$ 9,142,111	\$ 8,961,215	3.25 %
DTE Enterprises, LLC	(9)								Roselle, IL				
Term Loan	(11)	First Lien	3M LIBOR+ 7.50 %	1.50 %	12.24 %		4/13/2018	4/13/2023	Energy: Oil & Gas	\$ 6,134,219	6,124,342	6,134,219	2.22 %
DTE Holding Company, LLC Class A-2 Units		Equity					4/13/2018			776,316	466,204	706,459	0.26 %
DTE Holding Company, LLC Class AA Units		Equity					4/13/2018			723,684	723,684	514,396	0.19 %
Total											\$ 7,314,230	\$ 7,355,074	2.67 %
EH Real Estate Services, LLC									Skokie, IL				
Term Loan (SBIC)	(4)	First Lien	10.00 %		10.00 %		9/3/2021	9/3/2026	FIRE: Real Estate	\$ 7,874,359	7,750,451	5,866,397	2.13 %
EH Holdco, LLC Series A Preferred Units		Equity					9/3/2021			7,892	7,891,642	-	0.00 %
Total											\$ 15,642,093	\$ 5,866,397	2.13 %
Elliott Aviation, LLC									Moline, IL				
Term Loan	(11)	First Lien	1M LIBOR+ 8.00 %	2.00 %	10.38 %	2.00 %	1/31/2020	1/31/2025	Aerospace & Defense	\$ 10,010,654	9,920,657	8,959,535	3.25 %
Revolver	(11)	First Lien	1M LIBOR+ 8.00 %	2.00 %	10.38 %	2.00 %	1/31/2020	1/31/2025		1,382,146	1,382,146	1,237,021	0.45 %
SP EA Holdings LLC Class A Units		Equity					1/31/2020			900,000	900,000	146,541	0.05 %
Total											\$ 12,202,803	\$ 10,343,097	3.75 %
EOS Fitness Holdings, LLC									Phoenix, AZ				
Class A Preferred Units		Equity					12/30/2014		Hotel, Gaming, & Leisure	118	-	232,320	0.08 %
Class B Common Units		Equity					12/30/2014			3,017	-	567,579	0.21 %
Total											\$ -	\$ 799,899	0.29 %
Exacta Land Surveyors, LLC	(9)								Cleveland, OH				
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+ 5.75 %	1.50 %	10.48 %		2/8/2019	2/8/2024	Services: Business	\$ 16,374,375	16,286,433	16,128,760	5.86 %
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+ 5.75 %	1.00 %	10.48 %		7/15/2022	2/8/2024		\$ 995,000	980,742	980,075	0.36 %
SP ELS Holdings LLC Class A Units		Equity					2/8/2019			1,122,250	1,122,250	969,726	0.35 %
Total											\$ 18,389,425	\$ 18,078,561	6.57 %
Exigo, LLC	(9)								Dallas, TX				
Term Loan	(11)	First Lien	1M LIBOR+ 5.75 %	1.00 %	10.13 %		3/16/2022	3/16/2027	Software	\$ 8,992,885	8,875,308	8,857,992	3.21 %
Revolver	(11)	First Lien	1M LIBOR+ 5.75 %	1.00 %	10.13 %		3/16/2022	3/16/2027		20,000	20,000	19,700	0.01 %
Gauge Exigo Coinvest, LLC Common Units		Equity					3/16/2022			377,535	377,535	341,050	0.12 %
Total											\$ 9,272,843	\$ 9,218,742	3.34 %
Florachem Corporation	(9)								Jacksonville, FL				
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.23 %		4/29/2022	4/29/2028	Chemicals, Plastics, & Rubber	\$ 9,950,000	9,768,170	9,751,000	3.54 %
SK FC Holdings, L.P. Class A Units		Equity					4/29/2022			362	362,434	365,198	0.13 %
Total											\$ 10,130,604	\$ 10,116,198	3.67 %
General LED OPKO, LLC									San Antonio, TX				
Term Loan	(11)(14)	Second Lien	3M LIBOR+ 9.00 %	1.50 %	- %		5/1/2018	3/31/2026	Services: Business	\$ 4,500,000	4,462,793	4,140,000	1.50 %
Total											\$ 4,462,793	\$ 4,140,000	1.50 %
GS HVAM Intermediate, LLC	(9)								Carlsbad, CA				
Term Loan	(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.24 %		10/18/2019	10/2/2024	Beverage, Food, & Tobacco	\$ 12,523,234	12,472,183	12,398,002	4.50 %
Revolver	(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.24 %		10/18/2019	10/2/2024		2,539,470	2,539,470	2,514,075	0.91 %
HV GS Acquisition, LP Class A Interests		Equity					10/2/2019			2,144	1,967,133	1,455,955	0.53 %
Total											\$ 16,978,786	\$ 16,368,032	5.94 %

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Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares ⁽³⁾	Amortized Cost	Fair Value ⁽¹⁾	% of Net Assets
Heartland Business Systems, LLC (9)													
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.25%	1.00 %	10.79 %		8/26/2022	8/26/2027	Services: Business	\$ 9,975,000	9,785,984	9,825,375	3.56 %
Delayed Draw Term Loan	(11)	First Lien	3M SOFR+ 6.25%	1.00 %	10.91 %		8/26/2022	8/26/2027		25,000	24,753	24,625	0.01 %
AMCO HBS Holdings, LP Class A Units		Equity					8/26/2022			2,861	286,065	444,511	0.16 %
Total											\$ 10,096,802	\$ 10,294,511	3.73 %
Heat Makes Shared Services, LLC (9)													
Term Loan	(11)	First Lien	6M SOFR+ 5.50%	0.75 %	9.63 %		7/1/2022	7/1/2029	Consumer Goods: Non-Durable	\$ 99,750	97,814	98,254	0.04 %
Revolver	(11)	First Lien	6M SOFR+ 5.50%	0.75 %	10.37 %		7/1/2022	7/1/2028		20,000	20,000	19,700	0.01 %
Ishtar Co-Invest-B LP Partnership Interests		Equity					7/1/2022			77,778	77,778	88,684	0.03 %
Oshun Co-Invest-B LP Partnership Interests		Equity					7/1/2022			22,222	22,222	25,338	0.01 %
Total											\$ 217,814	\$ 231,976	0.09 %
HV Watterson Holdings, LLC (9)													
Term Loan	(11)	First Lien	3M LIBOR+6.25%	1.00 %	10.98 %		12/17/2021	12/17/2026	Services: Business	\$ 13,302,236	13,081,774	12,903,169	4.68 %
Revolver	(11)	First Lien	3M LIBOR+6.25%	1.00 %	10.98 %		12/17/2021	12/17/2026		16,000	16,000	15,520	0.01 %
Delayed Draw Term Loan	(11)	First Lien	3M LIBOR+6.25%	1.00 %	10.98 %		12/17/2021	12/17/2026		323,108	320,082	313,415	0.11 %
HV Acquisition VI, LLC Class A Units		Equity					12/17/2021			1,632	1,631,591	1,374,844	0.50 %
Total											\$ 15,049,447	\$ 14,606,948	5.30 %
I2P Holdings, LLC (6)													
Series A Preferred Units	(6)	Equity					1/31/2018		Services: Business	750,000	-	3,238,328	1.17 %
Total											\$ -	\$ 3,238,328	1.17 %
ICD Holdings, LLC (7)													
Class A Units		Equity					1/1/2018		Finance	9,962	464,619	1,033,332	0.37 %
Total											\$ 464,619	\$ 1,033,332	0.37 %
Infolinks Media Buyco, LLC (9)													
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+5.50%	1.00 %	10.23 %		11/1/2021	11/1/2026	Media: Advertising, Printing & Publishing	\$ 8,439,750	8,304,246	8,439,750	3.06 %
Tower Arch Infolinks Media, LP LP Interests	(6)(17)	Equity					10/28/2021			447,183	429,507	796,939	0.29 %
Total											\$ 8,733,753	\$ 9,236,689	3.35 %
Inoapps Bidco, LLC (9)													
Term Loan B	(11)	First Lien	3M SONIA+5.75%	1.00 %	9.09 %		2/15/2022	2/15/2027	High Tech Industries	\$ 9,950,000	\$ 13,260,842	\$ 11,801,635	4.28 %
Delayed Draw Term Loan	(11)	First Lien	3M LIBOR+5.75%	1.00 %	10.19 %		2/15/2022	2/15/2027		\$ 83,125	82,356	81,463	0.03 %
Inoapps Holdings, LLC Series A-1 Preferred Units		Equity					2/15/2022			739,844	783,756	765,249	0.28 %
Total											\$ 14,126,954	\$ 12,648,347	4.59 %
Integrated Oncology Network, LLC (9)													
Term Loan	(11)	First Lien	3M SOFR+ 6.00%	1.00 %	9.71 %		7/17/2019	6/24/2025	Healthcare & Pharmaceuticals	\$ 15,832,478	15,724,809	15,357,505	5.58 %
Term Loan	(11)	First Lien	3M SOFR+ 6.00%	1.00 %	9.71 %		11/1/2021	6/24/2025		1,095,930	1,083,042	1,063,052	0.39 %
Total											\$ 16,807,851	\$ 16,420,557	5.97 %
International Designs Holdings LLC (9)													
Common Units		Equity					4/1/2022		Construction & Building	200,000	200,000	195,412	0.07 %
Total											\$ 200,000	\$ 195,412	0.07 %
Interstate Waste Services, Inc. (9)													
Common Stock		Equity					1/15/2020		Environmental Industries	21,925	946,125	615,657	0.22 %
Total											\$ 946,125	\$ 615,657	0.22 %
Intuitive Health, LLC (9)													
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+5.50%	1.00 %	10.23 %		10/18/2019	10/18/2027	Healthcare & Pharmaceuticals	\$ 5,835,000	5,769,877	5,835,000	2.12 %
Term Loan	(11)	First Lien	3M LIBOR+5.50%	1.00 %	10.23 %		10/18/2019	10/18/2027		8,206,709	8,115,519	8,206,709	2.98 %
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+5.50%	1.00 %	10.23 %		8/31/2021	10/18/2027		3,073,431	3,035,678	3,073,431	1.11 %
Legacy Parent, Inc. Class A Common Stock		Equity					10/30/2020			58	-	191,375	0.07 %
Total											\$ 16,921,074	\$ 17,306,515	6.28 %

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Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Shares ⁽³⁾	Amortized Cost	Fair Value ⁽¹⁾	% of Net Assets
Invincible Boat Company LLC	(9)								Opalocka, FL				
Term Loan	(11)	First Lien	3M LIBOR+ 6.50 %	1.50 %	11.23 %		8/28/2019	8/28/2025	Consumer Goods: Durable	\$ 5,381,042	5,294,704	5,219,611	1.89 %
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+ 6.50 %	1.50 %	11.23 %		8/28/2019	8/28/2025		4,967,116	4,916,760	4,818,103	1.75 %
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+ 6.50 %	1.50 %	11.23 %		6/1/2021	8/28/2025		1,104,255	1,089,478	1,071,127	0.39 %
Revolver	(11)	First Lien	3M LIBOR+ 6.50 %	1.50 %	11.23 %		8/28/2019	8/28/2025		319,149	319,149	309,575	0.11 %
Warbird Parent Holdco, LLC Class A Units		Equity					8/28/2019			1,299,691		733,149	0.27 %
Total											\$ 12,919,782	\$ 12,151,565	4.41 %
J.R. Watkins, LLC									San Francisco				
Term Loan (SBIC)	(4)	First Lien	12.00%	7.00 %	5.00 %		12/22/2017	3/31/2024	Consumer Goods: Non-Durable	\$ 12,764,441	12,764,441	11,168,886	4.05 %
J.R. Watkins Holdings, Inc. Class A Preferred Stock		Equity					12/22/2017			1,133	1,132,576	149,640	0.05 %
Total											\$ 13,897,017	\$ 11,318,526	4.10 %
Jurassic Acquisition Corp.									Sparks, MD				
Term Loan	(11)	First Lien	1M SOFR+ 5.50 %	- %	9.92 %		12/28/2018	11/15/2024	Metals & Mining	\$ 16,800,000	16,708,750	16,464,001	5.98 %
Total											\$ 16,708,750	\$ 16,464,001	5.98 %
Kelleymerit Holdings, Inc.									Walnut Creek, CA				
Term Loan (SBIC)	(4)(10)(12)	First Lien	1M BSBY+ 6.75 %	1.00 %	12.36 %		12/24/2020	12/24/2025	Automotive	\$ 9,750,000	9,624,052	9,701,250	3.52 %
Term Loan	(10)(12)	First Lien	1M BSBY+ 6.75 %	1.00 %	12.36 %		12/24/2020	12/24/2025		1,500,000	1,480,623	1,492,500	0.54 %
Total											\$ 11,104,675	\$ 11,193,750	4.06 %
KidKraft, Inc.									Dallas, TX				
Term Loan	(10)(12)	First Lien	3M LIBOR+ 6.00 %	1.00 %	10.72 %		4/3/2020	6/30/2023	Consumer Goods: Durable	\$ 1,580,768	1,580,768	1,580,768	0.57 %
KidKraft Group Holdings, LLC Preferred B Units		Equity					4/3/2020			4,000,000	4,000,000	4,000,000	1.45 %
Total											\$ 5,580,768	\$ 5,580,768	2.02 %
Ledge Lounger, Inc.	(9)								Katy, TX				
Term Loan A (SBIC)	(4)(11)	First Lien	3M SOFR+ 6.25 %	1.00 %	10.98 %		11/9/2021	11/9/2026	Consumer Goods: Durable	\$ 7,568,289	7,446,619	7,416,923	2.69 %
Revolver	(11)	First Lien	3M SOFR+ 6.25 %	1.00 %	10.98 %		11/9/2021	11/9/2026		33,333	33,333	32,666	0.01 %
SP L2 Holdings LLC Class A Units (SBIC)	(4)	Equity					11/9/2021			375,000	375,000	302,593	0.11 %
Total											\$ 7,854,952	\$ 7,752,182	2.81 %
Lightning Intermediate II, LLC	(9)								Jacksonville, FL				
Term Loan (SBIC)	(4)(11)	First Lien	6M SOFR+ 6.50 %	1.00 %	11.54 %		6/6/2022	6/6/2027	Consumer Goods: Non-Durable	\$ 13,587,067	13,340,843	13,179,455	4.78 %
Gauge Vimergy Coinvest, LLC Units		Equity					6/6/2022			399	398,677	298,376	0.11 %
Total											\$ 13,739,520	\$ 13,477,831	4.89 %
MacKenzie-Childs Acquisition, Inc.	(9)								Aurora, NY				
Term Loan	(11)	First Lien	3M SOFR+ 6.00 %	1.00 %	10.73 %		9/2/2022	9/2/2027	Consumer Goods: Durable	\$ 99,750	98,331	98,254	0.04 %
Revolver	(11)	First Lien	3M SOFR+ 6.00 %	1.00 %	10.73 %		9/2/2022	9/2/2027		86,667	86,667	85,367	0.03 %
MacKenzie-Childs Investment, LP Partnership Interests		Equity					9/2/2022			100,000	100,000	91,659	0.03 %
Total											\$ 284,998	\$ 275,280	0.10 %
Madison Logic Holdings, Inc.	(9)								New York, NY				
Term Loan	(11)	First Lien	3M SOFR+ 7.00 %	1.00 %	11.58 %		12/30/2022	12/30/2028	Media: Broadcasting & Subscription	\$ 4,529,217	4,393,340	4,393,340	1.59 %
Total											\$ 4,393,340	\$ 4,393,340	1.59 %
Microbe Formulas LLC	(9)								Meridian, ID				
Term Loan (SBIC II)	(5)(11)	First Lien	1M SOFR+ 6.25 %	1.00 %	10.67 %		4/4/2022	4/3/2028	Consumer Goods: Non-Durable	\$ 9,962,730	9,873,093	9,863,103	3.58 %
Total											\$ 9,873,093	\$ 9,863,103	3.58 %
MOM Enterprises, LLC	(9)								Richmond, CA				
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+ 6.25 %	1.00 %	10.98 %		5/19/2021	5/19/2026	Consumer Goods: Non-Durable	\$ 16,219,667	15,984,825	15,651,980	5.69 %
Revolver	(11)	First Lien	3M LIBOR+ 6.25 %	1.00 %	10.98 %		5/19/2021	5/19/2026		37,500	37,500	36,188	0.01 %
MBliss SPC Holdings, LLC Units		Equity					5/19/2021			933,333	933,333	700,989	0.25 %
Total											\$ 16,955,658	\$ 16,389,157	5.95 %

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Monitorus Holding, LLC													
	(7)(9)								London, UK				
Term Loan	(11)	First Lien	3M LIBOR+ 7.00 %	1.00 %	11.73 %		5/24/2022	5/24/2027	Media: Diversified & Production	\$ 100,000	99,095	99,000	0.04 %
Delayed Draw Term Loan	(11)	First Lien	3M LIBOR+ 7.00 %	1.00 %	11.73 %		5/24/2022	5/24/2027		€ 100,000	100,931	106,132	0.04 %
Sapphire Aggregator S.a.r.l. Class A Shares		Equity					9/1/2022			557,689	11,156	12,511	0.00 %
Sapphire Aggregator S.a.r.l. Class B Shares		Equity					9/1/2022			557,682	11,156	12,511	0.00 %
Sapphire Aggregator S.a.r.l. Class C Shares		Equity					9/1/2022			557,682	11,156	12,511	0.00 %
Sapphire Aggregator S.a.r.l. Class D Shares		Equity					9/1/2022			557,682	11,156	12,511	0.00 %
Sapphire Aggregator S.a.r.l. Class E Shares		Equity					9/1/2022			557,682	11,156	12,511	0.00 %
Sapphire Aggregator S.a.r.l. Class F Shares		Equity					9/1/2022			557,682	11,156	12,511	0.00 %
Sapphire Aggregator S.a.r.l. Class G Shares		Equity					9/1/2022			557,682	11,156	12,511	0.00 %
Sapphire Aggregator S.a.r.l. Class H Shares		Equity					9/1/2022			557,682	11,156	12,511	0.00 %
Sapphire Aggregator S.a.r.l. Class I Shares		Equity					9/1/2022			557,682	11,156	12,511	0.00 %
Total											\$ 300,430	\$ 317,731	0.08 %
Naumann/Hobbs Material Handling Corporation II, Inc.													
	(9)								Phoenix, AZ				
Term Loan	(11)	First Lien	3M SOFR+ 6.75 %	1.50 %	11.33 %		8/30/2019	8/30/2024	Services: Business	\$ 8,552,022	8,487,053	8,423,742	3.05 %
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.75 %	1.50 %	11.33 %		8/30/2019	8/30/2024		5,392,937	5,351,968	5,312,043	1.93 %
Naumann Hobbs Holdings, L.P. Class A-1 Units		Equity					9/29/2022			123	220,379	314,486	0.11 %
Naumann Hobbs Holdings, L.P. Class A-2 Units		Equity					9/29/2022			123	220,379	314,486	0.11 %
Total											\$ 14,279,779	\$ 14,364,757	5.20 %
NINJO, LLC													
	(9)								Westlake Village, CA				
Term Loan	(11)	First Lien	3M SOFR+ 6.50 %	1.50 %	11.33 %		10/12/2022	10/12/2027	Media: Diversified & Production	\$ 5,000,000	4,903,726	4,903,726	1.78 %
NINJO Holdings, LLC Units		Equity					10/12/2022			184	313,253	313,253	0.11 %
Total											\$ 5,216,979	\$ 5,216,979	1.89 %
NS412, LLC													
	(11)	Second Lien	3M LIBOR+ 8.50 %	1.00 %	13.23 %		5/6/2019	11/6/2025	Dallas, TX Services: Consumer	\$ 7,615,000	7,536,527	7,386,550	2.68 %
NS Group Holding Company, LLC Class A Units		Equity					5/6/2019			782	795,002	536,120	0.19 %
Total											\$ 8,331,529	\$ 7,922,670	2.87 %
NuMet Machining Techniques, LLC													
	(7)								Birmingham, United Kingdom				
Term Loan	(11)(15)	Second Lien	PRIME+ 8.00 %	- %	- %		11/5/2019	5/5/2026	Aerospace & Defense	\$ 12,675,000	12,524,972	8,745,750	3.17 %
Bromford Industries Limited Term Loan	(11)(15)	Second Lien	PRIME+ 8.00 %	- %	- %		11/5/2019	5/5/2026		7,800,000	7,704,685	5,382,000	1.95 %
Total											\$ 20,229,657	\$ 14,127,750	5.12 %
NuSource Financial, LLC													
	(5)(11)	First Lien	1M LIBOR+ 9.00 %	1.00 %	13.12 %		1/29/2021	1/29/2026	Eden Prairie, MN Services: Business	\$ 11,562,548	11,403,406	11,215,672	4.07 %
NuSource Financial Acquisition, Inc. (SBIC II)	(5)	Unsecured	13.75%	2.00 %	11.75 %		1/29/2021	7/29/2026		5,638,571	5,568,680	4,736,400	1.72 %
NuSource Holdings, Inc. Warrants (SBIC II)	(5)	Equity					1/29/2021			54,966	-	-	0.00 %
Total											\$ 16,972,086	\$ 15,952,072	5.79 %
Nutritional Medicinals, LLC													
	(9)								Centerville, OH				
Term Loan	(11)	First Lien	3M LIBOR+ 6.00 %	1.00 %	10.73 %		11/15/2018	11/15/2025	Healthcare & Pharmaceuticals	\$ 9,848,290	9,781,484	9,700,566	3.52 %
Term Loan	(11)	First Lien	3M LIBOR+ 6.00 %	1.00 %	10.73 %		10/28/2021	11/15/2025		4,180,294	4,133,615	4,117,590	1.49 %
Functional Aggregator, LLC Units		Equity					11/15/2018			12,500	972,803	1,582,534	0.57 %
Total											\$ 14,887,902	\$ 15,400,690	5.58 %
Onpoint Industrial Services, LLC													
	(4)(11)	First Lien	3M SOFR+ 7.00 %	1.75 %	11.58 %		11/16/2022	11/16/2027	Deer Park, TX Services: Business	\$ 12,893,258	12,638,571	12,638,571	4.58 %
Spearhead TopCo, LLC Class A Units		Equity					11/16/2022			606,742	606,742	606,742	0.22 %
Total											\$ 13,245,313	\$ 13,245,313	4.80 %
PCP MT Aggregator Holdings, L.P.													
	(7)								Oak Brook, IL Finance				
Common Units		Equity					3/29/2019			825,020	119,281	1,686,647	0.61 %
Total											\$ 119,281	\$ 1,686,647	0.61 %

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PCS Software, Inc.	(9)								Shenandoah, TX				
Term Loan	(11)	First Lien	3M SOFR+ 6.00%	1.50 %	10.73 %		7/1/2019	7/1/2024	Transportation & Logistics	\$ 14,064,493	13,964,812	13,923,848	5.05 %
Term Loan (SBIC)	(4)(11)	First Lien	3M SOFR+ 6.00%	1.50 %	10.73 %		7/1/2019	7/1/2024		1,844,524	1,831,451	1,826,079	0.66 %
Delayed Draw Term Loan	(11)	First Lien	3M SOFR+ 6.00%	1.50 %	10.73 %		7/1/2019	7/1/2024		972,500	972,500	962,775	0.35 %
PCS Software Parent, LLC Class A Common Units		Equity					9/16/2022			461,216	-	449,270	0.16 %
Total											\$ 16,768,763	\$ 17,161,972	6.22 %
Pearl Media Holdings, LLC	(9)								Garland, TX				
Term Loan (SBIC II)	(5)(11)	First Lien	3M SOFR+ 6.25%	1.50 %	10.98 %		8/31/2022	8/31/2027	Consumer Goods: Durable	\$ 9,975,000	9,785,984	9,775,500	3.54 %
Revolver	(11)	First Lien	3M SOFR+ 6.25%	1.50 %	10.93 %		8/31/2022	8/31/2027		33,333	33,333	32,666	0.01 %
Total											\$ 9,819,317	\$ 9,808,166	3.55 %
Peltram Plumbing Holdings, LLC	(9)								Auburn, WA				
Term Loan	(11)	First Lien	3M LIBOR+6.25%	1.00 %	10.98 %		12/30/2021	12/30/2026	Construction & Building	\$ 16,579,758	16,304,977	15,999,467	5.81 %
Peltram Group Holdings LLC Class A Units		Equity					12/30/2021			508,516	508,516	311,668	0.11 %
Total											\$ 16,813,493	\$ 16,311,135	5.92 %
Premiere Digital Services, Inc.	(9)								Los Angeles, CA				
Term Loan	(11)	First Lien	1M LIBOR+5.25%	1.00 %	9.64 %		11/3/2021	11/3/2026	Media: Broadcasting & Subscription	\$ 14,278,846	14,221,712	14,278,846	5.18 %
Premiere Digital Holdings, Inc. Common Stock		Equity					10/18/2018			5,000	-	2,773,121	1.01 %
Total											\$ 14,221,712	\$ 17,051,967	6.19 %
Protect America, Inc.	(9)								Austin, TX				
Term Loan	(11)(13)	Second Lien	3M LIBOR+7.75%	1.00 %	- %		8/30/2017	9/1/2024	Services: Consumer	\$ 17,979,749	17,979,749	-	0.00 %
Total											\$ 17,979,749	\$ -	0.00 %
Rogers Mechanical Contractors, LLC	(9)								Atlanta, GA				
Term Loan	(11)	First Lien	6M SOFR+ 8.00%	1.00 %	11.70 %	1.00 %	4/28/2021	9/9/2025	Construction & Building	\$ 10,001,068	9,884,999	9,851,052	3.57 %
Delayed Draw Term Loan	(11)	First Lien	6M SOFR+ 8.00%	1.00 %	11.70 %	1.00 %	4/28/2021	9/9/2025		50,000	49,643	49,250	0.02 %
Total											\$ 9,934,642	\$ 9,900,302	3.59 %
Sales Benchmark Index, LLC	(9)								Dallas, TX				
Term Loan	(11)	First Lien	3M LIBOR+6.00%	1.00 %	10.73 %		1/7/2020	1/7/2025	Services: Business	\$ 12,481,823	12,366,809	12,169,777	4.41 %
SBI Holdings Investments LLC Class A Units		Equity					1/7/2020			66,573	665,730	390,822	0.14 %
Total											\$ 13,032,539	\$ 12,560,599	4.55 %
Service Minds Company, LLC	(9)								Bradenton, FL				
Term Loan	(11)	First Lien	1M LIBOR+5.00%	1.00 %	9.29 %		2/7/2022	2/7/2028	Services: Consumer	\$ 5,357,887	5,264,150	5,223,940	1.89 %
Revolver	(11)	First Lien	1M SOFR+ 5.00%	1.00 %	9.44 %		2/7/2022	2/7/2028		30,000	30,000	29,250	0.01 %
Delayed Draw Term Loan	(11)	First Lien	1M LIBOR+5.00%	1.00 %	9.29 %		2/7/2022	2/7/2028		32,081	31,791	31,279	0.01 %
Total											\$ 5,325,941	\$ 5,284,469	1.91 %
SIB Holdings, LLC	(9)								Charleston, SC				
Term Loan (SBIC)	(4)(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.01 %		10/29/2021	10/29/2026	Services: Business	\$ 12,789,331	12,584,996	12,405,651	4.50 %
Term Loan (SBIC)	(4)(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.01 %		6/15/2022	10/29/2026		859,747	842,658	833,955	0.30 %
Term Loan (SBIC)	(4)(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.01 %		7/20/2022	10/29/2026		2,292,657	2,250,559	2,223,877	0.81 %
Delayed Draw Term Loan	(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.01 %		10/29/2021	10/29/2026		2,865,822	2,840,406	2,779,847	1.01 %
Revolver	(11)	First Lien	1M LIBOR+6.25%	1.00 %	11.01 %		10/29/2021	10/29/2026		70,754	70,754	68,631	0.02 %
SIB Holdings, LLC Units		Equity					10/29/2021			238,095	500,000	342,821	0.12 %
Total											\$ 19,089,373	\$ 18,654,782	6.76 %
TAC LifePort Holdings, LLC	(9)								Woodland, WA				
Common Units		Equity					3/1/2021		Aerospace & Defense	500,000	500,000	759,769	0.28 %
Total											\$ 500,000	\$ 759,769	0.28 %
Tilley Distribution, Inc.	(9)								Baltimore, MD				
Term Loan	(11)	First Lien	3M SOFR+ 5.50%	1.00 %	10.14 %		4/1/2022	12/31/2026	Chemicals, Plastics, & Rubber	\$ 99,245	97,936	95,771	0.03 %
Revolver	(11)	First Lien	3M SOFR+ 5.50%	1.00 %	10.14 %		4/1/2022	12/31/2026		17,391	17,391	16,782	0.01 %
Total											\$ 115,327	\$ 112,553	0.04 %

Stellus Capital Investment Corporation
Consolidated Schedule of Investments
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Investments	Footnotes	Security ⁽²⁾	Coupon	Floor	Cash	PIK	Investment Date	Maturity	Headquarters/ Industry	Principal Amount/ Share ⁽³⁾	Amortized Cost	Fair Value ⁽⁴⁾	% of Net Assets	
Trade Education Acquisition, L.L.C. (9)														
Term Loan (SBIC)	(4)(11)	First Lien	1M LIBOR+ 6.25 %	1.00 %	10.63 %		12/28/2021	12/28/2027	Austin, TX Education	\$ 10,496,533	10,315,261	9,919,224	3.60 %	
Revolver	(11)	First Lien	1M LIBOR+ 6.25 %	1.00 %	10.52 %		12/28/2021	12/28/2027		80,000	80,000	75,600	0.03 %	
Trade Education Holdings, L.L.C. Class A Units		Equity					12/28/2021			662,660	662,660	503,936	0.18 %	
Total											\$ 11,057,921	\$ 10,498,760	3.81 %	
TradePending, LLC (9)														
Term Loan (SBIC II)	(5)(11)	First Lien	3M LIBOR+ 6.25 %	1.00 %	10.98 %		3/2/2021	3/2/2026	Carrboro, NC Software	\$ 9,725,758	9,592,801	9,531,243	3.46 %	
TradePending Holdings, LLC Series A Units		Equity					3/2/2021			829,167	868,750	1,117,989	0.41 %	
Total											\$ 10,461,551	\$ 10,649,232	3.87 %	
Unicat Catalyst Holdings, LLC (9)														
Term Loan	(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.23 %		4/27/2021	4/27/2026	Alvin, TX Chemicals, Plastics, & Rubber	\$ 7,218,750	7,116,275	6,821,719	2.47 %	
Unicat Catalyst, LLC Class A Units		Equity					4/27/2021			7,500	750,000	129,248	0.05 %	
Total											\$ 7,866,275	\$ 6,950,967	2.52 %	
U.S. Auto Sales, Inc. et al (7)														
USASF Blocker II LLC Units		Equity					6/8/2015		Lawrenceville, GA Finance	441	441,000	-	0.00 %	
USASF Blocker III LLC 2018 Series Units		Equity					2/13/2018			50	50,000	53,040	0.02 %	
USASF Blocker III LLC 2019 Series Units		Equity					12/27/2019			75	75,000	79,560	0.03 %	
USASF Blocker IV LLC Units		Equity					5/27/2020			110	110,000	330,000	0.12 %	
USASF Blocker IV LLC 2022 Series Units		Equity					7/28/2022			100	100,000	300,000	0.11 %	
USASF Blocker V LLC Units		Equity					12/20/2022			200	200,000	600,000	0.22 %	
USASF Blocker LLC Units		Equity					6/8/2015			9,000	9,000	-	0.00 %	
Total											\$ 985,000	\$ 1,362,600	0.50 %	
U.S. Expeditors, LLC (9)														
Term Loan	(11)	First Lien	3M LIBOR+ 6.00 %	1.00 %	10.73 %		12/22/2021	12/22/2026	Stafford, TX Healthcare & Pharmaceuticals	\$ 15,866,798	15,603,833	15,866,799	5.76 %	
Cathay Hypnos LLC Units	(6)	Equity					12/22/2021			1,372,932	1,316,740	2,702,795	0.98 %	
Total											\$ 16,920,573	\$ 18,569,594	6.74 %	
Venbrook Buyer, LLC														
Term Loan B (SBIC)	(4)(11)	First Lien	3M SOFR+ 8.00 %	1.50 %	5.73 %	7.00 %	3/13/2020	3/13/2026	Los Angeles, CA Services: Business	\$ 12,872,663	12,719,565	12,615,210	4.57 %	
Term Loan B	(11)	First Lien	3M SOFR+ 8.00 %	1.50 %	5.73 %	7.00 %	3/13/2020	3/13/2026		146,465	144,723	143,536	0.05 %	
Revolver	(11)	First Lien	3M SOFR+ 8.00 %	1.50 %	5.73 %	7.00 %	3/13/2020	3/13/2026		2,231,119	2,231,119	2,186,497	0.79 %	
Delayed Draw Term Loan	(11)	First Lien	3M SOFR+ 8.00 %	1.50 %	5.73 %	7.00 %	3/13/2020	3/13/2026		4,388,645	4,358,279	4,300,872	1.56 %	
Venbrook Holdings, LLC Term Loan	(16)	Unsecured	10.00%	-	10.00%		3/31/2022	12/20/2028		89,284	89,284	87,498	0.03 %	
Venbrook Holdings, LLC Common Units		Equity					3/13/2020			822,758	819,262	121,938	0.04 %	
Total											\$ 20,362,232	\$ 19,455,551	7.04 %	
Vortex Companies, LLC														
Term Loan (SBIC II)	(5)(11)	Second Lien	3M SOFR+ 9.50 %	1.00 %	14.18 %		12/21/2020	6/21/2026	Houston, TX Environmental Industries	\$ 10,000,000	9,859,282	9,850,000	3.57 %	
Total											\$ 9,859,282	\$ 9,850,000	3.57 %	
Whisps Holdings LP														
Class A Units		Equity					4/18/2019		Elgin, IL Beverage, Food, & Tobacco	500,000	500,000	-	0.00 %	
Total											\$ 500,000	\$ -	0.00 %	
Xanitos, Inc. (9)														
Term Loan (SBIC)	(4)(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.23 %		6/25/2021	6/25/2026	Newtown Square, PA Healthcare & Pharmaceuticals	\$ 12,608,000	12,421,258	12,166,720	4.41 %	
Revolver	(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.24 %		6/25/2021	6/25/2026		80,000	80,000	77,200	0.03 %	
Delayed Draw Term Loan	(11)	First Lien	3M LIBOR+ 6.50 %	1.00 %	11.23 %		6/25/2021	6/25/2026		2,221,181	2,203,262	2,143,440	0.78 %	
Pure TopCo, LLC Class A Units		Equity					6/25/2021			442,133	1,053,478	844,147	0.31 %	
Total											\$ 15,757,998	\$ 15,231,507	5.53 %	
Total Non-controlled, non-affiliated investments											\$ 875,823,177	\$ 844,733,638	306.31 %	
Net Investments											\$ 875,823,177	\$ 844,733,638	306.31 %	
LIABILITIES IN EXCESS OF OTHER ASSETS													(\$ 563,881,593)	(206.31)%
NET ASSETS													\$ 280,852,045	100.00 %

Stellus Capital Investment Corporation
Consolidated Schedule of Investments
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- (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) Debt investments are income producing and equity securities are non-income producing, unless otherwise noted.
- (3) Par amount is presented for debt investments, while the number of shares or units owned is presented for equity investments. Par amount is denominated in U.S. Dollars (“\$”) unless otherwise noted, Euro (“€”), or Great British Pound (“£”).
- (4) Investments held by the SBIC subsidiary (as defined in Note 1), which include \$ 19,716,893 of cash and \$ 207,971,244 of investments (at cost), are excluded from the obligations to the lenders of the Credit Facility (as defined in Note 9). Stellus Capital Investment Corporation’s (the “Company”) obligations to the lenders of the Credit Facility are secured by a first priority security interest in all investments and cash and cash equivalents, except for cash and investments held by the SBIC subsidiaries (as defined in Note 1).
- (5) Investments held by the SBIC II subsidiary (as defined in Note 1), which include \$ 26,303,849 of cash and \$ 224,768,652 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 are secured by a first priority security interest in all investments and cash and cash equivalents, except for cash and investments held by the SBIC subsidiaries.
- (6) Security is income producing through dividends or distributions.
- (7) 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 95.7% of the Company’s total assets as of March 31, 2023.
- (8) Represents a PIK interest security. At the option of the issuer, interest can be paid in cash or cash and PIK interest. The percentage of PIK interest shown is the maximum PIK interest that can be elected by the issuer.
- (9) At December 31, 2022, the Company had the following outstanding revolver and delayed draw term loan commitments:

Investments	Security	Unfunded Commitment	Unused Commitment Fee	Maturity
Ad.Net Acquisition, LLC	Revolver	\$ 259,804	0.50%	May 7, 2026
AIP ATCO Buyer, LLC	Revolver	50,000	0.50%	May 17, 2028
Anne Lewis Strategies, LLC	Revolver	100,000	0.50%	March 5, 2026
ArborWorks Acquisition LLC (a)	Revolver	1,153,846	0.50%	November 9, 2026
Archer Systems, LLC	Revolver	100,000	0.50%	August 11, 2027
Axis Portable Air, LLC	Revolver	100,000	0.50%	March 22, 2028
BDS Solutions Intermediateco, LLC	Revolver	69,935	0.50%	February 7, 2027
BLP Buyer, Inc.	Revolver	63,434	0.50%	February 1, 2027
Camp Profiles LLC	Delayed Draw Term Loan	3,750,000	1.00%	September 3, 2026
Camp Profiles LLC	Revolver	100,000	0.50%	September 3, 2026
CEATI International Inc.	Revolver	100,000	0.50%	February 19, 2026
CF512, Inc.	Delayed Draw Term Loan	220,930	0.50%	September 1, 2026
CF512, Inc.	Revolver	100,000	0.50%	September 1, 2026
CompleteCase, LLC	Revolver A	60,000	0.50%	December 21, 2025
COPILOT Provider Support Services, LLC	Revolver	100,000	0.50%	November 22, 2027
Credit Connection, LLC	Revolver	100,000	0.50%	July 30, 2026
Curion Holdings, LLC	Delayed Draw Term Loan	100,000	0.50%	July 29, 2027
Curion Holdings, LLC	Revolver	30,000	0.50%	July 29, 2027
DRS Holdings III, Inc.	Revolver	909,091	0.50%	November 1, 2025
DTE Enterprises, LLC	Revolver	750,000	0.50%	April 13, 2023
Exacta Land Surveyors, LLC	Revolver	1,500,000	0.50%	February 8, 2024
Exigo, LLC	Revolver	80,000	0.50%	March 16, 2027
Exigo, LLC	Delayed Draw Term Loan	100,000	0.50%	March 16, 2027
Florachem Corporation	Revolver	100,000	0.50%	April 29, 2028
Florachem Corporation	Delayed Draw Term Loan	100,000	0.50%	April 29, 2028
GS HVAM Intermediate, LLC	Revolver	112,045	0.50%	October 2, 2024
Heartland Business Systems, LLC	Delayed Draw Term Loan	75,000	0.50%	August 26, 2027
Heat Makes Sense Shared Services, LLC	Revolver	80,000	0.50%	July 1, 2028
HV Watterson Holdings, LLC	Revolver	84,000	0.50%	December 17, 2026
HV Watterson Holdings, LLC	Delayed Draw Term Loan	2,555,354	1.00%	December 17, 2026
Infolinks Media Buyco, LLC	Delayed Draw Term Loan	2,475,000	0.50%	November 1, 2026
Inoapps Bidco, LLC	Revolver	100,000	0.50%	February 15, 2027
Inoapps Bidco, LLC	Delayed Draw Term Loan	16,667	0.50%	February 15, 2027
Integrated Oncology Network, LLC	Revolver	553,517	0.50%	June 24, 2025
Invincible Boat Company LLC	Revolver	744,681	0.50%	August 28, 2025
Ledge Lounger, Inc.	Revolver	66,667	0.50%	November 9, 2026

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Investments	Security	Unfunded Commitment	Unused Commitment Fee	Maturity
Lightning Intermediate II, LLC	Revolver	\$ 100,000	0.50%	June 6, 2027
MacKenzie-Childs Acquisition, Inc.	Revolver	13,333	0.50%	September 2, 2027
Madison Logie Holdings, Inc.	Revolver	100,000	0.50%	December 30, 2027
Microbe Formulas LLC	Revolver	100,000	0.50%	April 3, 2028
MOM Enterprises, LLC	Revolver	62,500	0.50%	May 19, 2026
Monitorus Holding, LLC	Revolver	€ 100,000	0.50%	May 24, 2027
Naumann/Hobbs Material Handling Corporation II, Inc.	Revolver – Working Capital	1,763,033	0.50%	August 30, 2024
NINJIO, LLC	Delayed Draw Term Loan	100,000	0.50%	October 12, 2027
NINJIO, LLC	Revolver	100,000	0.50%	October 12, 2027
Nutritional Medicinals, LLC	Revolver	2,000,000	0.50%	November 15, 2025
PCS Software, Inc.	Revolver	1,318,143	0.50%	July 1, 2024
Pearl Media Holdings, LLC	Delayed Draw Term Loan	100,000	0.50%	August 31, 2027
Pearl Media Holdings, LLC	Revolver	66,667	0.50%	August 31, 2027
Peltram Plumbing Holdings, LLC	Revolver	100,000	0.50%	December 30, 2026
Premiere Digital Services, Inc.	Revolver	576,923	0.50%	November 3, 2026
Rogers Mechanical Contractors, LLC	Revolver	83,333	0.75%	September 9, 2025
Rogers Mechanical Contractors, LLC	Delayed Draw Term Loan	50,000	1.00%	September 9, 2025
Sales Benchmark Index, LLC	Revolver	1,331,461	0.50%	January 7, 2025
Service Minds Company, LLC	Revolver	70,000	0.50%	February 7, 2028
Service Minds Company, LLC	Delayed Draw Term Loan	67,677	1.00%	February 7, 2028
SIB Holdings, LLC	Revolver	29,246	0.50%	October 29, 2026
Tilley Distribution, Inc.	Revolver	82,609	0.50%	December 31, 2026
Trade Education Acquisition, L.L.C.	Revolver	20,000	0.50%	December 28, 2027
TradePending, LLC	Revolver	100,000	0.50%	March 2, 2026
Unicat Catalyst Holdings, LLC	Revolver	2,000,000	0.50%	April 27, 2026
U.S. Expeditors, LLC	Revolver	100,000	0.50%	December 22, 2026
Xanitos, Inc.	Revolver	20,000	0.50%	June 25, 2026

(a) The Company has full discretion to fund this revolver commitment.

- (10) This loan is a unitranche investment.
(11) These loans include an interest rate floor feature which is lower than the applicable rates; therefore, the floor is not in effect.
(12) These loans are last-out term loans with contractual rates higher than the applicable rates; therefore, the floor is not in effect.
(13) Investment has been on non-accrual since June 28, 2019.
(14) Investment has been on non-accrual since December 31, 2020.
(15) Investment has been on non-accrual since April 1, 2022.
(16) This loan is convertible to common units at maturity or at the election of the issuer.
(17) Maturity date is under ongoing negotiations with portfolio company and other lenders.
(18) Excluded from the investment is an uncalled capital commitment in an amount not to exceed \$ 302,817.

Abbreviation Legend

BSBY — Bloomberg Short-Term Bank Yield Index
LIBOR — London Interbank Offered Rate
PIK — Payment-In-Kind
SOFR — Secured Overnight Financing Rate

STELLUS CAPITAL INVESTMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2023
(unaudited)

NOTE 1 — NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Stellus Capital Investment Corporation (“we”, “us”, “our” and the “Company”) was formed as a Maryland corporation on May 18, 2012 (“Inception”) and is an externally managed, closed-end, non-diversified investment management company. The Company is applying the guidance of Accounting Standards Codification (“ASC”) Topic 946, *Financial Services Investment Companies* (“ASC Topic 946”). The Company has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”), and treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), for U.S. federal income tax purposes. The Company’s investment activities are managed by our investment adviser, Stellus Capital Management, LLC (“Stellus Capital” or the “Advisor”).

As of March 31, 2023, the Company had issued a total of 20,248,383 shares and raised \$297,568,428 in gross proceeds since Inception, incurring \$10,049,732 in offering expenses and sales load fees. Additionally, the Company has received \$264,796 in offering expenses reimbursements from the Advisor for net proceeds from offerings of \$287,783,492. The Company’s shares are currently listed on the New York Stock Exchange under the symbol “SCM”. See Note 4 for further details.

The Company has established the following wholly owned subsidiaries: SCIC — Consolidated Blocker, Inc., SCIC — ICD Blocker 1, Inc., SCIC — Invincible Blocker 1, Inc., SCIC — SKP Blocker 1, Inc., SCIC — APE Blocker 1, Inc., SCIC — Venbrook Blocker, Inc., SCIC — CC Blocker 1, Inc., SCIC — ERC Blocker 1, Inc., and SCIC — Hollander Blocker 1, Inc., which are structured as Delaware entities, to hold equity or equity-like investments in portfolio companies organized as limited liability companies, or LLCs (or other forms of pass-through entities) (collectively, the “Taxable Subsidiaries”). The Taxable Subsidiaries are consolidated for U.S. generally accepted accounting principles (“U.S. GAAP”) reporting purposes, and the portfolio investments held by them are included in the consolidated financial statements.

On June 14, 2013, the Company formed Stellus Capital SBIC, LP (the “SBIC subsidiary”), a Delaware limited partnership, and its general partner, Stellus Capital SBIC GP, LLC, a Delaware limited liability company, as wholly owned subsidiaries of the Company. On June 20, 2014, the SBIC subsidiary received a license from the U.S. Small Business Administration (“SBA”) to operate as a Small Business Investment Company (“SBIC”) under Section 301(c) of the Small Business Investment Company Act of 1958, as amended (the “SBIC Act”). The SBIC subsidiary and its general partner are consolidated for U.S. GAAP reporting purposes, and the portfolio investments held by it are included in the consolidated financial statements.

On November 29, 2018, the Company formed Stellus Capital SBIC II, LP (the “SBIC II subsidiary”), a Delaware limited partnership. On August 14, 2019, the SBIC II subsidiary received a license from the SBA to operate as an SBIC under Section 301(c) of the SBIC Act. The SBIC II subsidiary and its general partner, Stellus Capital SBIC GP, LLC, are consolidated for U.S. GAAP reporting purposes, and the portfolio investments held by it are included in the consolidated financial statements.

The SBIC licenses allow the SBIC subsidiary and SBIC II subsidiary (together, “the SBIC subsidiaries”) to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten-year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with 10-year maturities. The SBA, as a creditor, will have a superior claim to the SBIC subsidiaries’ assets over the Company’s stockholders in the event the Company liquidates one or both of the SBIC subsidiaries or the SBA exercises its remedies under the SBA-guaranteed debentures issued by the SBIC subsidiaries upon an event of default. For the SBIC subsidiary, SBA regulations currently limit the amount that a single licensee may borrow to a maximum of \$150,000,000 when it has at least \$75,000,000 in regulatory capital, as such term is defined by the SBA, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. For the SBIC II subsidiary, SBA regulations limit these amounts to \$175,000,000 of borrowings when it has at least \$87,500,000 of regulatory capital.

STELLUS CAPITAL INVESTMENT CORPORATION
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March 31, 2023
(unaudited)

As of both March 31, 2023 and December 31, 2022, the SBIC subsidiary had \$75,000,000 in regulatory capital. As of both March 31, 2023 and December 31, 2022, the SBIC II subsidiary had \$87,500,000 in regulatory capital.

As of both March 31, 2023 and December 31, 2022, the SBIC subsidiary had \$150,000,000 of SBA-guaranteed debentures outstanding. As of both March 31, 2023 and December 31, 2022, the SBIC II subsidiary had \$163,600,000 of SBA-guaranteed debentures outstanding. See footnote (2) of the Consolidated Schedule of Investments for additional information regarding the treatment of investments in the SBIC subsidiaries with respect to the Credit Facility (as defined in Note 9).

As a BDC, the Company is required to comply with certain regulatory requirements. On March 23, 2018, the Small Business Credit Availability Act (the "SBCAA") was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCAA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150% from 200% under certain circumstances.

On April 4, 2018, the Company's board of directors (the "Board"), including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) of the Board, approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act. At the Company's 2018 annual meeting of stockholders, our stockholders also approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act. As a result, the asset coverage ratio test applicable to the Company was decreased from 200% to 150%, effective June 29, 2018. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing. As of March 31, 2023, our asset coverage ratio was 194%.

The Company's investment objective is to maximize the total return to its stockholders in the form of current income and capital appreciation through debt and related equity investments in middle-market companies. The Company seeks to achieve its investment objective by originating and investing primarily in private U.S. middle-market companies (typically those with \$5,000,000 to \$50,000,000 of EBITDA (earnings before interest, taxes, depreciation and amortization)) through first lien, second lien, unitranche and unsecured debt financing, with corresponding equity co-investments. The Company sources investments primarily through the extensive network of relationships that the principals of Stellus Capital have developed with financial sponsor firms, financial institutions, middle-market companies, management teams and other professional intermediaries.

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, certain disclosures accompanying the annual financial statements prepared in accordance with U.S. GAAP are omitted. The unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of the financial statements for the interim periods included herein. The results of operations for the three months ended March 31, 2023 and March 31, 2022 are not necessarily indicative of the operating results to be expected for the full year. Also, the unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2022.

In accordance with Regulation S-X under the Exchange Act, the Company does not consolidate portfolio company investments. The accounting records of the Company are maintained in U.S. dollars.

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Economic Developments

Economic activity has continued to accelerate across sectors and regions. Nonetheless, we have observed and continue to observe supply chain interruptions, labor resource shortages, commodity inflation, rising interest rates, bank impairments and failures, economic sanctions in response to international conflicts and instances of geopolitical, economic and financial market instability in the United States and abroad. One or more of these factors may contribute to increased market volatility and may have long- and short-term effects in the United States and worldwide financial markets.

Portfolio Investment Classification

The Company classifies its portfolio investments in accordance with the requirements of the 1940 Act as follows: (a) "Control Investments" are defined as investments in which the Company owns more than 25% of the voting securities or has rights to maintain greater than 50% of the board representation, (b) "Affiliate Investments" are defined as investments in which the Company owns between 5% and 25% of the voting securities and does not have rights to maintain greater than 50% of the board representation, and (c) "Non-controlled, non-affiliate investments" are defined as investments that are neither Control Investments or Affiliate Investments.

Cash and Cash Equivalents

As of March 31, 2023, cash balances totaling \$93,653 did not exceed the Federal Deposit Insurance Corporation insurance protection levels of \$250,000. In addition, as of March 31, 2023, the Company held \$17,758,446 in cash equivalents, which are carried at cost, which approximates fair value, and held foreign currency of \$294 (acquisition cost of \$292). All of the Company's cash deposits are held at large established high credit quality financial institutions and management believes that risk of loss associated with any uninsured balances is remote.

Cash consists of bank demand deposits. We deem certain U.S. Treasury Bills and other high-quality, short-term debt securities as cash equivalents.

Fair Value Measurements

We account for all of our financial instruments at fair value in accordance with ASC Topic 820 *Fair Value Measurements and Disclosures* ("ASC Topic 820"). ASC Topic 820 defines fair value, establishes a framework used to measure fair value, and requires disclosures for fair value measurements, including the categorization of financial instruments into a three-level hierarchy based on the transparency of valuation inputs. ASC Topic 820 requires disclosure of the fair value of financial instruments for which it is practical to estimate such value. We believe that the carrying amounts of our financial instruments such as cash, receivables and payables approximate the fair value of these items due to the short maturity of these instruments. This is considered a Level 1 valuation technique.

The Credit Facility, SBA-guaranteed debentures, and 2026 Notes are carried at amortized cost in the Consolidated Statements of Assets and Liabilities. As of March 31, 2023, the estimated fair value of the Credit Facility approximates the carrying value because the interest rates adjust to the current market interest rate (Level 3 input). The estimated fair value of the SBA-guaranteed debentures and 2026 Notes was determined by discounting projected remaining payments using market interest rates for borrowings of the Company and entities with similar credit risks at the measurement date. At the measurement date, the estimated fair values of the SBA-guaranteed debentures and 2026 Notes as prepared for disclosure purposes was \$284,830,000 and \$91,000,000, respectively. See Note 6 to the consolidated financial statements for further discussion regarding the fair value measurements and hierarchy.

Consolidation

As permitted under Regulation S-X under the Exchange Act and ASC Topic 946, we generally do not consolidate our investment in a portfolio company other than an investment company subsidiary. Accordingly, we consolidated the results of the SBIC subsidiaries and the Taxable Subsidiaries. All intercompany balances have been eliminated upon consolidation.

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Use of Estimates

The preparation of the Statements of Assets and Liabilities in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially. Additionally, as explained in Note 1 contained herein, the Consolidated Financial Statements includes investments in the portfolio whose values have been estimated by the Company, pursuant to procedures established by our Board, in the absence of readily ascertainable market values. Because of the inherent uncertainty of the investment portfolio valuations, those estimated values may differ materially from the values that would have been determined had a ready market for the securities existed.

Deferred Financing Costs

Deferred financing costs, prepaid loan fees on SBA-guaranteed debentures and prepaid loan structure fees consist of fees and expenses paid in connection with the closing of our Credit Facility, 2026 Notes and SBA-guaranteed debentures and are capitalized at the time of payment. These costs are amortized using the straight line method over the term of the respective instrument and presented as an offset to the corresponding debt on the Consolidated Statements of Assets and Liabilities.

Offering Costs

Deferred offering costs consist of fees and expenses incurred in connection with the offer and sale of the Company's common stock, including legal, accounting, printing fees and other related expenses, as well as costs incurred in connection with the filing of a shelf registration statement. These costs are capitalized when incurred and recognized as a reduction of offering proceeds when the offering is consummated and shown on the Consolidated Statements of Changes in Net Assets and Liabilities as a reduction to Paid-in-capital.

Investments

In December 2020, the U.S. Securities and Exchange Commission (the "SEC") adopted a new rule providing a framework for fund valuation practices. Rule 2a-5 under the 1940 Act ("Rule 2a-5") establishes requirements for determining fair value in good faith for purposes of the 1940 Act. Rule 2a-5 permits boards, subject to board oversight and certain other conditions, to designate certain parties to perform fair value determinations. Rule 2a-5 also defines when market quotations are "readily available" for purposes of the 1940 Act and the threshold for determining whether a fund must determine the fair value of a security. The SEC also adopted new Rule 31a-4 under the 1940 Act ("Rule 31a-4"), which provides the recordkeeping requirements associated with fair value determinations. Finally, the SEC rescinded previously issued guidance on related issues, including the role of the board in determining fair value and the accounting and auditing of fund investments. Rule 2a-5 and Rule 31a-4 became effective on March 8, 2021, and had a compliance date of September 8, 2022. While our Board has not elected to designate the Advisor as the valuation designee, the Company has adopted certain revisions to its valuation policies and procedures in order to comply with the applicable requirements of Rule 2a-5 and Rule 31a-4.

As a BDC, the Company will generally invest in illiquid loans and securities including debt and equity securities of private middle-market companies. Section 2(a)(41) of the 1940 Act requires that a BDC value its assets as follows: (i) the third party price for securities for which a quotation is readily available; and (ii) for all other securities and assets, fair value, as determined in good faith by a BDC's Board. Under procedures established by our Board, the Company intends to value investments for which market quotations are readily available at such market quotations. The Company will obtain these market values from an independent pricing service or at the midpoint of the bid and ask prices obtained from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). Debt and equity securities that are not publicly traded or whose market prices are not readily available will be valued at fair value as determined in good faith by our Board. Such determination of fair values may involve subjective judgments and estimates. The Company also engages independent valuation providers to review the valuation of each portfolio investment that does not have a readily available market quotation at least twice annually.

Debt and equity investments purchased within approximately 90 days of the valuation date will be valued at cost, plus accreted discount, or minus amortized premium, which approximates fair value. With respect to unquoted securities, our Board will value each

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investment considering, among other measures, discounted cash flow models, comparisons of financial ratios of peer companies that are public and other factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Board will use the pricing indicated by the external event to corroborate and/or assist us in our valuation. Because the Company expects that there will not be a readily available market quotation for many of the investments in its portfolio, the Company expects to value most of its portfolio investments at fair value as determined in good faith by the Board using a documented valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

In following these approaches, the types of factors that will be taken into account in fair value pricing investments will include, as relevant, but not be limited to:

- available current market data, including relevant and applicable market trading and transaction comparables;
- applicable market yields and multiples;
- financial covenants;
- call protection provisions;
- information rights;
- the nature and realizable value of any collateral;
- the portfolio company's ability to make payments, its earnings and discounted cash flows and the markets in which it does business;
- comparisons of financial ratios of peer companies that are public;
- comparable merger and acquisition transactions; and
- the principal market and enterprise values.

Revenue Recognition

We record interest income on an accrual basis to the extent such interest is deemed collectible. Payment-in-kind ("PIK") interest, represents contractual interest accrued and added to the loan balance that generally becomes due at maturity. We will not accrue any form of interest on loans and debt securities if we have reason to doubt our ability to collect such interest. Loan origination fees, original issue discount and market discount or premium are capitalized, and we then accrete or amortize such amounts using the effective interest method as interest income. Upon the prepayment of a loan or debt security, any unamortized loan origination fee is recorded as interest income. We record prepayment premiums on loans and debt securities as other income. Dividend income, if any, will be recognized on the declaration date.

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A presentation of the interest income we have received from portfolio companies for the three months ended March 31, 2023 and 2022 is as follows:

	For the three months ended	
	March 31, 2023	March 31, 2022
Loan interest	\$ 21,885,089	\$ 14,112,073
PIK income	769,954	330,111
Fee amortization income ⁽¹⁾	722,822	631,137
Fee income acceleration ⁽²⁾	30,739	43,630
Total Interest Income	\$ 23,408,604	\$ 15,116,951

(1) Includes amortization of fees on unfunded commitments.

(2) Unamortized loan origination fees recognized upon full or partial realization of investment.

To maintain our treatment as a RIC, substantially all of this income must be paid to stockholders in the form of distributions, even if we have not collected any cash.

Management considers portfolio company specific circumstances as well as other economic factors in determining collectability. As of March 31, 2023, we had four loans on non-accrual status, which represented approximately 5.9% of our loan portfolio at cost and 2.5% at fair value. As of December 31, 2022, we had three loans on non-accrual status, which represented approximately 5.2% of our loan portfolio at cost and 2.3% at fair value. As of March 31, 2023 and December 31, 2022, \$6,745,576 and \$4,828,880, respectively, of income from investments on non-accrual has not been accrued. If a loan or debt security's status significantly improves regarding the debtor's ability to service the debt or other obligations, or if a loan or debt security is sold or written off, we will remove it from non-accrual status.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

Realized gains or losses are measured by the difference between the net proceeds from the repayment, sale or disposition and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

Investment Transaction Costs

Costs that are material and associated with an investment transaction, including legal expenses, are included in the cost basis of purchases and deducted from the proceeds of sales unless such costs are reimbursed by the borrower.

Receivables and Payables for Unsettled Securities Transaction

The Company records all investments on a trade date basis.

U.S. Federal Income Taxes

The Company has elected, qualified, and intends to continue to qualify annually to be treated as a RIC under Subchapter M of the Code, and to operate in a manner to qualify for the tax treatment applicable to RICs. To qualify for tax treatment as a RIC, among other things, the Company is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. So long as the Company maintains its status as a RIC, it generally will not pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that it distributes at least annually to its stockholders as dividends. Rather, any tax liability related to income earned by the Company represents obligations of the Company's investors and will not be reflected in the consolidated financial statements of the Company.

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To avoid a 4% U.S federal excise tax on undistributed earnings, the Company is required to distribute each calendar year the sum of (i) 98% of its ordinary income for such calendar year (ii) 98.2% of its net capital gains for the one-year period ending December 31 (iii) any income recognized, but not distributed, in preceding years and on which the Company paid no federal income tax or the Excise Tax Avoidance Requirement. For this purpose, however, any net ordinary income or capital gain net income retained by us that is subject to corporate income tax for the tax year ending in that calendar year will be considered to have been distributed by year end (or earlier if estimated taxes are paid). The Company, at its discretion, may choose not to distribute all its taxable income for the calendar year and pay a non-deductible 4% excise tax on this income. If the Company chooses to do so, all other things being equal, this would increase expenses and reduce the amount available to be distributed to stockholders. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, the Company accrues excise taxes on estimated excess taxable income as taxable income is earned. Income tax expense for the three months ended March 31, 2023 of \$374,763 was mostly related to excise and franchise taxes. Included in income tax expense for the three months ended March 31, 2022 is a decrease of the estimated excise tax accrued relating to the year ended December 31, 2021 of \$4,705 and franchise tax refund of \$2,270, as well as a 2022 quarterly estimate of \$286,392.

The Company evaluates tax positions taken or expected to be taken while preparing its tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions deemed to meet a “more-likely-than-not” threshold would be recorded as a tax benefit or expense in the applicable period. As of March 31, 2023 and December 31, 2022, the Company had not recorded a liability for any unrecognized tax positions. Management’s evaluation of uncertain tax positions may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. The Company’s policy is to include interest and penalties related to income taxes, if applicable, in general and administrative expenses. Any expenses for the three months ended March 31, 2023 and 2022 were de minimis.

The Taxable Subsidiaries are direct wholly-owned subsidiaries of the Company that have elected to be taxable entities. The Taxable Subsidiaries permit the Company to hold equity investments in portfolio companies that are “pass through” entities for tax purposes and continue to comply with the “source-of-income” requirements contained in RIC tax provisions of the Code. The Taxable Subsidiaries are not consolidated with the Company for income tax purposes and may generate income tax expense, benefit, and the related tax assets and liabilities, as a result of their ownership of certain portfolio investments. The income tax expense, or benefit, if any, and related tax assets and liabilities are reflected in the Company’s consolidated financial statements.

The Taxable Subsidiaries use the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, using statutory tax rates in effect for the year in which the temporary differences are expected to reverse. A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. Taxable income generally excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

For the three months ended March 31, 2023 and 2022, the Company recorded deferred income tax provision of \$78,760 and \$21,157, respectively, related to the Taxable Subsidiaries. In addition, as of March 31, 2023 and December 31, 2022, the Company had a deferred tax liability of \$140,696 and \$61,936, respectively.

Earnings per Share

Basic per share calculations are computed utilizing the weighted average number of shares of the Company’s common stock outstanding for the period. The Company has no common stock equivalents. As a result, there is no difference between diluted earnings per share and basic per share amounts.

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Paid In Capital

The Company records the proceeds from the sale of shares of its common stock on a net basis to (i) capital stock and (ii) paid in capital in excess of par value, excluding all commissions and marketing support fees.

Distributable Earnings

The components that make up distributable earnings on the Statements of Assets and Liabilities as of March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023	December 31, 2022
Accumulated net realized gain from investments, net of cumulative dividends of \$29,361,648 for both periods	\$ 2,670,774	\$ 2,675,719
Net unrealized depreciation on non-controlled non-affiliated investments and cash equivalents, net of deferred tax liability of \$140,696 and \$61,936, respectively	(34,065,199)	(29,736,797)
Net unrealized appreciation on foreign currency translations	7,914	6,040
Accumulated undistributed net investment income	28,813,600	27,697,264
Total distributable (loss) earnings	\$ (2,572,911)	\$ 642,226

Recently Issued Accounting Standards

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-04, Reference Rate Reform. The amendments in ASU 2020-04 provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The standard is effective as of March 12, 2020 through December 31, 2022. The Company has agreements that have the London Interbank Offered Rate (“LIBOR”) as a reference rate with certain portfolio companies and with certain lenders. Many of these agreements include language for choosing an alternative successor rate if LIBOR reference is no longer considered to be appropriate. Contract modifications are required to be evaluated in determining whether the modifications result in the establishment of new contracts or the continuation of existing contracts. The Company adopted this amendment in March 2020 and plans to apply the amendments in this update to account for contract modifications as contracts are amended to include a new reference rate or when LIBOR reference is no longer used. The Company did not utilize the optional expedients and exceptions provided by ASU 2020-04 during the three months ended March 31, 2023.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by the Company as of the specified effective date. We believe the impact of the recently issued standards and any that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

NOTE 2 — RELATED PARTY ARRANGEMENTS

Investment Advisory Agreement

The Company has entered into an investment advisory agreement with Stellus Capital pursuant to which Stellus Capital serves as its investment adviser. Pursuant to this agreement, the Company has agreed to pay to Stellus Capital an annual base management fee of 1.75% of gross assets, including assets purchased with borrowed funds or other forms of leverage and excluding cash and cash equivalents, and an incentive fee.

For the three months ended March 31, 2023 and 2022, the Company recorded an expense for base management fees of \$3,735,102 and \$3,492,713, respectively. As of March 31, 2023 and December 31, 2022, \$4,557,841 and \$7,150,407, respectively, were payable to Stellus Capital.

The incentive fee has two components, the investment income incentive fee and the capital gains incentive fee, as follows:

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Investment Income Incentive Fee

The investment income component (“Income Incentive Fee”) is calculated, and payable to the Advisor, quarterly in arrears based on the Company’s pre-incentive fee net investment income for the immediately preceding calendar quarter, subject to a cumulative total return requirement and to deferral of non-cash amounts. The pre-incentive fee net investment income, which is expressed as a rate of return on the value of the Company’s net assets attributable to the Company’s common stock, for the immediately preceding calendar quarter, will have a 2.0% (which is 8.0% annualized) hurdle rate (also referred to as the “Hurdle”). Pre-incentive fee net investment income means interest income, dividend income and any other income accrued during the calendar quarter, minus the Company’s operating expenses for the quarter excluding the incentive fee. Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. The Advisor receives no incentive fee for any calendar quarter in which the Company’s pre-incentive fee net investment income does not exceed the Hurdle. Subject to the cumulative total return requirement described below, the Advisor receives 100% of the Company’s pre-incentive fee net investment income for any calendar quarter with respect to that portion of the pre-incentive net investment income for such quarter, if any, that exceeds the Hurdle but is less than 2.5% (which is 10.0% annualized) of net assets (also referred to as the “Catch-up”) and 20.0% of the Company’s pre-incentive fee net investment income for such calendar quarter, if any, greater than 2.5% (10.0% annualized) of net assets.

The foregoing Income Incentive Fee is subject to a total return requirement, which provides that no Income Incentive Fee in respect of the Company’s pre-incentive fee net investment income is payable except to the extent 20.0% of the cumulative net increase in net assets resulting from operations over the then current and 11 preceding calendar quarters exceeds the cumulative Income Incentive Fees accrued and/or paid for the 11 preceding quarters. In other words, any Income Incentive Fee that is payable in a calendar quarter is limited to the lesser of (i) 20% of the amount by which the Company’s pre-incentive fee net investment income for such calendar quarter exceeds the 2.0% hurdle, subject to the Catch-up, and (ii) (x) 20% of the cumulative net increase in net assets resulting from operations for the then current and 11 preceding quarters minus (y) the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters. For the foregoing purpose, the “cumulative net increase in net assets resulting from operations” is the amount, if positive, of the sum of pre-incentive fee net investment income, realized gains and losses and unrealized appreciation and depreciation of the Company for the then current and 11 preceding calendar quarters. In addition, the Advisor is not paid the portion of such Income Incentive Fee that is attributable to deferred interest until the Company actually receives such interest in cash.

For the three months ended March 31, 2023 and 2022, the Company incurred \$2,124,835 and \$0 of Income Incentive Fees, respectively. As of March 31, 2023 and December 31, 2022, \$4,589,243 and \$2,464,408, respectively, of such Income Incentive Fees were payable to the Advisor, of which \$4,015,852 and \$2,083,928, respectively, are currently payable (as explained below). As of March 31, 2023 and December 31, 2022, \$573,391 and \$380,480, respectively, of Income Incentive Fees incurred but not paid by the Company were generated from deferred interest (i.e. PIK, certain discount accretion and deferred interest) and are not payable until such amounts are received by the Company in cash.

Capital Gains Incentive Fee

The Company also pays the Advisor an incentive fee based on capital gains (the “Capital Gains Incentive Fee”). The Capital Gains Incentive Fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the investment management agreement, as of the termination date). The Capital Gains Incentive Fee is equal to 20.0% of the Company’s cumulative aggregate realized capital gains from Inception through the end of that calendar year, computed net of the cumulative aggregate realized capital losses and cumulative aggregate unrealized capital depreciation through the end of such year. The aggregate amount of any previously paid Capital Gain Incentive Fees is subtracted from such Capital Gain Incentive Fees calculated.

U.S. GAAP requires that the Capital Gains Incentive Fee accrual considers the cumulative aggregate realized gains and losses and unrealized capital appreciation or depreciation of investments and other financial instruments in the calculation, as an incentive fee would be payable if such realized gains and losses and unrealized capital appreciation or depreciation were realized, even though such realized gains and losses and unrealized capital appreciation or depreciation is not permitted to be considered in calculating the Capital Gains Incentive Fee actually payable under the investment advisory agreement. There can be no assurance that unrealized appreciation or

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depreciation will be realized in the future. Accordingly, such fees, as calculated and accrued, may not necessarily be payable under the investment advisory agreement, and may never be paid based upon the computation of incentive fees in subsequent periods.

For the three months ended March 31, 2023 and 2022, the Company reversed \$569,528 and \$42,217, respectively, related to the Capital Gains Incentive Fee. As of March 31, 2023 and December 31, 2022, \$0 and \$569,528, respectively, of Capital Gains Incentive Fees were accrued but not currently payable to the Advisor.

The following tables summarize the components of the incentive fees discussed above:

	For the three months ended	
	March 31, 2023	March 31, 2022
Investment income incentive fees incurred	\$ 2,124,835	\$ —
Capital gains incentive fees reversed	(569,528)	(42,217)
Incentive fees expense (reversal)	\$ 1,555,307	\$ (42,217)
	March 31, 2023	December 31, 2022
Investment income incentive fee currently payable	\$ 4,015,852	\$ 2,083,928
Investment income incentive fee deferred	573,391	380,480
Capital gains incentive fee deferred	—	569,528
Incentive fee payable	\$ 4,589,243	\$ 3,033,936

Director Fees

For the three months ended March 31, 2023 and 2022, the Company recorded an expense relating to director fees of \$117,250 and \$96,500, respectively. As of both March 31, 2023 and December 31, 2022, the Company had no unpaid independent director fees.

Co-Investment Pursuant to SEC Order

On October 23, 2013, the Company received an exemptive order as superseded by a new exemptive relief order on December 18, 2018 (the “Prior Order”) from the SEC to co-invest with private funds managed by Stellus Capital where doing so is consistent with the Company’s investment strategy as well as applicable law (including the terms and conditions of the exemptive order issued by the SEC). On May 9, 2022, the Company received a new exemptive order (the “Order”) that superseded the Prior Order and permits the Company greater flexibility to enter into co-investment transactions. The Order expands on the Prior Order and allows the Company to co-invest with additional types of private funds, other BDCs, and registered investment companies managed by Stellus Capital or an adviser that is controlled, controlling, or under common control with Stellus Capital, subject to the conditions included therein. Additionally, the Order provided added relief which allows the Company, subject to the satisfaction of certain conditions, to co-invest in existing portfolio companies with certain affiliates that are private funds if such private funds did not have an investment in such existing portfolio company. Pursuant to the Order, a “required majority” (as defined in Section 57(o) of the 1940 Act) of the Company’s independent directors must make certain conclusions in connection with a co-investment transaction, including (1) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching of the Company or its stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of the Company’s stockholders and is consistent with its investment objectives and strategies. The Company co-invests, subject to the conditions in the Order, with private credit funds managed by Stellus Capital that have an investment strategy that is similar or identical to the Company’s investment strategy, and the Company may co-invest with other BDCs, and registered investment companies managed by Stellus Capital or an adviser that is controlled, controlling, or under common control with Stellus Capital in the future. The Company believes that such co-investments may afford it additional investment opportunities and an ability to achieve greater diversification.

Administrative Agent

The Company serves as the administrative agent on certain investment transactions, including co-investments with its affiliates under the Order. As of both March 31, 2023 and December 31, 2022, there was no cash due to other investment funds related to interest paid by

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a borrower to the Company as administrative agent. Any such amount would be included in “Other accrued expenses and liabilities” on the Consolidated Statements of Assets and Liabilities. Additionally, as of March 31, 2023 and December 31, 2022, there was \$413,928 and \$1,060,321 due to related parties related to interest paid by a borrower to the Company as administrative agent, respectively, which is included in “Related party payable” on the Consolidated Statement of Assets and Liabilities.

License Agreement

The Company has entered into a license agreement with Stellus Capital under which Stellus Capital has agreed to grant the Company a non-exclusive, royalty-free license to use the name “Stellus Capital.” Under this agreement, the Company has a right to use the “Stellus Capital” name for so long as Stellus Capital or one of its affiliates remains its investment adviser. Other than with respect to this limited license, the Company has no legal right to the “Stellus Capital” name. This license agreement will remain in effect for so long as the investment advisory agreement with Stellus Capital is in effect.

Administration Agreement

The Company entered into an administration agreement with Stellus Capital pursuant to which Stellus Capital will furnish the Company with office facilities and equipment and will provide the Company with the clerical, bookkeeping, recordkeeping and other administrative services necessary to conduct day-to-day operations. Under this administration agreement, Stellus Capital will perform, or oversee the performance of, its required administrative services, which includes, among other things, being responsible for the financial records which the Company is required to maintain and preparing reports to its stockholders and reports filed with the SEC.

For the three months ended March 31, 2023 and 2022, the Company recorded expenses of \$383,436 and \$400,888, respectively, related to the administration agreement and are included in administrative services expenses on our Consolidated Statements of Operations. As of March 31, 2023 and December 31, 2022, \$383,436 and \$343,817, respectively, remained payable to Stellus Capital related to the administration agreement and were included in administrative services payable on our Consolidated Statements of Assets and Liabilities.

Indemnifications

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 under the investment advisory agreement, Stellus Capital and its officers, managers, partners, agents, employees, controlling persons and members, and any other person or entity affiliated with it, are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys’ fees and amounts reasonably paid in settlement) arising from the rendering of Stellus Capital’s services under the investment advisory agreement or otherwise as our investment adviser.

The Company has also entered into indemnification agreements with its directors. The indemnification agreements are intended to provide the Company’s directors the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that the Company 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 Company.

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NOTE 3 — DISTRIBUTIONS

Distributions are generally declared by the Company’s Board each calendar quarter and recognized as distribution liabilities on the declaration date. The stockholder distributions, if any, will be determined by the Board. Any distribution to stockholders will be declared out of assets legally available for distribution.

For the three months ended March 31, 2023 and 2022, the Company declared aggregate distributions of \$0.40 and \$0.28 per share on its common stock. The Company has declared aggregate distributions of \$13.75 per share on its common stock since Inception:

Date Declared	Record Date	Payment Date	Per Share ⁽¹⁾
Fiscal 2012			\$ 0.18
Fiscal 2013			\$ 1.36
Fiscal 2014			\$ 1.42
Fiscal 2015			\$ 1.36
Fiscal 2016			\$ 1.36
Fiscal 2017	Various		\$ 1.36
Fiscal 2018			\$ 1.36
Fiscal 2019			\$ 1.36
Fiscal 2020			\$ 1.15
Fiscal 2021			\$ 1.14
Fiscal 2022			\$ 1.30
Fiscal 2023			
January 11, 2023	January 31, 2023	February 15, 2023	\$ 0.1333
January 11, 2023	February 28, 2023	March 15, 2023	\$ 0.1333
January 11, 2023	March 31, 2023	April 14, 2023	\$ 0.1333
Total			\$ 13.75

(1) Distributions for fiscal years 2012 through 2022 are shown in aggregate amounts.

The Company has adopted an “opt out” dividend reinvestment plan (“DRIP”) pursuant to which a stockholder whose shares are held in his own name will receive distributions in shares of the Company’s common stock under the Company’s DRIP unless it elects to receive distributions in cash. Stockholders whose shares are held in the name of a broker or the nominee of a broker may have distributions reinvested only if such service is provided by the broker or the nominee, or if the broker of the nominee permits participation in the Company’s DRIP.

Although distributions paid in the form of additional shares of the Company’s common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, investors participating in the Company’s DRIP will not receive any corresponding cash distributions with which to pay any such applicable taxes. Any distributions reinvested through the issuance of shares through the Company’s DRIP will increase the Company’s gross assets on which the base management fee and the incentive fee are determined and paid to Stellus Capital. The Company did not issue shares through the DRIP during either of the three months ended March 31, 2023 or 2022.

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NOTE 4 — EQUITY OFFERINGS AND RELATED EXPENSES

The table below illustrates the number of common stock shares the Company issued since Inception through various equity offerings and pursuant to the Company's DRIP.

Issuance of Common Stock	Number of Shares	Gross Proceeds⁽¹⁾⁽²⁾	Underwriting fees	Offering Expenses	Fees Covered by Advisor	Net Proceeds⁽³⁾	Average Offering Price
Year ended December 31, 2012	12,035,023	\$ 180,522,093	\$ 4,959,720	\$ 835,500	\$ —	\$ 174,726,873	\$ 14.90
Year ended December 31, 2013	63,998	899,964	—	—	—	899,964	14.06
Year ended December 31, 2014	380,936	5,485,780	75,510	29,904	—	5,380,366	14.47
Year ended December 31, 2017	3,465,922	48,741,406	1,358,880	307,021	—	47,075,505	14.06
Year ended December 31, 2018	7,931	93,737	—	—	—	93,737	11.85
Year ended December 31, 2019	3,177,936	45,862,995	1,015,127	559,261	37,546	44,326,153	14.43
Year ended December 31, 2020	354,257	5,023,843	5,680	84,592	66,423	4,999,994	14.40
Year ended December 31, 2021	31,592	449,515	6,744	53,327	4,255	393,699	14.23
Year ended December 31, 2022	149,174	2,070,935	31,066	530,842	87,605	1,596,632	13.88
Three months ended March 31, 2023	581,614	8,418,160	126,303	70,255	68,967	8,290,569	14.47
Total	20,248,383	\$ 297,568,428	\$ 7,579,030	\$ 2,470,702	\$ 264,796	\$ 287,783,492	

- (1) Net of partial share transactions. Such share transactions impacted gross proceeds by (\$94), \$757, (\$1,051), (\$142), (\$31) and (\$29) in 2020, 2019, 2018, 2017, 2016 and 2015, respectively.
- (2) Includes common shares issued under the DRIP of \$228,943 and \$94,788 during the year ended December 31, 2020 and 2018, respectively; \$0 for the three months ended March 31, 2023 and years ended 2022, 2021, 2019, 2017, 2016 and 2015, and \$390,505, \$938,385, \$113,000 for the years ended 2014, 2013, and 2012, respectively.
- (3) Net Proceeds per this equity table will differ from the Statements of Assets and Liabilities as of March 31, 2023 and December 31, 2022 in the amount of \$4,358,536 which represents a tax reclassification of stockholders' equity in accordance with U.S. GAAP. This reclassification reduces Paid-in capital and increases distributable earnings (reducing the accumulated undistributed deficit).

On November 16, 2021, the Company entered into an equity distribution agreement, as amended and restated on August 29, 2022 (the "Equity Distribution Agreement"), with Keefe Bruyette & Woods, Inc. and Raymond James & Associates, Inc., as sales agents and/or principal thereunder. Under the Equity Distribution Agreement, the Company may, issue and sell, from time to time, up to \$50,000,000 in aggregate offering price of shares of common stock, par value \$0.001 per share, with the intention to use the net proceeds from this at-the-market sales program (the "ATM Program") to repay certain outstanding indebtedness and make investments in portfolio companies in accordance with its investment objective and strategies.

The Company issued 581,614 shares during the three months ended March 31, 2023 under the ATM Program, for gross proceeds of \$8,418,160 and underwriting fees and other expenses of \$196,558. The average per share offering price of shares issued in the ATM Program during the three months ended March 31, 2023 was \$14.47. The Advisor agreed to reimburse the Company for underwriting fees and expenses to the extent the per share price of the shares to the public, less underwriting fees, was less than net asset value per share. For the three months ended March 31, 2023, the Advisor reimbursed the Company \$68,967, which resulted in net proceeds of \$8,290,569, or \$14.38 per share, excluding the impact of offering expenses.

The Company issued 0 shares of common stock through the DRIP for both the three months ended March 31, 2023 and 2022.

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NOTE 5 — NET INCREASE IN NET ASSETS PER COMMON SHARE

The following information sets forth the computation of net increase in net assets resulting from operations per common share for the three months ended March 31, 2023 and March 31, 2022.

	Three Months Ended	
	March 31, 2023	March 31, 2022
Net increase in net assets resulting from operations	\$ 4,736,147	\$ 5,222,164
Weighted average common shares	19,779,988	19,517,761
Net increase in net assets resulting from operations per share	<u>\$ 0.24</u>	<u>\$ 0.27</u>

NOTE 6 — PORTFOLIO INVESTMENTS AND FAIR VALUE

In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, the Company discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not considered to be active or financial instruments for which significant inputs are observable, either directly or indirectly;

Level 3 — Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by management.

The Company considers whether the volume and level of activity for the asset or liability have significantly decreased and identifies transactions that are not orderly in determining fair value. Accordingly, if the Company determines that either the volume and/or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value. Valuation techniques such as an income approach might be appropriate to supplement or replace a market approach in those circumstances.

At March 31, 2023, the Company had investments in 88 portfolio companies. The total cost and fair value of the investments were \$912,581,782 and \$877,493,781, respectively. The composition of our investments as of March 31, 2023 is as follows:

	Cost	Fair Value
Senior Secured – First Lien ⁽¹⁾	\$ 784,755,679	\$ 767,818,131
Senior Secured – Second Lien	70,026,436	43,780,075
Unsecured Debt	5,833,306	5,428,810
Equity	51,966,361	60,466,765
Total Investments	<u>\$ 912,581,782</u>	<u>\$ 877,493,781</u>

(1) Includes unitranche investments, which may combine characteristics of first lien senior secured, as well as second lien and/or subordinated loans. Our unitranche loans may expose us to certain risk associated with second lien and subordinated loans to the extent we invest in the “last-out” portion of the unitranche loans which account for 6.2% of our portfolio at fair value

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At December 31, 2022, the Company had investments in 85 portfolio companies. The total cost and fair value of the investments were \$875,823,177 and \$844,733,638, respectively. The composition of our investments as of December 31, 2022 was as follows:

	Cost	Fair Value
Senior Secured – First Lien ⁽¹⁾	\$ 750,527,999	\$ 735,555,508
Senior Secured – Second Lien	69,989,477	45,304,300
Unsecured Debt	5,657,964	4,823,898
Equity	49,647,737	59,049,932
Total Investments	\$ 875,823,177	\$ 844,733,638

(1) Includes unitranche investments, which may combine characteristics of first lien senior secured, as well as second lien and/or subordinated loans. Our unitranche loans may expose us to certain risk associated with second lien and subordinated loans to the extent we invest in the “last-out” portion of the unitranche loans which account for 3.1% of our portfolio at fair value

The Company’s investment portfolio may contain loans that are in the form of lines of credit or revolving credit facilities, which require the Company to provide funding when requested by portfolio companies in accordance with the terms of the underlying loan agreements. As of March 31, 2023 and December 31, 2022, the Company had 49 and 52 of such investments with aggregate unfunded commitments of \$25,826,912 and \$27,824,9178, respectively. The Company maintains sufficient liquidity (through cash on hand and available borrowings under the Credit Facility) to fund such unfunded loan commitments should the need arise.

The aggregate gross unrealized appreciation and depreciation and the aggregate cost and fair value of the Company’s portfolio company securities as March 31, 2023 and December 31, 2022 were as follows:

	2023	2022
Aggregate cost of portfolio company securities	\$ 912,581,782	\$ 875,823,177
Gross unrealized appreciation of portfolio company securities	30,021,948	28,927,746
Gross unrealized depreciation of portfolio company securities	(63,946,451)	(58,602,607)
Gross unrealized appreciation on foreign currency translations of portfolio company securities	9,269	—
Gross unrealized depreciation on foreign currency translations of portfolio company securities	(1,172,767)	(1,414,678)
Aggregate fair value of portfolio company securities	\$ 877,493,781	\$ 844,733,638

The fair values of our investments disaggregated into the three levels of the fair value hierarchy based upon the lowest level of significant input used in the valuation as of March 31, 2023 are as follows:

	Quoted Prices in Active Markets for Identical Securities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Senior Secured – First Lien	\$ —	\$ —	\$ 767,818,131	\$ 767,818,131
Senior Secured – Second Lien	—	—	43,780,075	43,780,075
Unsecured Debt	—	—	5,428,810	5,428,810
Equity	—	—	60,466,765	60,466,765
Total Investments	\$ —	\$ —	\$ 877,493,781	\$ 877,493,781

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The fair values of our investments disaggregated into the three levels of the fair value hierarchy based upon the lowest level of significant input used in the valuation as of December 31, 2022 are as follows:

The aggregate values of Level 3 portfolio investments change during the three months ended March 31, 2023 are as follows:

	Senior Secured Loans-First Lien	Senior Secured Loans-Second Lien	Unsecured Debt	Equity	Total
Fair value at beginning of period	\$ 735,555,508	\$ 45,304,300	\$ 4,823,898	\$ 59,049,932	\$ 844,733,638
Purchases of investments	38,908,052	—	—	2,329,221	41,237,273
Payment-in-kind interest	598,421	—	171,533	—	769,954
Sales and redemptions	(5,903,154)	—	—	(14,974)	(5,918,128)
Realized (losses) gains	(870)	—	—	4,377	3,507
Change in unrealized (depreciation) appreciation included in earnings ⁽¹⁾	(2,214,114)	(1,561,184)	429,571	(903,915)	(4,249,642)
Change in unrealized appreciation on foreign currency included in earnings	249,057	—	—	2,124	251,181
Amortization of premium and accretion of discount, net	625,231	36,959	3,808	—	665,998
Fair value at end of period	<u>\$ 767,818,131</u>	<u>\$ 43,780,075</u>	<u>\$ 5,428,810</u>	<u>\$ 60,466,765</u>	<u>\$ 877,493,781</u>

(1) Includes reversal of positions during the three months ended March 31, 2023.

There were no Level 3 transfers during the three months ended March 31, 2023.

The aggregate values of Level 3 portfolio investments change during the year ended December 31, 2022 are as follows:

	Senior Secured Loans-First Lien	Senior Secured Loans-Second Lien	Unsecured Debt	Equity	Total
Fair value at beginning of period	\$ 646,352,935	\$ 56,733,110	\$ 4,883,854	\$ 64,903,427	\$ 772,873,326
Purchases of investments	196,925,873	4,900,000	83,511	9,101,485	211,010,869
Payment-in-kind interest	826,816	—	530,361	—	1,357,177
Sales and redemptions	(98,160,329)	(10,809,276)	—	(18,873,195)	(127,842,800)
Realized (losses) gains	(3,929,334)	(4,109,525)	—	11,811,371	3,772,512
Change in unrealized depreciation included in earnings ⁽¹⁾	(7,342,462)	(1,611,688)	(687,778)	(7,900,302)	(17,542,230)
Change in unrealized (depreciation) appreciation on foreign currency included in earnings	(1,421,824)	—	—	7,146	(1,414,678)
Amortization of premium and accretion of discount, net	2,303,833	201,679	13,950	—	2,519,462
Fair value at end of period	<u>\$ 735,555,508</u>	<u>\$ 45,304,300</u>	<u>\$ 4,823,898</u>	<u>\$ 59,049,932</u>	<u>\$ 844,733,638</u>

(1) Includes reversal of positions during the twelve months ended December 31, 2022.

There were no Level 3 transfers during the twelve months ended December 31, 2022.

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The following is a summary of geographical concentration of our investment portfolio as of March 31, 2023:

	Cost	Fair Value	% of Total Investments
California	\$ 179,822,505	\$ 177,328,495	20.21 %
Texas	191,169,751	169,192,709	19.28 %
Florida	70,928,731	69,786,799	7.95 %
Illinois	64,136,431	51,089,935	5.82 %
Arizona	43,048,182	44,223,012	5.03 %
Pennsylvania	42,794,571	42,003,646	4.79 %
Ohio	33,701,526	37,033,209	4.22 %
Washington	28,991,782	28,520,772	3.25 %
New Jersey	25,317,538	25,404,660	2.90 %
Wisconsin	27,522,337	24,405,731	2.78 %
South Carolina	23,985,102	23,307,462	2.66 %
District of Columbia	17,021,109	20,332,646	2.32 %
Georgia	10,866,076	19,558,379	2.23 %
Minnesota	17,072,971	16,764,036	1.91 %
Maryland	16,774,301	16,600,434	1.89 %
Colorado	15,103,204	14,472,339	1.65 %
Indiana	14,357,762	14,478,350	1.65 %
Canada	13,312,608	13,123,054	1.50 %
United Kingdom	20,599,520	12,759,683	1.45 %
Tennessee	11,413,288	11,413,288	1.30 %
North Carolina	10,446,206	10,631,238	1.21 %
Massachusetts	10,199,234	10,517,456	1.20 %
Idaho	9,742,830	9,778,705	1.11 %
Missouri	9,121,069	9,627,249	1.10 %
New York	5,133,148	5,140,494	0.59 %
	<u>\$ 912,581,782</u>	<u>\$ 877,493,781</u>	<u>100.00 %</u>

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The following is a summary of geographical concentration of our investment portfolio as of December 31, 2022:

	Cost	Fair Value	% of Total Investments at fair value
Texas	\$ 191,422,143	\$ 171,165,597	20.26 %
California	167,833,384	165,340,017	19.57 %
Florida	60,593,839	59,421,775	7.03 %
Illinois	64,421,998	53,218,615	6.30 %
Arizona	43,129,283	44,277,625	5.24 %
Pennsylvania	42,899,504	41,889,344	4.96 %
Ohio	34,223,452	37,333,236	4.42 %
Washington	28,978,375	28,480,471	3.37 %
New Jersey	25,395,054	25,140,343	2.98 %
Wisconsin	27,533,402	24,271,761	2.87 %
District of Columbia	17,236,556	21,124,347	2.50 %
Georgia	10,919,642	19,692,757	2.33 %
South Carolina	19,089,373	18,654,782	2.21 %
Maryland	16,824,077	16,576,554	1.96 %
Minnesota	16,972,086	15,952,072	1.89 %
United Kingdom	20,530,087	14,445,481	1.71 %
Colorado	15,204,934	14,295,470	1.69 %
Indiana	14,346,082	14,245,432	1.69 %
Canada	13,333,737	13,266,669	1.57 %
North Carolina	10,461,551	10,649,232	1.26 %
Massachusetts	10,215,356	10,527,659	1.25 %
Idaho	9,873,093	9,863,103	1.17 %
Missouri	9,142,111	9,656,287	1.14 %
New York	5,096,152	5,096,008	0.61 %
Michigan	147,906	149,001	0.02 %
	<u>\$ 875,823,177</u>	<u>\$ 844,733,638</u>	<u>100.00 %</u>

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The following is a summary of industry concentration of our investment portfolio as of March 31, 2023:

	Cost	Fair Value	% of Total Investments
Services: Business	\$ 214,938,285	\$ 225,555,095	25.70 %
Healthcare & Pharmaceuticals	90,768,290	91,838,092	10.47 %
Consumer Goods: Durable	59,536,778	56,844,795	6.48 %
Media: Advertising, Printing & Publishing	52,707,992	52,833,166	6.02 %
Consumer Goods: Non-Durable	54,573,002	51,799,071	5.90 %
Beverage, Food, & Tobacco	44,255,730	43,826,641	4.99 %
Aerospace & Defense	48,175,509	37,969,299	4.33 %
Software	37,504,347	37,740,143	4.30 %
Capital Equipment	33,548,956	34,006,902	3.88 %
Construction & Building	26,868,234	26,527,191	3.02 %
Environmental Industries	27,675,169	25,341,098	2.89 %
Services: Consumer	43,347,965	24,770,484	2.83 %
Media: Broadcasting & Subscription	18,587,328	21,616,919	2.46 %
Chemicals, Plastics, & Rubber	18,482,917	17,699,203	2.02 %
Transportation & Logistics	16,742,199	17,115,334	1.95 %
Metals & Mining	16,676,543	16,504,906	1.88 %
Retail	14,961,662	14,936,630	1.70 %
Containers, Packaging, & Glass	17,442,042	14,035,836	1.60 %
High Tech Industries	14,105,434	13,006,779	1.48 %
Automotive	11,115,290	11,193,750	1.28 %
Education	11,039,366	10,349,882	1.18 %
Utilities: Oil & Gas	9,926,667	9,850,000	1.12 %
Energy: Oil & Gas	6,821,814	6,958,701	0.79 %
Media: Diversified & Production	5,563,272	5,607,424	0.64 %
Finance	1,568,063	5,092,591	0.58 %
FIRE: Real Estate	15,648,928	3,661,577	0.42 %
Hotel, Gaming, & Leisure	-	812,272	0.09 %
Total	<u>\$ 912,581,782</u>	<u>\$ 877,493,781</u>	<u>100.00 %</u>

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The following is a summary of industry concentration of our investment portfolio as of December 31, 2022:

	Cost	Fair Value	% of Total Investments at fair value
Services: Business	\$ 207,234,534	\$ 218,866,572	25.91 %
Healthcare & Pharmaceuticals	86,469,854	88,103,319	10.43 %
Media: Advertising, Printing & Publishing	52,830,447	52,525,839	6.22 %
Consumer Goods: Non-Durable	54,683,102	51,280,593	6.07 %
Consumer Goods: Durable	45,601,928	44,529,176	5.27 %
Aerospace & Defense	48,137,394	39,526,086	4.68 %
Software	37,582,855	37,975,255	4.50 %
Capital Equipment	33,538,647	33,801,951	4.00 %
Beverage, Food, & Tobacco	34,000,918	32,755,054	3.88 %
Construction & Building	26,948,135	26,406,849	3.13 %
Environmental Industries	27,771,798	26,247,936	3.11 %
Services: Consumer	43,302,101	24,616,706	2.92 %
Media: Broadcasting & Subscription	18,615,052	21,445,307	2.54 %
Chemicals, Plastics, & Rubber	18,487,206	17,903,999	2.12 %
Transportation & Logistics	16,768,763	17,161,972	2.03 %
Metals & Mining	16,708,750	16,464,001	1.95 %
Containers, Packaging, & Glass	17,436,600	13,977,250	1.65 %
Retail	13,303,536	13,217,256	1.56 %
High Tech Industries	14,126,954	12,648,347	1.50 %
Automotive	11,252,581	11,342,751	1.34 %
Education	11,057,921	10,498,760	1.24 %
Utilities: Oil & Gas	9,921,469	9,800,000	1.16 %
Energy: Oil & Gas	7,314,230	7,355,074	0.87 %
FIRE: Real Estate	15,642,093	5,866,397	0.69 %
Media: Diversified & Production	5,517,409	5,534,710	0.66 %
Finance	1,568,900	4,082,579	0.48 %
Hotel, Gaming, & Leisure	—	799,899	0.09 %
	<u>\$ 875,823,177</u>	<u>\$ 844,733,638</u>	<u>100.00 %</u>

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The following provides quantitative information about Level 3 fair value measurements as of March 31, 2023:

<u>Description:</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range (Average)⁽¹⁾⁽³⁾</u>
First lien debt	\$ 767,818,131	Income/Market approach ⁽²⁾	HY credit spreads, Risk free rates Market multiples	-0.57% to 8.60% (1.09%) -1.76% to 3.61% (1.57%) 4.5x to 19.3x (10.0x) ⁽⁴⁾
Second lien debt	\$ 43,780,075	Income/Market approach ⁽²⁾	HY credit spreads, Risk free rates Market multiples	-0.60% to 3.60% (1.44%) -0.36% to 3.58% (1.82%) 5.6x to 15.1x (11.4x) ⁽⁴⁾
Unsecured debt	\$ 5,428,810	Income/Market approach ⁽²⁾	HY credit spreads, Risk free rates Market multiples	6.39% to 6.39% (6.39%) 3.30% to 3.30% (3.30%) 9.1x to 9.1x (9.1x) ⁽⁴⁾
Equity investments	\$ 60,466,765	Market approach ⁽⁵⁾	Underwriting multiple/ EBITDA Multiple	1.3x to 24.6x (11.8x)
Total Long Term Level 3 Investments	<u>\$ 877,493,781</u>			

(1) Weighted average based on fair value as of March 31, 2023.

(2) Included but not limited to (a) the market approach, which is used to determine sufficient enterprise value, and (b) the income approach which is based on discounting future cash flows using an appropriate market yield.

(3) The Company calculates the price of the loan by discounting future cash flows, which include forecasted future BSBY, LIBOR, SOFR, or SONIA rates based on the published forward curve at the valuation date, using an appropriate yield calculated as of the valuation date. This yield is calculated based on the loan's yield at the original investment and is adjusted as of the valuation date based on: changes in comparable credit spreads, changes in risk free interest rates (per swap rates), and changes in credit quality (via an estimated shadow rating). Significant movements in any of these factors could result in a significantly lower or higher fair value measurement. As an example, the "Range (Average)" for first lien debt instruments in the table above indicates that the change in the HY spreads between the date a loan closed and the valuation date ranged from -0.57% (-57 basis points) to 8.60% (860 basis points). The average of all changes was 1.09% (109 basis points).

(4) Median of LTM (last twelve months) EBITDA multiples of comparable companies.

(5) The primary significant unobservable input used in the fair value measurement of the Company's equity investments is the EBITDA multiple (the "Multiple"). Significant increases (decreases) in the Multiple in isolation could result in a significantly higher (lower) fair value measurement. To determine the Multiple for the market approach, the Company considers current market trading and/or transaction multiple, portfolio company performance (financial ratios) relative to public and private peer companies and leverage levels, among other factors. Changes in one or more of these factors can have a similar directional change on other factors in determining the appropriate Multiple to use in the market approach.

The following provides quantitative information about Level 3 fair value measurements as of December 31, 2022:

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Description:	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average) ⁽¹⁾⁽³⁾
First lien debt	\$ 735,555,508	Income/Market approach ⁽²⁾	HY credit spreads, Risk free rates Market multiples	-2.29% to 6.53% (1.52%) -1.43% to 4.31% (2.31%) 4.5x to 19.3x (10.1x) ⁽⁴⁾
Second lien debt	\$ 45,304,300	Income/Market approach ⁽²⁾	HY credit spreads, Risk free rates Market multiples	-0.17% to 5.18% (2.39%) -0.02% to 3.91% (1.94%) 5.6x to 15.1x (11.4x) ⁽⁴⁾
Unsecured debt	\$ 4,823,898	Income/Market approach ⁽²⁾	HY credit spreads, Risk free rates Market multiples	7.97% to 7.97% (7.97%) 3.63% to 3.63% (3.63%) 9.1x to 9.1x (9.1x) ⁽⁴⁾
Equity investments	\$ 59,049,932	Market approach ⁽⁵⁾	Underwriting multiple/ EBITDA Multiple	1.3x to 24.8x (11.7x)
Total Long Term Level 3 Investments	\$ 844,733,638			

(1) Weighted average based on fair value as of December 31, 2022.

(2) Inclusive of but not limited to (a) the market approach, which is used to determine sufficient enterprise value, and (b) the income approach which is based on discounting future cash flows using an appropriate market yield.

(3) The Company calculates the price of the loan by discounting future cash flows, which include forecasted future LIBOR rates based on the published forward LIBOR curve at the valuation date, using an appropriate yield calculated as of the valuation date. This yield is calculated based on the loan's yield at the original investment and is adjusted as of the valuation date based on: changes in comparable credit spreads, changes in risk free interest rates (per swap rates), and changes in credit quality (via an estimated shadow rating). Significant movements in any of these factors would result in a significantly lower or higher fair value measurement. As an example, the "Range (Average)" for a first lien debt instruments in the table above indicates that the change in the HY spreads between the date a loan closed and the valuation date ranged from -2.29% (-229 basis points) to 6.53% (653 basis points). The average of all changes was 1.52% (152 basis points).

(4) Median of LTM (last twelve months) EBITDA multiples of comparable companies.

(5) The primary significant unobservable input used in the fair value measurement of the Company's equity investments is the EBITDA multiple (the "Multiple"). Significant increases (decreases) in the Multiple in isolation would result in a significantly higher (lower) fair value measurement. To determine the Multiple for the market approach, the Company considers current market trading and/or transaction multiple, portfolio company performance (financial ratios) relative to public and private peer companies and leverage levels, among other factors. Changes in one or more of these factors can have a similar directional change on other factors in determining the appropriate Multiple to use in the market approach.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

The Company is currently not subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us. From time to time, we may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition or results of operations.

As of March 31, 2023, the Company had \$25,524,095 in unfunded debt commitments and \$302,817 in unfunded equity commitments to 55 existing portfolio companies. As of December 31, 2022, the Company had \$27,522,100 in unfunded debt commitments and \$302,817 in unfunded equity commitments to 52 existing portfolio companies. As of March 31, 2023, the Company had sufficient liquidity (through cash on hand and available borrowings under the Credit Facility) to fund such unfunded loan commitments should the need arise.

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NOTE 8 — FINANCIAL HIGHLIGHTS

	For the three months ended	
	March 31, 2023	March 31, 2022
	(unaudited)	(unaudited)
Per Share Data:⁽¹⁾		
Net asset value at beginning of period	\$ 14.02	\$ 14.61
Net investment income	0.46	0.28
Change in unrealized depreciation on investments	(0.21)	(0.19)
Net realized gain	—	0.18
Provision for taxes on net unrealized appreciation on investments	(0.01)	—
Total from operations	\$ 0.24	\$ 0.27
Sales load	(0.01)	—
Offering costs	—	(0.01)
Stockholder distributions from:		
Net investment income	(0.40)	(0.28)
Accretive effect of stock offerings (issuing shares above net asset value per share)	0.01	—
Other ⁽⁶⁾	0.01	—
Net asset value at end of period	\$ 13.87	\$ 14.59
Per share market value at end of period	\$ 14.09	\$ 13.89
Total return based on market value ⁽²⁾	8.2 %	7.9 %
Weighted average shares outstanding for the period	19,779,988	19,517,761
Ratio/Supplemental Data:⁽¹⁾		
Net assets at end of period	\$ 280,852,045	\$ 285,036,401
Weighted average net assets	\$ 277,747,062	\$ 285,110,402
Annualized ratio of gross operating expenses to net assets ⁽⁵⁾	21.94 %	14.20 %
Annualized ratio of interest expense and other fees to net assets	11.52 %	6.96 %
Annualized ratio of net investment income to net assets ⁽⁵⁾	13.24 %	7.84 %
Portfolio turnover ⁽³⁾	2.77 %	1.25 %
Notes payable	\$ 100,000,000	\$ 100,000,000
Credit Facility payable	\$ 198,277,831	\$ 205,488,800
SBA-guaranteed debentures	\$ 313,600,000	\$ 270,000,000
Asset coverage ratio ⁽⁴⁾	1.94 x	1.93 x

- (1) Based on weighted average shares of common stock outstanding for the period.
- (2) Total return on market value is based on the change in market price per share since the end of the prior year and assumes enrollment in the Company's DRIP. The total returns are not annualized.
- (3) Portfolio turnover is calculated as the lesser of purchases or sales and repayments of investments divided by average portfolio balance and is not annualized.
- (4) Asset coverage ratio is equal to total assets less all liabilities and indebtedness not represented by senior securities over the aggregate amount of the senior securities. SBA-guaranteed debentures are excluded from the numerator and denominator.
- (5) These ratios include the impact of income tax provision on net unrealized appreciation in Taxable Subsidiaries of \$78,760 and \$21,157, respectively, which are not reflected in total operating expenses or net investment income. The impact of the tax provision on net unrealized appreciation to weighted average net assets for the three months ended March 31, 2023 and 2022 is 0.12% and 0.03%, respectively.
- (6) Includes the impact of different share amounts as a result of calculating certain per share data based on weighted average shares outstanding during the period and certain per share data based on shares outstanding as of the period end.

NOTE 9 — CREDIT FACILITY

On October 11, 2017, the Company entered into a senior secured revolving credit agreement, as amended, dated as of October 10, 2017, that was amended and restated on December 21, 2021, February 28, 2022 and May 13, 2022, with Zions Bancorporation, N.A., dba Amegy Bank and various other lenders (the "Credit Facility").

The Credit Facility provides for borrowings up to a maximum of \$265,000,000 on a committed basis with an accordion feature that allows the Company to increase the aggregate commitments up to \$280,000,000, subject to new or existing lenders agreeing to participate in the increase and other customary conditions.

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Pursuant to the Third Amendment and Commitment Increase to Amended and Restated Senior Secured Revolving Credit Agreement, the Credit Facility will bear interest, subject to the Company's election, on a per annum basis equal to (i) term SOFR plus 2.50% (or 2.75% during certain periods in which the Company's asset coverage ratio is equal to or below 1.90 to 1.00) plus a SOFR credit spread adjustment (0.10% for one-month term SOFR and 0.15% for three-month term SOFR), with a 0.25% SOFR floor, or (ii) 1.50% (or 1.75% during certain periods in which the Company's asset coverage ratio is equal to or below 1.90 to 1.00) plus an alternate base rate based on the highest of the prime rate (subject to a 3% floor), Federal Funds Rate plus 0.50% and one month term SOFR plus 1.00%. The Company pays unused commitment fees of 0.50% per annum on the unused lender commitments under the Credit Facility. Interest is payable monthly or quarterly in arrears. The commitment to fund the revolver expires on September 18, 2024, after which the Company may no longer borrow under the Credit Facility and must begin repaying principal equal to 1/12 of the aggregate amount outstanding under the Credit Facility each month. Any amounts borrowed under the Credit Facility will mature, and all accrued and unpaid interest thereunder will be due and payable, on September 18, 2025.

The Company's obligations to the lenders are secured by a first priority security interest in its portfolio of securities and cash not held at the SBIC subsidiaries, but excluding short term investments. The Credit Facility contains certain covenants, including but not limited to: (i) maintaining a minimum liquidity test of at least \$10,000,000, including cash, liquid investments and undrawn availability, (ii) maintaining an asset coverage ratio of at least 1.67 to 1.00, (iii) maintaining a minimum stockholder's equity, and (iv) maintaining a minimum interest coverage ratio of at least 2.00 to 1.00. As of March 31, 2023 and December 31, 2022, the Company was in compliance with these covenants.

As of March 31, 2023 and December 31, 2022, \$198,277,831 and \$199,200,425, respectively, was outstanding under the Credit Facility. The carrying amount of the amount outstanding under the Credit Facility approximates its fair value. The fair value of the Credit Facility is determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the Credit Facility is estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any. The Company has incurred costs of \$3,967,284 in connection with the current Credit Facility, which are being amortized over the life of the facility. Additionally, \$341,979 of costs from a prior credit facility will continue to be amortized over the life of the Credit Facility. As of March 31, 2023 and December 31, 2022, \$1,371,322 and \$1,515,144 of such prepaid loan structure fees and administration fees had yet to be amortized, respectively. These prepaid loan fees are presented on our Consolidated Statements of Assets and Liabilities as a deduction from the debt liability.

The following is a summary of the Credit Facility, net of prepaid loan structure fees:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Credit Facility payable	\$ 198,277,831	\$ 199,200,425
Prepaid loan structure fees	(1,371,322)	(1,515,144)
Credit Facility payable, net of prepaid loan structure fees	<u>\$ 196,906,509</u>	<u>\$ 197,685,281</u>

Interest is paid monthly or quarterly in arrears. The following table summarizes the interest expense and amortized loan fees on the Credit Facility for the three months ended March 31, 2023 and 2022:

	<u>For the three months ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Interest expense	\$ 3,695,476	\$ 1,417,734
Loan fee amortization	143,822	132,539
Total interest and financing expenses	<u>\$ 3,839,298</u>	<u>\$ 1,550,273</u>
Weighted average interest rate	7.3 %	2.8 %
Effective interest rate (including fee amortization)	7.6 %	3.3 %
Average debt outstanding	\$ 204,426,259	\$ 193,350,960
Cash paid for interest and unused fees	\$ 3,633,518	\$ 1,373,438

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NOTE 10 — SBA-GUARANTEED DEBENTURES

Due to the SBIC subsidiaries' status as licensed SBICs, the Company has the ability to issue debentures guaranteed by the SBA at favorable interest rates. Under the regulations applicable to SBIC funds, a single licensee can have outstanding debentures guaranteed by the SBA subject to a regulatory leverage limit, up to two times the amount of "regulatory capital", as such term is defined by the SBA. As of both March 31, 2023 and December 31, 2022, the SBIC subsidiary had \$75,000,000 in regulatory capital, as such term is defined by the SBA, and \$150,000,000 of SBA-guaranteed debentures outstanding.

As of both March 31, 2023 and December 31, 2022, the SBIC II subsidiary had \$87,500,000 both in regulatory capital, as such term is defined by the SBA, and \$163,600,000 of SBA-guaranteed debentures outstanding, respectively.

On August 12, 2014, the Company obtained exemptive relief from the SEC to permit it to exclude the debt of the SBIC subsidiaries guaranteed by the SBA from its asset coverage test under the 1940 Act. The exemptive relief provides the Company with increased flexibility under the asset coverage test by permitting it to borrow up to \$325,000,000 more than it would otherwise be able to absent the receipt of this exemptive relief.

On a stand-alone basis, the SBIC subsidiaries held \$470,094,384 and \$470,659,123 in assets at March 31, 2023 and December 31, 2022, respectively, which accounted for approximately 52.2% and 52.4% of the Company's total consolidated assets, respectively.

Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year U.S. Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity, but may be pre-paid at any time with no prepayment penalty. SBA-guaranteed debentures drawn before October 1, 2019 incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. SBA-guaranteed debentures drawn after October 1, 2019 incur upfront fees of 3.435%, which consists of a 1.00% commitment fee and a 2.435% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. Once pooled, which occurs in March and September of each applicable year, the SBA-guaranteed debentures bear interest at a fixed rate that is set to the current 10-year treasury rate plus a spread at each pooling date.

The following table summarizes the SBIC subsidiaries' aggregate SBA-guaranteed debentures outstanding as of March 31, 2023:

Issuance Date	Licensee	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
October 14, 2014	SBIC I	March 1, 2025	\$ 6,500,000	2.52 %	0.36 %
October 17, 2014	SBIC I	March 1, 2025	6,500,000	2.52 %	0.36 %
December 24, 2014	SBIC I	March 1, 2025	3,250,000	2.52 %	0.36 %
June 29, 2015	SBIC I	September 1, 2025	9,750,000	2.83 %	0.36 %
October 22, 2015	SBIC I	March 1, 2026	6,500,000	2.51 %	0.36 %
October 22, 2015	SBIC I	March 1, 2026	1,500,000	2.51 %	0.74 %
November 10, 2015	SBIC I	March 1, 2026	8,800,000	2.51 %	0.74 %
November 18, 2015	SBIC I	March 1, 2026	1,500,000	2.51 %	0.74 %
November 25, 2015	SBIC I	March 1, 2026	8,800,000	2.51 %	0.74 %
December 16, 2015	SBIC I	March 1, 2026	2,200,000	2.51 %	0.74 %
December 29, 2015	SBIC I	March 1, 2026	9,700,000	2.51 %	0.74 %
November 28, 2017	SBIC I	March 1, 2028	25,000,000	3.19 %	0.22 %
April 27, 2018	SBIC I	September 1, 2028	40,000,000	3.55 %	0.22 %
July 30, 2018	SBIC I	September 1, 2028	17,500,000	3.55 %	0.22 %
September 25, 2018	SBIC I	March 1, 2029	2,500,000	3.11 %	0.22 %
Total SBIC I Subsidiary SBA-guaranteed Debentures			\$ 150,000,000		

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Issuance Date	Licensee	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
October 17, 2019	SBIC II	March 1, 2030	\$ 6,000,000	2.08 %	0.09 %
November 15, 2019	SBIC II	March 1, 2030	5,000,000	2.08 %	0.09 %
December 17, 2020	SBIC II	March 1, 2031	9,000,000	1.67 %	0.09 %
December 17, 2020	SBIC II	March 1, 2031	6,500,000	1.67 %	0.27 %
February 16, 2021	SBIC II	March 1, 2031	13,500,000	1.67 %	0.27 %
February 26, 2021	SBIC II	March 1, 2031	10,000,000	1.67 %	0.27 %
March 2, 2021	SBIC II	March 1, 2031	10,000,000	1.67 %	0.27 %
April 21, 2021	SBIC II	September 1, 2031	10,000,000	1.30 %	0.27 %
May 14, 2021	SBIC II	September 1, 2031	6,700,000	1.30 %	0.27 %
May 28, 2021	SBIC II	September 1, 2031	7,300,000	1.30 %	0.27 %
July 23, 2021	SBIC II	September 1, 2031	16,000,000	1.30 %	0.27 %
February 25, 2022	SBIC II	March 1, 2032	10,000,000	2.94 %	0.27 %
March 29, 2022	SBIC II	September 1, 2032	10,000,000	4.26 %	0.27 %
April 1, 2022	SBIC II	September 1, 2032	6,670,000	4.26 %	0.27 %
April 12, 2022	SBIC II	September 1, 2032	6,665,000	4.26 %	0.27 %
April 21, 2022	SBIC II	September 1, 2032	6,665,000	4.26 %	0.27 %
June 30, 2022	SBIC II	September 1, 2032	3,600,000	4.26 %	0.27 %
July 28, 2022	SBIC II	September 1, 2032	6,400,000	4.26 %	0.27 %
September 9, 2022	SBIC II	March 1, 2033	6,000,000	5.17 %	0.27 %
November 9, 2022	SBIC II	March 1, 2033	7,600,000	5.17 %	0.27 %
Total SBIC II Subsidiary SBA-guaranteed Debentures			\$ 163,600,000		
Total SBA-guaranteed Debentures			\$ 313,600,000		

As of March 31, 2023 and December 31, 2022, the SBA-guaranteed debentures would be deemed to be Level 3, as defined in Note 6.

As of both March 31, 2023 and December 31, 2022, the Company has incurred \$10,871,160 in financing costs related to the SBA-guaranteed debentures since receiving its licenses, which were recorded as prepaid loan fees. As of March 31, 2023 and December 31, 2022, \$5,387,297 and \$5,704,805 of prepaid financing costs had yet to be amortized, respectively. These prepaid loan fees are presented on the Consolidated Statements of Assets and Liabilities as a deduction from the debt liability.

The following is a summary of the SBA-guaranteed debentures, net of prepaid loan fees:

	March 31, 2023	December 31, 2022
SBA debentures payable	\$ 313,600,000	\$ 313,600,000
Prepaid loan fees	(5,387,297)	(5,704,805)
SBA Debentures, net of prepaid loan fees	\$ 308,212,703	\$ 307,895,195

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The following table summarizes the interest expense and amortized fees on the SBA-guaranteed debentures for the three months ended March 31, 2023 and 2022:

	For the three months ended	
	March 31, 2023	March 31, 2022
Interest expense	\$ 2,400,718	\$ 1,724,280
Debtenture fee amortization	317,508	283,144
Total interest and financing expenses	<u>\$ 2,718,226</u>	<u>\$ 2,007,424</u>
Weighted average interest rate	3.1 %	2.8 %
Effective interest rate (including fee amortization)	3.5 %	3.2 %
Average debt outstanding	\$ 313,600,000	\$ 254,222,222
Cash paid for interest	\$ 4,680,999	\$ 3,405,071

NOTE 11 — NOTES

On January 14, 2021, the Company issued \$100,000,000 in aggregate principal amount of 4.875% fixed-rate notes due 2026 (the "2026 Notes"). The 2026 Notes will mature on March 30, 2026 and may be redeemed in whole or in part at any time or from time to time at our option on or after December 31, 2025, at a redemption price equal to 100% of the outstanding principal, plus accrued and unpaid interest. Interest on the 2026 Notes is payable semi-annually beginning March 31, 2022. As of both March 31, 2023 and December 31, 2022, the aggregate carrying amount of the 2026 Notes was approximately \$100,000,000. The 2026 Notes are institutional, non-traded notes.

In connection with the issuance and maintenance of the 2026 Notes, the Company incurred \$2,327,835 of fees which are being amortized over the term of the 2026 Notes. As of March 31, 2023 and December 31, 2022, \$1,340,158 and \$1,450,308 of prepaid financing costs had yet to be amortized, respectively. These financing costs are presented on the Consolidated Statements of Assets and Liabilities as a deduction from the debt liability.

The following table summarizes the interest expense and deferred financing costs on the 2026 Notes for the three months ended March 31, 2023 and 2022:

	For the three months ended	
	March 31, 2023	March 31, 2022
Interest expense	\$ 1,218,750	\$ 1,218,750
Deferred financing costs	110,150	115,150
Total interest and financing expenses	<u>\$ 1,328,900</u>	<u>\$ 1,333,900</u>
Weighted average interest rate	4.9 %	4.9 %
Effective interest rate (including fee amortization)	5.4 %	5.4 %
Average debt outstanding	\$ 100,000,000	\$ 100,000,000
Cash paid for interest	\$ 2,437,500	\$ 2,437,500

The following is a summary of the 2026 Notes Payable, net of deferred financing costs:

	March 31, 2023	December 31, 2022
Notes payable	\$ 100,000,000	\$ 100,000,000
Deferred financing costs	(1,340,158)	(1,450,308)
Notes payable, net of deferred financing costs	<u>\$ 98,659,842</u>	<u>\$ 98,549,692</u>

The indenture and supplements thereto relating to the 2026 Notes contain certain covenants, including but not limited to (i) a requirement that the Company comply with the asset coverage requirements of the 1940 Act or any successor provisions, and (ii) a requirement to provide financial information to the holders of the notes and the trustee under the indenture if the Company should no

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longer be subject to the reporting requirements under the Exchange Act. As of March 31, 2023 and 2022, the Company was in compliance with these covenants.

NOTE 12 — SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events through the date of issuance of the financial statements included herein. There have been no subsequent events that require recognition or disclosure in these financial statements except for the following described below.

Investment Portfolio

The Company invested in the following portfolio companies subsequent to March 31, 2023:

Activity Type	Date	Company Name	Company Description	Investment Amount	Instrument Type
Add-On Investment	April 3, 2023	EH Real Estate Services, LLC*	Offers residential property brokerage, title & settlement, and property and casualty insurance brokerage services to home buyers and sellers	\$ 570,279	Senior Secured – First Lien
Add-On Investment	April 11, 2023	ADS Group Opco, LLC*	Full-service manufacturer for original equipment manufacturers, prime contractors, and Tier I suppliers across the defense, space, and aerospace industries	\$ 88,733	Equity
Add-On Investment	April 13, 2023	Tower Arch Infolinks Media, LP*	Advertising placement partner for small to mid-sized publishers	\$ 1,093	Equity
Add-On Investment	April 14, 2023	BLP Buyer, Inc.*	Distributor of lifting solutions	\$ 1,729,958	Senior Secured – First Lien
				\$ 229,010	Equity
Add-On Investment	April 17, 2023	Axis Portable Air, LLC*	Air conditioning, heating, and air quality equipment rental company	\$ 1,893,610	Senior Secured – First Lien
Add-On Investment	April 27, 2023	CompleteCase, LLC*	Provider of online uncontested divorce solutions	\$ 66,667	Revolver commitment
				\$ 111,408	Equity
New Investment	April 28, 2023	Impact Home Services, LLC	Residential, garage door, electrical, and plumbing services provider	\$ 5,936,899	Senior Secured – First Lien
				\$ 100,000	Revolver commitment
				\$ 310,844	Equity
New Investment	May 1, 2023	RIA Advisory, LLC	Provider of Oracle software implementation services	\$ 6,000,000	Senior Secured – First Lien
				\$ 100,000	Revolver commitment
				\$ 243,467	Equity

* Existing portfolio company

ATM Program

Since March 31, 2023, the Company issued 587,363 shares under the ATM Program, for gross proceeds of \$8,149,469 and underwriting and other expenses of \$122,307. The average per share offering price of shares issued under the ATM Program subsequent to March 31, 2023 was \$13.87. The Advisor agreed to reimburse the Company for underwriting fees and expenses to the extent the issuance of shares would be dilutive in nature. As such, the Advisor reimbursed the Company \$207,668 which resulted in net proceeds of \$8,234,829, or \$14.02 per share.

Credit Facility

The outstanding balance under the Credit Facility as of May 9, 2023 was \$200,422,000.

STELLUS CAPITAL INVESTMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2023
(unaudited)

Dividends Declared

On April 19, 2023, the Board declared a regular monthly dividend for each of April 2023, May 2023, and June 2023 as follows:

Declared	Ex-Dividend Date	Record Date	Payment Date	Amount per Share
4/19/2023	4/28/2023	5/1/2023	5/15/2023	\$ 0.1333
4/19/2023	5/30/2023	5/31/2023	6/15/2023	\$ 0.1333
4/19/2023	6/29/2023	6/30/2023	7/14/2023	\$ 0.1333

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Some of the statements in this quarterly report on Form 10-Q constitute forward-looking statements, which relate to future events or Stellus Capital Investment Corporation's ("we", "us", "our" and the "Company") future performance or financial condition. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the effect of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- actual and potential conflicts of interest with Stellus Capital Management, LLC ("Stellus Capital" or the "Advisor");
- the dependence of our future success on the general economy and its effect on the industries in which we invest;
- the impact of interest rate volatility, including the decommissioning of London Interbank Offered Rate ("LIBOR") and rising interest rates, on our business and our portfolio companies;
- the ability of our portfolio companies to achieve their objectives;
- the use of borrowed money to finance a portion of our investments;
- the adequacy of our financing sources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of Stellus Capital to locate suitable investments for us and to monitor and administer our investments;
- the ability of Stellus Capital to attract and retain highly talented professionals;
- our ability to maintain our qualification as a regulated investment company ("RIC") and as a business development company ("BDC"); and
- the effect of future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities) and conditions in our operating areas, particularly with respect to BDC or RICs.

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words "may," "might," "will," "intend," "should," "could," "can," "would," "expect," "believe," "estimate," "anticipate," "predict," "potential," "plan" or similar words.

We have based the forward-looking statements included in this quarterly report on Form 10-Q on information available to us on the date of this quarterly report on Form 10-Q. Actual results could differ materially from those anticipated in our forward-looking statements, and future results could differ materially from historical performance. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law or U.S. Securities and Exchange Commission ("SEC") rule or regulation. You are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Overview

We were organized as a Maryland corporation on May 18, 2012, and formally commenced operations on November 7, 2012. Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through debt and related equity investments in middle-market companies.

We are an externally managed, non-diversified, closed-end investment company that has elected to be regulated as a BDC under the Investment Company Act of 1940, as amended (the “1940 Act”). Our investment activities are managed by our investment adviser, Stellus Capital.

As a BDC, we are required to comply with certain regulatory requirements. For instance, as a BDC, we must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets. Qualifying assets include investments in “eligible portfolio companies.” (as defined in the 1940 Act). Under the relevant SEC rules, the term “eligible portfolio company” includes all private operating companies, operating companies whose securities are not listed on a national securities exchange, and certain public operating companies that have listed their securities on a national securities exchange and have a market capitalization of less than \$250 million, in each case organized and with their principal place of business in the United States.

We have elected, qualified, and intend to continue to qualify annually to be treated for tax purposes as a RIC under Subchapter M of the internal Revenue Code of 1986, as amended (the “Code”). To maintain our qualification as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements. As of March 31, 2023, we were in compliance with the RIC requirements. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any income we distribute to our stockholders.

On March 23, 2018, the Small Business Credit Availability Act (the “SBCAA”) was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCAA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150% from 200% under certain circumstances.

On April 4, 2018, the board of directors of the Company (the “Board”), including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) of the Board, approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act. At our 2018 annual meeting of stockholders our stockholders also approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act. As a result, the asset coverage ratio applicable to us was decreased from 200% to 150%, effective June 28, 2019, which effectively increased the amount of leverage we may incur. As of March 31, 2023, our asset coverage ratio was 194%. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing.

Economic Developments

Economic activity has continued to accelerate across sectors and regions. Nonetheless, we have observed and continue to observe supply chain interruptions, labor resource shortages, commodity inflation, rising interest rates, bank impairments and failures, economic sanctions in response to international conflicts and instances of geopolitical, economic and financial market instability in the United States and abroad. One or more of these factors may contribute to increased market volatility and may have long- and short-term effects in the United States and worldwide financial markets.

Portfolio Composition and Investment Activity

Portfolio Composition

We originate and invest primarily in privately-held 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 (including unitranche), second lien, and unsecured debt financing, often times with a corresponding equity investment.

As of March 31, 2023, we had \$877.5 million (at fair value) invested in 88 portfolio companies. As of March 31, 2023, our portfolio included approximately 87% of first lien debt, 5% of second lien debt, 1% of unsecured debt and 7% of equity investments at fair value. The composition of our investments at cost and fair value as of March 31, 2023 was as follows:

	Cost	Fair Value
Senior Secured – First Lien ⁽¹⁾	\$ 784,755,679	\$ 767,818,131
Senior Secured – Second Lien	70,026,436	43,780,075
Unsecured Debt	5,833,306	5,428,810
Equity	51,966,361	60,466,765
Total Investments	<u>\$ 912,581,782</u>	<u>\$ 877,493,781</u>

- (1) Includes unitranche investments, which may combine characteristics of first lien senior secured, as well as second lien and/or subordinated loans. Our unitranche loans may expose us to certain risk associated with second lien and subordinated loans to the extent we invest in the “last-out” portion of the unitranche loans which account for 6.2% of our portfolio at fair value.

As of December 31, 2022, we had \$844.7 million (at fair value) invested in 85 portfolio companies. As of December 31, 2022, our portfolio included approximately 87% of first lien debt, 5% of second lien debt, 1% of unsecured debt and 7% of equity investments at fair value. The composition of our investments at cost and fair value as of December 31, 2022 was as follows:

	Cost	Fair Value
Senior Secured – First Lien ⁽¹⁾	\$ 750,527,999	\$ 735,555,508
Senior Secured – Second Lien	69,989,477	45,304,300
Unsecured Debt	5,657,964	4,823,898
Equity	49,647,737	59,049,932
Total Investments	<u>\$ 875,823,177</u>	<u>\$ 844,733,638</u>

- (1) Includes unitranche investments, which may combine characteristics of first lien senior secured, as well as second lien and/or subordinated loans. Our unitranche loans may expose us to certain risk associated with second lien and subordinated loans to the extent we invest in the “last-out” portion of the unitranche loans which account for 3.1% of our portfolio at fair value.

Our investment portfolio may contain loans that are in the form of lines of credit or revolving credit facilities, which require us to provide funding when requested by portfolio companies in accordance with the terms and conditions of the underlying loan agreements. As of March 31, 2023 and December 31, 2022, we had unfunded commitments of \$25.8 million and \$27.8 million, respectively, to provide debt financing to 55 and 52 portfolio companies, respectively. As of March 31, 2023, we had sufficient liquidity (through cash on hand and available borrowings under the Credit Facility (as defined below)) to fund such unfunded commitments should the need arise.

The following is a summary of geographical concentration of our investment portfolio as of March 31, 2023:

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
California	\$ 179,822,505	\$ 177,328,495	20.21 %
Texas	191,169,751	169,192,709	19.28 %
Florida	70,928,731	69,786,799	7.95 %
Illinois	64,136,431	51,089,935	5.82 %
Arizona	43,048,182	44,223,012	5.03 %
Pennsylvania	42,794,571	42,003,646	4.79 %
Ohio	33,701,526	37,033,209	4.22 %
Washington	28,991,782	28,520,772	3.25 %
New Jersey	25,317,538	25,404,660	2.90 %
Wisconsin	27,522,337	24,405,731	2.78 %
South Carolina	23,985,102	23,307,462	2.66 %
District of Columbia	17,021,109	20,332,646	2.32 %
Georgia	10,866,076	19,558,379	2.23 %
Minnesota	17,072,971	16,764,036	1.91 %
Maryland	16,774,301	16,600,434	1.89 %
Colorado	15,103,204	14,472,339	1.65 %
Indiana	14,357,762	14,478,350	1.65 %
Canada	13,312,608	13,123,054	1.50 %
United Kingdom	20,599,520	12,759,683	1.45 %
Tennessee	11,413,288	11,413,288	1.30 %
North Carolina	10,446,206	10,631,238	1.21 %
Massachusetts	10,199,234	10,517,456	1.20 %
Idaho	9,742,830	9,778,705	1.11 %
Missouri	9,121,069	9,627,249	1.10 %
New York	5,133,148	5,140,494	0.59 %
	<u>\$ 912,581,782</u>	<u>\$ 877,493,781</u>	<u>100.00 %</u>

The following is a summary of geographical concentration of our investment portfolio as of December 31, 2022:

	Cost	Fair Value	% of Total Investments at fair value
Texas	\$ 191,422,143	\$ 171,165,597	20.26 %
California	167,833,384	165,340,017	19.57 %
Florida	60,593,839	59,421,775	7.03 %
Illinois	64,421,998	53,218,615	6.30 %
Arizona	43,129,283	44,277,625	5.24 %
Pennsylvania	42,899,504	41,889,344	4.96 %
Ohio	34,223,452	37,333,236	4.42 %
Washington	28,978,375	28,480,471	3.37 %
New Jersey	25,395,054	25,140,343	2.98 %
Wisconsin	27,533,402	24,271,761	2.87 %
District of Columbia	17,236,556	21,124,347	2.50 %
Georgia	10,919,642	19,692,757	2.33 %
South Carolina	19,089,373	18,654,782	2.21 %
Maryland	16,824,077	16,576,554	1.96 %
Minnesota	16,972,086	15,952,072	1.89 %
United Kingdom	20,530,087	14,445,481	1.71 %
Colorado	15,204,934	14,295,470	1.69 %
Indiana	14,346,082	14,245,432	1.69 %
Canada	13,333,737	13,266,669	1.57 %
North Carolina	10,461,551	10,649,232	1.26 %
Massachusetts	10,215,356	10,527,659	1.25 %
Idaho	9,873,093	9,863,103	1.17 %
Missouri	9,142,111	9,656,287	1.14 %
New York	5,096,152	5,096,008	0.61 %
Michigan	147,906	149,001	0.02 %
	<u>\$ 875,823,177</u>	<u>\$ 844,733,638</u>	<u>100.00 %</u>

The following is a summary of industry concentration of our investment portfolio as of March 31, 2023:

	Cost	Fair Value	% of Total Investments
Services: Business	\$ 214,938,285	\$ 225,555,095	25.70 %
Healthcare & Pharmaceuticals	90,768,290	91,838,092	10.47 %
Consumer Goods: Durable	59,536,778	56,844,795	6.48 %
Media: Advertising, Printing & Publishing	52,707,992	52,833,166	6.02 %
Consumer Goods: Non-Durable	54,573,002	51,799,071	5.90 %
Beverage, Food, & Tobacco	44,255,730	43,826,641	4.99 %
Aerospace & Defense	48,175,509	37,969,299	4.33 %
Software	37,504,347	37,740,143	4.30 %
Capital Equipment	33,548,956	34,006,902	3.88 %
Construction & Building	26,868,234	26,527,191	3.02 %
Environmental Industries	27,675,169	25,341,098	2.89 %
Services: Consumer	43,347,965	24,770,484	2.83 %
Media: Broadcasting & Subscription	18,587,328	21,616,919	2.46 %
Chemicals, Plastics, & Rubber	18,482,917	17,699,203	2.02 %
Transportation & Logistics	16,742,199	17,115,334	1.95 %
Metals & Mining	16,676,543	16,504,906	1.88 %
Retail	14,961,662	14,936,630	1.70 %
Containers, Packaging, & Glass	17,442,042	14,035,836	1.60 %
High Tech Industries	14,105,434	13,006,779	1.48 %
Automotive	11,115,290	11,193,750	1.28 %
Education	11,039,366	10,349,882	1.18 %
Utilities: Oil & Gas	9,926,667	9,850,000	1.12 %
Energy: Oil & Gas	6,821,814	6,958,701	0.79 %
Media: Diversified & Production	5,563,272	5,607,424	0.64 %
Finance	1,568,063	5,092,591	0.58 %
FIRE: Real Estate	15,648,928	3,661,577	0.42 %
Hotel, Gaming, & Leisure	—	812,272	0.09 %
Total	<u>\$ 912,581,782</u>	<u>\$ 877,493,781</u>	<u>100.00 %</u>

The following is a summary of industry concentration of our investment portfolio as of December 31, 2022:

	Cost	Fair Value	% of Total Investments at fair value
Services: Business	\$ 207,234,534	\$ 218,866,572	25.91 %
Healthcare & Pharmaceuticals	86,469,854	88,103,319	10.43 %
Media: Advertising, Printing & Publishing	52,830,447	52,525,839	6.22 %
Consumer Goods: Non-Durable	54,683,102	51,280,593	6.07 %
Consumer Goods: Durable	45,601,928	44,529,176	5.27 %
Aerospace & Defense	48,137,394	39,526,086	4.68 %
Software	37,582,855	37,975,255	4.50 %
Capital Equipment	33,538,647	33,801,951	4.00 %
Beverage, Food, & Tobacco	34,000,918	32,755,054	3.88 %
Construction & Building	26,948,135	26,406,849	3.13 %
Environmental Industries	27,771,798	26,247,936	3.11 %
Services: Consumer	43,302,101	24,616,706	2.92 %
Media: Broadcasting & Subscription	18,615,052	21,445,307	2.54 %
Chemicals, Plastics, & Rubber	18,487,206	17,903,999	2.12 %
Transportation & Logistics	16,768,763	17,161,972	2.03 %
Metals & Mining	16,708,750	16,464,001	1.95 %
Containers, Packaging, & Glass	17,436,600	13,977,250	1.65 %
Retail	13,303,536	13,217,256	1.56 %
High Tech Industries	14,126,954	12,648,347	1.50 %
Automotive	11,252,581	11,342,751	1.34 %
Education	11,057,921	10,498,760	1.24 %
Utilities: Oil & Gas	9,921,469	9,800,000	1.16 %
Energy: Oil & Gas	7,314,230	7,355,074	0.87 %
FIRE: Real Estate	15,642,093	5,866,397	0.69 %
Media: Diversified & Production	5,517,409	5,534,710	0.66 %
Finance	1,568,900	4,082,579	0.48 %
Hotel, Gaming, & Leisure	—	799,899	0.09 %
	<u>\$ 875,823,177</u>	<u>\$ 844,733,638</u>	<u>100.00 %</u>

At March 31, 2023, our average portfolio company investment at amortized cost and fair value was approximately \$10.4 million and \$10.0 million, respectively, and our largest portfolio company investment at amortized cost and fair value was \$17.0 million and \$20.3 million, respectively. At December 31, 2022, our average portfolio company investment at amortized cost and fair value was approximately \$10.3 million and \$9.9 million, respectively, and our largest portfolio company investment at amortized cost and fair value was approximately \$21.3 million and \$20.5 million, respectively.

At both March 31, 2023 and December 31, 2022, 97% of our debt investments bore interest based on floating rates (subject to interest rate floors) and 3% bore interest at fixed rates.

The weighted average yield on all of our debt investments as of March 31, 2023 and December 31, 2022 was approximately 11.4% and 11.1%, respectively. The weighted average yield on all of our investments, including non-income producing equity positions, as of March 31, 2023 and December 31, 2022 was approximately 10.8% and 10.4%, respectively. The weighted average yield was computed using the effective interest rates for all of our debt investments, including accretion of original issue discount. The weighted average yield of our debt investments is not the same as a return on investment for our stockholders, but rather relates to a portion of our investment portfolio and is calculated before the payment of all of our subsidiaries' fees and expenses.

As of March 31, 2023 and December 31, 2022, we had cash and cash equivalents of \$17.9 million and \$48.0 million, respectively.

Investment Activity

During the three months ended March 31, 2023, we made an aggregate of \$41.2 million of investments in four new portfolio companies and four existing portfolio companies. During the three months ended March 31, 2023, we received an aggregate of \$5.9 million in proceeds from repayments of our investments.

Our level of investment activity can vary substantially from period to period depending on many factors, including the amount of debt and equity capital to middle-market companies, the level of merger and acquisition activity, the general economic environment and the competitive environment for the types of investments we make.

Asset Quality

In addition to various risk management and monitoring tools, Stellus Capital uses an investment rating system to characterize and monitor the credit profile and expected level of returns on each investment in our portfolio. This investment rating system uses a five-level numeric scale. The following is a description of the conditions associated with each investment category:

- Investment Category 1 is used for investments that are performing above expectations, and whose risks remain favorable compared to the expected risk at the time of the original investment.
- Investment Category 2 is used for investments that are performing within expectations and whose risks remain neutral compared to the expected risk at the time of the original investment. All new loans are initially rated 2.
- Investment Category 3 is used for investments that are performing below expectations and that require closer monitoring, but where no loss of return or principal is expected. Portfolio companies with a rating of 3 may be out of compliance with financial covenants.
- Investment Category 4 is used for investments that are performing substantially below expectations and whose risks have increased substantially since the original investment. These investments are often in work out. Investments with a rating of 4 are those for which some loss of return but no loss of principal is expected.
- Investment Category 5 is used for investments that are performing substantially below expectations and whose risks have increased substantially since the original investment. These investments are almost always in work out. Investments with a rating of 5 are those for which some loss of return and principal is expected.

Investment Category	As of March 31, 2023 (dollars in millions)			As of December 31, 2022 (dollars in millions)		
	Fair Value	% of Total Portfolio	Number of Portfolio Companies ⁽¹⁾	Fair Value	% of Total Portfolio	Number of Portfolio Companies
1	\$ 153.0	17 %	18	\$ 146.6	17 %	17
2	573.4	66 %	52	553.2	66 %	52
3	130.8	15 %	14	120.7	14 %	13
4	20.3	2 %	3	18.3	2 %	2
5	—	— %	2	5.9	1 %	1
Total	\$ 877.5	100 %	89	\$ 844.7	100 %	85

(1) One portfolio company appears in two categories as of March 31, 2023.

Loans and Debt Securities on Non-Accrual Status

We will not accrue interest on loans and debt securities if we have reason to doubt our ability to collect such interest. As of March 31, 2023, we had loans to four portfolio companies that were on non-accrual status, which represented approximately 5.9% of our loan portfolio at cost and 2.5% at fair value. As of December 31, 2022, we had loans to three portfolio companies that were on non-accrual status, which represented approximately 5.2% of our loan portfolio at cost and 2.3% at fair value. As of March 31, 2023 and December 31, 2022, \$6.7 million and \$4.8 million of income from investments on non-accrual has not been accrued, respectively.

Results of Operations

An important measure of our financial performance is net increase (decrease) in net assets resulting from operations, which includes net investment income (loss), net realized gain (loss) and net unrealized appreciation (depreciation). Net investment income (loss) is the difference between our income from interest, dividends, fees and other investment income and our operating expenses including interest on borrowed funds. Net realized gain (loss) on investments is the difference between the proceeds received from dispositions of portfolio investments and their amortized cost. Net unrealized appreciation (depreciation) on investments is the net change in the fair value of our investment portfolio.

Comparison of the three months ended March 31, 2023 and 2022

Revenues

We generate revenue in the form of interest income on debt investments and capital gains and distributions, if any, on investment securities that we may acquire in portfolio companies. Our debt investments typically have a term of five to seven years and bear interest primarily at floating rates. Interest on our debt securities is generally payable quarterly. Payments of principal on our debt investments may be amortized over the stated term of the investment, deferred for several years or due entirely at maturity. In some cases, our debt investments may pay interest in-kind, or PIK interest. Any outstanding principal amount of our debt securities and any accrued but unpaid interest will generally become due at the maturity date. The level of interest income we receive is directly related to the balance of interest-bearing investments multiplied by the weighted average yield of our investments. We expect that the total dollar amount of interest and any dividend income that we earn will increase as the size of our investment portfolio increases. In addition, we may generate revenue in the form of prepayment fees, commitment, loan origination, structuring or due diligence fees, fees for providing significant managerial assistance and consulting fees.

The following shows the breakdown of investment income for the three months ended March 31, 2023 and 2022 (in millions).

	For the three months ended	
	March 31, 2023	March 31, 2022
Interest income ⁽¹⁾	\$ 22.6	\$ 14.8
PIK interest	0.8	0.3
Miscellaneous fees ⁽¹⁾	0.7	0.4
Total	\$ 24.1	\$ 15.5

(1) For the three months ended March 31, 2023 and 2022, we recognized \$0.1 million and \$0.0 million, respectively, of non-recurring income related to early repayments and amendments to specific loan positions.

The increase in interest income from the respective periods was due primarily to growth in the overall investment portfolio and rising interest rates.

Expenses

Our primary operating expenses include the payment of fees to Stellus Capital under the investment advisory agreement, our allocable portion of overhead expenses under the administration agreement and other operating costs described below. We bear all other out-of-pocket costs and expenses of our operations and transactions, which may include:

- organization and offering costs;
- valuing our assets and calculating our net asset value (including the cost and expenses of any independent valuation firm);
- fees and expenses payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments;
- interest payable on debt, if any, incurred to finance our investments and expenses related to unsuccessful portfolio acquisition efforts;

- offerings of our common stock and other securities;
- base management and incentive fees;
- administration fees and expenses, if any, payable under the administration agreement (including our allocable portion of Stellus Capital's overhead in performing its obligations under the administration agreement, including rent and the allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs);
- transfer agent and custodial fees and expenses;
- U.S. federal and state registration fees;
- all costs of registration and listing our securities on any securities exchange;
- U.S. federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required by the SEC or other regulators;
- costs of any reports, proxy statements or other notices to stockholders, including printing costs;
- costs and fees associated with any fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration and operation, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs;
- proxy voting expenses; and
- all other expenses incurred by us or Stellus Capital in connection with administering our business.

The following shows the breakdown of operating expenses for the three months ended March 31, 2023 and 2022 (in millions).

	For the three months ended	
	March 31, 2023	March 31, 2022
Operating Expenses		
Management fees	\$ 3.7	\$ 3.5
Valuation fees	0.2	0.1
Administrative services expenses	0.5	0.5
Income incentive fees	2.1	—
Capital gains incentive fee reversal	(0.6)	(0.0)
Professional fees	0.4	0.3
Directors' fees	0.1	0.1
Insurance expense	0.1	0.1
Interest expense and other fees	7.9	4.9
Income tax expense	0.4	0.3
Other general and administrative expenses	0.2	0.2
Total Operating Expenses	\$ 15.0	\$ 10.0

The increase in operating expenses for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 was due to (1) higher interest expense as a result of higher outstanding balances on our SBA-guaranteed debentures, as well as rising interest rates, (2) higher management fees due to a larger investment portfolio and (3) higher incentive fees due to portfolio performance, offset by the capital gains incentive fee reversal.

Net Investment Income

For the three months ended March 31, 2023, net investment income was \$9.1 million, or \$0.46 per common share (based on 19,779,988 weighted average shares outstanding for the quarter ended March 31, 2023).

For the three months ended March 31, 2022, net investment income was \$5.5 million, or \$0.28 per common share (based on 19,517,761 weighted average shares outstanding for the quarter ended March 31, 2022).

The increase in net investment income over the respective periods was due to higher investment income as a result of a larger investment portfolio, and rising interest rates, offset by the increase in expenses as explained in the “Expenses” section above.

Net Realized Gains and Losses

We measure realized gains or losses by the difference between the net proceeds from the repayment, sale or other disposition and the amortized cost basis of the investment, using the specific identification method, without regard to unrealized appreciation or depreciation previously recognized.

Proceeds from repayments of investments and amortization of certain other investments for the three months ended March 31, 2023 totaled \$5.9 million and net realized gains totaled \$0.0 million.

Repayments and sales of investments and amortization of other certain investments for the three months ended March 31, 2022 totaled \$10.0 million, and net realized gains totaled \$3.5 million.

Net Change in Unrealized Appreciation (Depreciation) of Investments

Net change in unrealized appreciation (depreciation) primarily reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded appreciation or depreciation when gains or losses are realized.

Net change in unrealized depreciation on investments and cash equivalents for the three months ended March 31, 2023 and 2022 totaled (\$4.2) million and (\$3.7) million, respectively.

The change in unrealized depreciation over the respective periods was due to company-specific investment write-downs, offset by company-specific write-ups.

Provision for Taxes on Unrealized Appreciation on Investments

We have direct wholly owned subsidiaries that have elected to be taxable entities (the “Taxable Subsidiaries”). The Taxable Subsidiaries permit us to hold equity investments in portfolio companies which are “pass through” entities for U.S. federal income tax purposes and continue to comply with the “source income” requirements contained in RIC tax provisions of the Code. The Taxable Subsidiaries are not consolidated with us for U.S. federal income tax purposes and may generate U.S. federal income tax expense, benefit, and the related tax assets and liabilities, as a result of their ownership of certain portfolio investments. The U.S. federal income tax expense, or benefit, if any, and related tax assets and liabilities are reflected in our consolidated financial statements. For the three months ended March 31, 2023 and 2022, we recognized a provision for income tax on unrealized investments of \$78.8 thousand and \$21.2 thousand for the Taxable Subsidiaries, respectively. As of March 31, 2023 and December 31, 2022, there was \$140.7 thousand and \$61.9 thousand of deferred tax liabilities on the Consolidated Statements of Assets and Liabilities, respectively.

Net Increase in Net Assets Resulting from Operations

For the three months ended March 31, 2023, net increase in net assets resulting from operations totaled \$4.7 million, or \$0.24 per common share (based on 19,779,988 weighted average shares outstanding for the quarter ended March 31, 2023).

For the three months ended March 31, 2022, net increase in net assets resulting from operations totaled \$5.2 million, or \$0.27 per common share (based on 19,517,761 weighted average shares outstanding for the quarter ended March 31, 2022).

The net decrease in net assets between the respective periods was due to higher realized gains in the prior year and unrealized depreciation recognized in the current year, offset by higher net investment income in the current period.

Financial condition, liquidity and capital resources

Cash Flows from Operating and Financing Activities

Our operating activities used net cash of \$32.0 million for the three months ended March 31, 2023, primarily in connection with the purchase of portfolio investments, offset by sales and repayments of portfolio investments. Our financing activities for the three months ended March 31, 2023 provided cash of \$1.9 million primarily from proceeds from the issuance of common stock, offset by stockholder distributions and net paydowns on our Credit Facility.

Our operating activities used net cash of \$62.9 million for the three months ended March 31, 2022, primarily in connection with the purchase of portfolio investments, offset by sales and repayments of portfolio investments. Our financing activities for the three months ended March 31, 2022 provided cash of \$43.4 million primarily from proceeds from SBA-guaranteed debentures and net borrowings on our Credit Facility.

Liquidity and Capital Resources

Our liquidity and capital resources are derived from the Credit Facility, 2026 Notes, SBA-guaranteed debentures 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 turnover within our portfolio and from public and private offerings of securities to finance our investment activities.

Although we expect to fund the growth of our investment portfolio through the net proceeds from future public and private equity offerings and issuances of senior securities or future borrowings to the extent permitted by the 1940 Act, our plans to raise capital may not be successful. In this regard, if our common stock trades at a price below our then-current net asset value per share, we may be limited in our ability to raise equity capital given that we cannot sell our common stock at a price below net asset value per share unless our stockholders approve such a sale and our Board makes certain determinations in connection therewith. A proposal, approved by our stockholders at our 2022 annual stockholders meeting, authorizes us to sell up to 25% of our outstanding common shares at a price equal to or below the then current net asset value per share in one or more offerings. This authorization will expire on June 23, 2023, the one-year anniversary of our 2022 annual stockholders meeting. We would need similar future approval from our stockholders to issue shares below the then current net asset value per share any time after the expiration of the current approval. In addition, we intend to distribute between 90% and 100% of our taxable income to our stockholders in order to satisfy the requirements applicable to RICs under Subchapter M of the Code. Consequently, we may not have the funds or the ability to fund new investments, to make additional investments in our portfolio companies, to fund our unfunded commitments to portfolio companies or to repay borrowings. In addition, the illiquidity of our portfolio investments may make it difficult for us to sell these investments when desired and, if we are required to sell these investments, we may realize significantly less than their recorded value.

Also, as a BDC, we generally are required to meet an asset coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities, over the aggregate amount of the senior securities, which include all of our borrowings and any outstanding preferred stock, of at least 150% effective June 29, 2018 (at least 200% prior to June 29, 2018). This requirement limits the amount that we may borrow. We have received exemptive relief from the SEC to permit us to exclude the debt of the Stellus Capital SBIC, LP (the "SBIC subsidiary") and Stellus Capital SBIC II, LP (the "SBIC II subsidiary") (collectively, the "SBIC subsidiaries") guaranteed by the U.S. Small Business Administration ("SBA") from the definition of senior securities in the asset coverage test under the 1940 Act. We were in compliance with the asset coverage ratios at all times. As of March 31, 2023 and December 31, 2022, our asset coverage ratio was 194% and 192%, respectively. The amount of leverage that we employ will depend on our assessment of market conditions and other factors at the time of any proposed borrowing, such as the maturity, covenant package and rate structure of the proposed borrowings, our ability to raise funds through the issuance of shares of our common stock and the risks of such borrowings within the context of our investment outlook. Ultimately, we only intend to use leverage if the expected returns from borrowing to make investments will exceed the cost of such borrowing. As of March 31, 2023 and December 31, 2022, we had cash and cash equivalents of \$17.9 million and \$48.0 million, respectively.

Credit Facility

On October 11, 2017, the Company entered into a senior secured revolving credit agreement, as amended, dated as of October 10, 2017, that was amended and restated on December 21, 2021, February 28, 2022 and May 13, 2022, with Zions Bancorporation, N.A., dba Amegy Bank and various other lenders (the "Credit Facility").

The Credit Facility, as amended and restated, provides for borrowings up to a maximum of \$265.0 million on a committed basis with an accordion feature that allows us to increase the aggregate commitments up to \$280.0 million, subject to new or existing lenders agreeing to participate in the increase and other customary conditions.

Pursuant to the Third Amendment and Commitment Increase to Amended and Restated Senior Secured Revolving Credit Agreement the Credit Facility will bear interest, subject to the Company's election, on a per annum basis equal to (i) term SOFR plus 2.50% (or 2.75% during certain periods in which the Company's asset coverage ratio is equal to or below 1.90 to 1.00) plus a SOFR credit spread adjustment (0.10% for one-month term SOFR and 0.15% for three-month term SOFR), with a 0.25% SOFR floor, or (ii) 1.50% (or 1.75% during certain periods in which the Company's asset coverage ratio is equal to or below 1.90 to 1.00) plus an alternate base rate based on the highest of the prime rate (subject to a 3% floor), Federal Funds Rate plus 0.50% and one month term SOFR plus 1.00%. The Company pays unused commitment fees of 0.50% per annum on the unused lender commitments under the Credit Facility. Interest is payable monthly or quarterly in arrears. The commitment to fund the revolver expires on September 18, 2024, after which the Company may no longer borrow under the Credit Facility and must begin repaying principal equal to 1/12 of the aggregate amount outstanding under the Credit Facility each month. Any amounts borrowed under the Credit Facility will mature, and all accrued and unpaid interest thereunder will be due and payable, on September 18, 2025.

Our obligations to the lenders are secured by a first priority security interest in our portfolio of securities and cash not held at the SBIC subsidiaries, but excluding short term investments. The Credit Facility contains certain covenants, including but not limited to: (i) maintaining a minimum liquidity test of at least \$10.0 million, including cash, liquid investments and undrawn availability, (ii) maintaining an asset coverage ratio of at least 1.67 to 1.0, and (iii) maintaining a minimum stockholder's equity, and (iv) maintaining a minimum interest coverage ratio of at least 2.00 to 1.00. As of March 31, 2023, we were in compliance with these covenants.

As of March 31, 2023 and December 31, 2022, \$198.3 million and \$199.2 million, respectively, was outstanding under the Credit Facility. The carrying amount of the amount outstanding under the Credit Facility approximates its fair value. The fair values of the Credit Facility is determined in accordance with Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the Credit Facility is estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any. We incurred costs of \$4.0 million in connection with the current Credit Facility, which are being amortized over the life of the facility. Additionally, \$0.3 million of costs from a prior credit facility will continue to be amortized over the remaining life of the Credit Facility. As of March 31, 2023 and December 31, 2022, \$1.4 million and \$1.5 million of such prepaid loan structure fees and administration fees had yet to be amortized, respectively. These prepaid loan fees are presented on the Consolidated Statements of Assets and Liabilities as a deduction from the debt liability.

Interest is paid quarterly in arrears. The following table summarizes the interest expense and amortized loan fees on the Credit Facility for the three months ended March 31, 2023 and 2022 (in millions):

	For the three months ended	
	March 31, 2023	March 31, 2022
Interest expense	\$ 3.7	\$ 1.4
Loan fee amortization	0.1	0.2
Total interest and financing expenses	<u>\$ 3.8</u>	<u>\$ 1.6</u>
Weighted average interest rate	7.3 %	2.8 %
Effective interest rate (including fee amortization)	7.6 %	3.3 %
Average debt outstanding	\$ 204.4	\$ 193.4
Cash paid for interest and unused fees	\$ 3.6	\$ 1.4

SBA-Guaranteed Debentures

Due to the SBIC subsidiaries' status as Small Business Investment Companies ("SBICs"), we have, we have the ability to issue debentures guaranteed by the SBA at favorable interest rates ("SBA-guaranteed debentures"). Under the regulations applicable to SBIC funds, a single licensee can have outstanding SBA-guaranteed debentures, subject to a regulatory leverage limit, up to two times the amount of regulatory capital. As of both March 31, 2023 and December 31, 2022, the SBIC subsidiary had \$75.0 million in "regulatory capital", as such term is defined by the SBA and \$150.0 million of SBA-guaranteed debentures outstanding.

As of both March 31, 2023 and December 31, 2022, the SBIC II subsidiary had \$87.5 million in regulatory capital and \$163.6 million of SBA-guaranteed debentures outstanding.

On August 12, 2014, we obtained exemptive relief from the SEC to permit us to exclude the debt of the SBIC subsidiaries guaranteed by the SBA from our 150% asset coverage test under the 1940 Act. The exemptive relief provides us with increased flexibility under the 150% asset coverage test by permitting us to borrow up to \$325.0 million more than we would otherwise be able to absent the receipt of this exemptive relief.

On a stand-alone basis, the SBIC subsidiaries held \$470.1 million and \$470.7 million in assets at March 31, 2023 and December 31, 2022, respectively, which accounted for approximately 52.2% and 52.4% of our total consolidated assets, respectively.

SBA-guaranteed debentures have fixed interest rates that equal prevailing 10-year U.S. Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid at any time with no prepayment penalty. SBA-guaranteed debentures drawn before October 1, 2019 incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. SBA-guaranteed debentures drawn after October 1, 2019 incur upfront fees of 3.435%, which consists of a 1.00% commitment fee and a 2.435% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. Once pooled, which occurs in March and September of each applicable year, the SBA-guaranteed debentures bear interest at a fixed rate that is set to the current 10-year treasury rate plus a spread at each pooling date.

The fair values of the SBA-guaranteed debentures are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the SBA-guaranteed debentures is estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any. At March 31, 2023 and December 31, 2022, the SBA-guaranteed debentures would be deemed to be Level 3, as defined in Note 6.

As of March 31, 2023, we have incurred \$10.9 million in financing costs related to the SBA-guaranteed debentures since the SBIC subsidiaries received their licenses, which were recorded as prepaid loan fees. As of March 31, 2023 and December 31, 2022, \$5.4 and \$5.7 million of prepaid financing costs had yet to be amortized, respectively. These prepaid loan fees are presented on the Consolidated Statements of Assets and Liabilities as a deduction from the debt liability.

The following table summarizes the interest expense and amortized fees on the SBA-guaranteed debentures for the three months ended March 31, 2023 and 2022 (dollars in millions):

	For the three months ended	
	March 31, 2023	March 31, 2022
Interest expense	\$ 2.4	\$ 1.7
Debenture fee amortization	0.3	0.3
Total interest and financing expenses	<u>\$ 2.7</u>	<u>\$ 2.0</u>
Weighted average interest rate	3.1 %	2.8 %
Effective interest rate (including fee amortization)	3.5 %	3.2 %
Average debt outstanding	\$ 313.6	\$ 254.2
Cash paid for interest	\$ 4.7	\$ 3.4

Notes Offering

On January 14, 2021, we issued \$100.0 million in aggregate principal amount of 4.875% fixed-rate notes due 2026 (the "2026 Notes"). The 2026 Notes will mature on March 30, 2026 and may be redeemed in whole or in part at any time or from time to time at our

option on or after December 31, 2025 at a redemption price equal to 100% of the outstanding principal, plus accrued and unpaid interest. Interest is payable semi-annually beginning March 31, 2022.

As of both March 31, 2023 and December 31, 2022, the aggregate carrying amount of the 2026 Notes were approximately \$100.0 million. The 2026 Notes are institutional, non-traded notes.

In connection with the issuance of the 2026 Notes, we have incurred \$2.3 million of fees which are being amortized over the term of the 2026 Notes, of which \$1.6 million and \$1.9 million remains to be amortized as of March 31, 2023 and December 31, 2022, respectively. These financing costs are presented on the Consolidated Statements of Assets and Liabilities as a deduction from the debt liability.

The following table summarizes the interest expense and deferred financing costs on the 2026 Notes for the three months ended March 31, 2023 and 2022 (dollars in millions):

	For the three months ended	
	March 31, 2023	March 31, 2022
Interest expense	\$ 1.2	\$ 1.2
Deferred financing costs	0.1	0.1
Total interest and financing expenses	\$ 1.3	\$ 1.3
Weighted average interest rate	4.9 %	4.9 %
Effective interest rate (including fee amortization)	5.4 %	5.4 %
Average debt outstanding	\$ 100.0	\$ 100
Cash paid for interest	\$ 2.4	\$ 2.4

Off-Balance Sheet Arrangements

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. As of March 31, 2023, our only off-balance sheet arrangements consisted of \$25.8 million of unfunded commitments to provide debt financing to 55 existing portfolio companies and \$0.3 million in unfunded equity commitments to one existing portfolio company. As of December 31, 2022, our only off-balance sheet arrangements consisted of \$27.5 million of unfunded commitments to provide debt financing to 52 existing portfolio companies and \$0.3 million in unfunded equity commitments to one existing portfolio company. As of March 31, 2023, we had sufficient liquidity (through cash on hand and available borrowings under the Credit Facility) to fund such unfunded commitments should the need arise.

Regulated Investment Company Status and Dividends

We have elected, have qualified, and intend to qualify annually to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. So long as we maintain our qualification as a RIC, we will not be taxed on our investment company taxable income or realized net capital gains, to the extent that such taxable income or gains are distributed, or deemed to be distributed, to stockholders as dividends on a timely basis.

Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation until realized. Distributions declared and paid by us in a year may differ from taxable income for that year as such dividends may include the distribution of current year taxable income or the distribution of prior year taxable income carried forward into and distributed in the current year. Distributions also may include returns of capital.

To qualify for RIC tax treatment, we must, among other things, distribute, with respect to each taxable year, at least 90% of our investment company net taxable income (i.e., our net ordinary income and our realized net short-term capital gains in excess of realized net long-term capital losses, if any). If we maintain our qualification as a RIC, we must also satisfy certain distribution requirements each calendar year in order to avoid a federal excise tax on our undistributed earnings of a RIC. As of December 31, 2022, we had \$28.6 million of undistributed taxable income that will be carried forward toward distributions paid during the year ending December 31, 2023.

We intend to distribute to our stockholders between 90% and 100% of our annual taxable income (which includes our taxable interest and fee income). However, the covenants contained in the Credit Facility may prohibit us from making distributions to our stockholders, and, as a result, could hinder our ability to satisfy the distribution requirement. In addition, we may retain for investment some or all of our

net taxable capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, our stockholders will be treated as if they received actual distributions of the capital gains we retained and then reinvested the net after-tax proceeds in our common stock. Our stockholders also may be eligible to claim tax credits (or, in certain circumstances, tax refunds) equal to their allocable share of the tax we paid on the capital gains deemed distributed to them. To the extent our taxable earnings for a fiscal taxable year fall below the total amount of our dividends for that fiscal year, a portion of those dividend distributions may be deemed a return of capital to our stockholders.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage test for borrowings applicable to us as a business development company under the 1940 Act and due to provisions in Credit Facility. We cannot assure stockholders that they will receive any distributions or distributions at a particular level.

In accordance with certain applicable U.S. Treasury regulations and private letter rulings issued by the Internal Revenue Service (the "IRS"), a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC, subject to a limitation that the aggregate amount of cash to be distributed to all stockholders must be at least 20% of the aggregate declared distribution. If too many stockholders elect to receive cash, each stockholder electing to receive cash must receive a pro rata amount of cash (with the balance of the distribution paid in stock). In no event will any stockholder, electing to receive cash, receive less than 20% of his or her entire distribution in cash.

If these and certain other requirements are met, for U.S. federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock. We have no current intention of paying dividends in shares of our stock in accordance with these U.S. Treasury regulations or private letter rulings. However, we continue to monitor the Company's liquidity position and the overall economy and will continue to assess whether it would be in our and our shareholders best interest to take advantage of the IRS rulings.

Recent Accounting Pronouncements

See Note 1 to the consolidated financial statements contained herein for a description of recent accounting pronouncements, if any, including the expected dates of adoption and the anticipated impact on the financial statements.

Critical Accounting Policies

See Note 1 to the consolidated financial statements contained herein for a description of critical accounting policies.

Subsequent Events

The Company's management has evaluated subsequent events through the date of issuance of the financial statements included herein. There have been no subsequent events that require recognition or disclosure in these financial statements except for the following described below.

Investment Portfolio

The Company invested in the following portfolio companies subsequent to March 31, 2023:

Activity Type	Date	Company Name	Company Description	Investment Amount	Instrument Type
Add-On Investment	April 3, 2023	EH Real Estate Services, LLC*	Offers residential property brokerage, title & settlement, and property and casualty insurance brokerage services to home buyers and sellers	\$ 570,279	Senior Secured – First Lien
Add-On Investment	April 11, 2023	ADS Group Opco, LLC*	Full-service manufacturer for original equipment manufacturers, prime contractors, and Tier 1 suppliers across the defense, space, and aerospace industries	\$ 88,733	Equity
Add-On Investment	April 13, 2023	Tower Arch Infolinks Media, LP*	Advertising placement partner for small to mid-sized publishers	\$ 1,093	Equity
Add-On Investment	April 14, 2023	BLP Buyer, Inc.*	Distributor of lifting solutions	\$ 1,729,958	Senior Secured – First Lien
				\$ 229,010	Equity
Add-On Investment	April 17, 2023	Axis Portable Air, LLC*	Air conditioning, heating, and air quality equipment rental company	\$ 1,893,610	Senior Secured – First Lien
Add-On Investment	April 27, 2023	CompleteCase, LLC*	Provider of online uncontested divorce solutions	\$ 66,667	Revolver commitment
				\$ 111,408	Equity
New Investment	April 28, 2023	Impact Home Services, LLC	Residential, garage door, electrical, and plumbing services provider	\$ 5,936,899	Senior Secured – First Lien
				\$ 100,000	Revolver commitment
				\$ 310,844	Equity
New Investment	May 1, 2023	RIA Advisory, LLC	Provider of Oracle software implementation services	\$ 6,000,000	Senior Secured – First Lien
				\$ 100,000	Revolver commitment
				\$ 243,467	Equity

* Existing portfolio company

Credit Facility

The outstanding balance under the Credit Facility as of May 9, 2023 was \$200.4 million.

ATM Program

Since March 31, 2023, the Company issued 587,363 shares under the At-the-Market sales program (the “ATM Program”), for gross proceeds of \$8.1 million and underwriting and other expenses of \$0.1 million. The average per share offering price of shares issued under the ATM Program subsequent to March 31, 2023 was \$13.87. The Advisor agreed to reimburse the Company for underwriting fees and expenses to the extent the issuance of shares would be dilutive in nature. As such, the Advisor reimbursed the Company \$0.2 million which resulted in net proceeds of \$8.2 million, or \$14.02 per share.

Dividend Declared

On April 19, 2023, the Board declared a regular monthly dividend for each of April 2023, May 2023, and June 2023 as follows:

Declared	Ex-Dividend Date	Record Date	Payment Date	Amount per Share
4/19/2023	4/28/2023	5/1/2023	5/15/2023	\$ 0.1333
4/19/2023	5/30/2023	5/31/2023	6/15/2023	\$ 0.1333
4/19/2023	6/29/2023	6/30/2023	7/14/2023	\$ 0.1333

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. In connection with the COVID-19 pandemic, the U.S. Federal Reserve (the "Federal Reserve") and other central banks had reduced certain interest rates. However, in March 2022, the Federal Reserve raised interest rates for the first time since December 2018, and subsequently raised interest rates several times, most recently in April 2023, bringing the target for the federal funds rate to 4.75% - 5.00%, the highest since October 2007. As of both March 31, 2023 and December 31, 2022, 97% of the loans in our portfolio bore interest at floating rates. These floating rate loans typically bear interest in reference to LIBOR and SOFR, which are indexed to 30-day or 90-day LIBOR and SOFR rates, subject to an interest rate floor. As of March 31, 2023 and December 31, 2022, the weighted average interest rate floor on our floating rate loans was 1.11% and 1.07%, respectively.

Assuming that the Consolidated Statements of Assets and Liabilities as of March 31, 2023 were to remain constant and no actions were taken to alter the existing interest rate sensitivity, the following table shows the annual impact on net income of changes in interest rates:

Change in Basis Points ⁽²⁾	(\$ in millions)		
	Interest Income	Interest Expense ⁽³⁾	Net Interest Income ⁽¹⁾
Up 200 basis points	\$ 16.0	\$ (4.0)	\$ 12.0
Up 150 basis points	12.0	(3.0)	9.0
Up 100 basis points	8.0	(2.0)	6.0
Up 50 basis points	4.0	(1.0)	3.0
Down 50 basis points	(4.0)	1.0	(3.0)
Down 100 basis points	(8.0)	2.0	(6.0)
Down 150 basis points	(12.0)	3.0	(9.0)
Down 200 basis points	(16.0)	4.0	(12.0)

- (1) Excludes the impact of incentive fees based on pre-incentive fee net investment income. See Note 2 for more information on the incentive fee.
- (2) At March 31, 2023, the three month LIBOR rate was 519 basis points and the three month SOFR rate was 491 basis points. This table assumes floating rates would not fall below zero.
- (3) Includes the impact of the 25 bps LIBOR floor in place on the Credit Facility.

Although we believe that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size and composition of the assets on the balance sheet and other business developments that could affect net increase in net assets resulting from operations. Accordingly, no assurances can be given that actual results would not differ materially from the potential outcome simulated by this estimate. We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio of investments. For the three months ended March 31, 2023 and 2022, we did not engage in hedging activities.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of various members of management, including its Chief Executive Officer and its Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report.

(b) Changes in Internal Control Over Financial Reporting

The Company's management did not identify any change in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2023 that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or our subsidiaries. From time to time, we may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

Item 1A. Risk Factors

Investing in our securities involves a number of significant risks. In addition to the other information set forth in this quarterly report on Form 10-Q, including the risk factors set forth below, you should carefully consider the risk factors discussed in “Item 1A. Risk Factors” of Annual Report on Form 10-K filed with the SEC on February 28, 2023, all of which could materially affect our business, financial condition and/or results of operations. Although the risks described below and in our other SEC filings referenced above represent the principal risks associated with an investment in us, they are not the only risks we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, might materially and adversely affect our business, financial condition and/or results of operations.

Other than as described below, during the three months ended March 31, 2023, there have been no material changes to the risk factors discussed in our SEC filings referenced above.

We may be subject to risk related to bank impairments or failure either directly or through our portfolio companies, which, in turn, could indirectly impact our performance and results of operations.

In March 2023, the U.S. Federal Deposit Insurance Corporation (“FDIC”) took control of Silicon Valley Bank and Signature Bank, and in May 2023, the FDIC took control of First Republic Bank due to liquidity concerns. The impairment or failure of one or more banks with whom any of our portfolio companies transact may inhibit the ability of our portfolio companies to access depository accounts, including cash and cash equivalents, as well as investment accounts, which, in turn, may indirectly impact our performance and results of operations. In the event of a bank impairment or failure, affected portfolio companies may default on their debt obligations to us, resulting in impacts to our performance. In the event of such a failure of a banking institution where one or more of our portfolio companies holds depository accounts, access to such accounts could be restricted and FDIC protection may not be available for balances in excess of amounts insured by the FDIC. In such instances, our affected portfolio companies would not recover such excess, uninsured amounts, and they may not be able to cure any defaults. Additionally, unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing our investments and harm business, financial condition, operating results and prospects. We closely monitor activity in the banking sector as it relates to any of our borrowers and continually assess any potential indirect impact to us as a result of the same.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

No shares were issued under the distribution reinvestment program during either of the three months ended March 31, 2023 and 2022.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. EXHIBITS.

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits filed with the SEC:

Exhibit Number	Description
3.1	Articles of Amendment and Restatement (Incorporated by reference to Exhibit (a)(1) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on October 23, 2012).
3.2	Bylaws (Incorporated by reference to Exhibit (b)(1) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on October 23, 2012).
4.1	Form of Stock Certificate (Incorporated by reference to Exhibit (d) to the Registrant's Registration Statement on Form N-2 (File No. 333-184195), filed on October 23, 2012).
31.1	Chief Executive Officer Certification pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Chief Financial Officer Certification pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS*	XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File — The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* Filed
herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 9, 2023

STELLUS CAPITAL INVESTMENT CORPORATION

By: /s/ Robert T. Ladd

Name: Robert T. Ladd

Title: Chief Executive Officer and President

By: /s/ W. Todd Huskinson

Name: W. Todd Huskinson

Title: Chief Financial Officer

CUSTODY AGREEMENT

dated as of November 2, 2022
by and between

Stellus Capital SBIC LP
("Company")
and

FROST BANK, a Texas state bank
("Custodian")

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THIS CUSTODY AGREEMENT (this “Agreement”) is dated as of October 18, 2022 and is by and between Stellus Capital SBIC LP_ (and any successor or permitted assign, the “Company”), a Delaware LP having its registered office at 4400 Posts Oak Parkway, Suite 2200, Houston TX, 77027, and FROST BANK (or any successor or permitted assign acting as custodian hereunder, the “Custodian”), a Texas state bank.

RECITALS

WHEREAS, the Company is a wholly owned subsidiary of a closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended (the “1940 Act”);

WHEREAS, the Company desires to retain Frost Bank to act as custodian for the Company;

WHEREAS, the Company desires that the Company’s cash be held and administered by the Custodian pursuant to this Agreement in compliance with Section 17(f) of the 1940 Act; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. **DEFINITIONS**

1.1 Defined Terms. In addition to terms expressly defined elsewhere herein, the following words shall have the following meanings as used in this Agreement:

“Account” or “Accounts” means the Cash Account.

“Agreement” means this Custody Agreement (as the same may be amended from time to time in accordance with the terms hereof).

“Authorized Person” has the meaning set forth in Section 5.3.

“Business Day” means any day that is not Saturday or Sunday and is not a legal holiday or a day in which banking institutions generally are authorized or obligated by law or regulation to remain closed in the State of Texas, or the city in which the Custodian is located.

“Cash Account” or “Cash Accounts” means the segregated accounts to be established at Frost Bank to which the Company shall deposit and in which Custodian shall hold any cash received by it from time to time from the Company, as applicable, which accounts shall be designated the “SBIC I Operating _ Account” and the “_ SBIC I Money Market_ Account”.

“Company” means Stellus Capital SBIC LP__, its successors or permitted assigns.

“Confidential Information” means any databases, computer programs, screen formats, screen designs, report formats, interactive design techniques, and other similar or related information that may be furnished to the Company by the Custodian from time to time pursuant to this Agreement.

“Custodian” has the meaning set forth in the first paragraph of this Agreement.

“Eligible Investment” means any investment that at the time of its acquisition is one or more of the following:

- (a) United States government and agency obligations;
- (b) commercial paper having a rating assigned to such commercial paper by Standard & Poor’s Rating Services or Moody’s Investor Service, Inc. (or, if neither such organization shall rate such commercial paper at such time, by any nationally recognized rating organization in the United States of America) equal to one of the two highest ratings assigned by such organization, it being understood that as of the date hereof such ratings by Standard & Poor’s Rating Services are “A1+” and “A1” and such ratings by Moody’s Investor Service, Inc. are “P1” and “P2”;
- (c) interest bearing deposits in United States dollars in United States banks with an unrestricted surplus of at least U.S. \$250,000,000, maturing within one year; and
- (d) money market funds (including funds of the bank serving as Custodian or its affiliates) or United States government securities funds designed to maintain a fixed share price and high liquidity.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof) unincorporated organization, or any government or agency or political subdivision thereof.

“Proper Instructions” means instructions received by the Custodian in form acceptable to it, from the Company, or any Person duly authorized by the Company in any of the following forms acceptable to the Custodian:

- (a) in writing signed by the Authorized Person (whether by manual, facsimile, PDF or other electronic signature);
- (b) by electronic mail from an Authorized Person;
- (c) in a communication utilizing access codes effected between electro mechanical or electronic devices; or
- (d) such other means as may be agreed in writing upon from time to time by the Custodian and the party giving such instructions, including oral instructions.

1.2 Construction. In this Agreement unless the contrary intention appears:

- (a) any reference to this Agreement or another agreement or instrument refers to such agreement or instrument as the same may be amended, modified or otherwise rewritten from time to time;
- (b) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (c) any term defined in the singular form may be used in, and shall include, the plural with the same meaning, and vice versa;
- (d) a reference to a Person includes a reference to the Person's executors, successors and permitted assigns;
- (e) an agreement, representation or warranty in favor of two or more Persons is for the benefit of them jointly and severally;
- (f) an agreement, representation or warranty on the part of two or more Persons binds them jointly and severally;
- (g) a reference to the term "including" means "including, without limitation,"
- (h) a reference to any accounting term is to be interpreted in accordance with generally accepted principles and practices in the United States, consistently applied, unless otherwise instructed by the Company; and
- (i) any reference to "execute", "executed", "sign", "signed", "signature" or any other like term hereunder shall include execution by electronic signature (including, without limitation, any .pdf file, .jpeg file, or any other electronic or image file, or any "electronic signature" as defined under the U.S. Electronic Signatures in Global and National Commerce Act ("E-SIGN") or the Texas Uniform Electronic Transactions Act ("TUETA"), which includes any electronic signature provided using Orbit, Adobe Fill & Sign, Adobe Sign, DocuSign, or any other similar platform identified by the Company and reasonably available at no undue burden or expense to the Custodian), except to the extent the Custodian requests otherwise. Any such electronic signatures shall be valid, effective and legally binding as if such electronic signatures were handwritten signatures and shall be deemed to have been duly and validly delivered for all purposes hereunder.

1.3 Headings. Headings are inserted for convenience and do not affect the interpretation of this Agreement.

2. **APPOINTMENT OF CUSTODIAN**

2.1 Appointment and Acceptance.

(a) The Company hereby appoints the Custodian as custodian of certain cash owned by the Company and delivered to the Custodian (or Frost Bank on its behalf) from time to time during the period of this Agreement, on the terms and conditions set forth in this Agreement (which shall include any addendum hereto which is hereby incorporated herein and made a part of this Agreement), and the Custodian hereby accepts such appointment and agrees to perform the services and duties set forth in this Agreement with respect to it subject to and in accordance with the provisions hereof. Any Account may contain any number of sub-accounts for the convenience of the Custodian or as required by the Company for convenience in administering such Account.

2.2 Instructions. The Company agrees that it shall from time to time provide, or cause to be provided, to the Custodian all necessary instructions and information, and shall respond promptly to all inquiries and requests of the Custodian, as may reasonably be necessary to enable the Custodian to perform its duties hereunder.

2.3 Company Responsible For Directions. The Company is solely responsible for directing the Custodian with respect to deposits to, withdrawals from and transfers to or from the Account. Without limiting the generality of the foregoing, the Custodian has no responsibility for the Company's compliance with the 1940 Act, any restrictions, covenants, limitations or obligations to which the Company may be subject or for which it may have obligations to third-parties in respect of the Account, and the Custodian shall have no liability for the application of any funds made at the direction of the Company. The Company shall be solely responsible for properly instructing all applicable payors to make all appropriate payments to the Custodian (or Frost Bank on its behalf) for deposit to the Account, and for properly instructing the Custodian with respect to the allocation or application of all such deposits.

3. **DUTIES OF CUSTODIAN**

3.1 Accounts. The Company directs the Custodian to open and maintain the Cash Accounts as a segregated account in the name of the Company, subject only to order of the Custodian, to which the Custodian (or Frost Bank on the Custodian's behalf) shall deposit and hold any cash received by it from time to time from the Company. The Custodian shall have no power or authority to assign, hypothecate, pledge or otherwise dispose of any such cash except pursuant to the direction of the Company under terms of the Agreement.

3.2 Delivery of Cash to Custodian. The Company shall deliver, or cause to be delivered, to the Custodian (or Frost Bank on its behalf) certain of the Company's cash, including but not limited to cash owned by the Company at any time during the period of this Agreement. The Custodian shall not be responsible for such cash until actually delivered to, and received by it.

3.3 Bank Accounts, and Management of Cash

- (a) Cash received by the Custodian (or Frost Bank on its behalf) from time to time shall be credited to the Cash Account. All amounts credited to the Cash Account shall be subject to clearance and receipt of final payment by the Custodian or Frost Bank on its behalf.
- (b) Amounts held in the Cash Account from time to time may be invested in Eligible Investments pursuant to specific written Proper Instructions (which may be standing instructions) received by the Custodian from two Authorized Persons acting on behalf of the Company. Such investments shall be subject to availability and the Custodian's then applicable transaction charges (which shall be at the Company's expense). The Custodian shall have no liability for any loss incurred on any such investment. Absent receipt of such written instruction from the Company, the Custodian shall have no obligation to invest (or otherwise pay interest on) amounts on deposit in the Cash Account. In no instance will the Custodian have any obligation to provide investment advice to the Company. Any earnings from such investment of amounts held in the Cash Account, from time to time (collectively, "Reinvestment Earnings") shall be redeposited in the Cash Account (and may be reinvested at the written direction of the Company).
- (c) The Company acknowledges that cash deposited with any bank (including the bank acting as Custodian and Frost Bank) may make a margin or generate banking income for which such bank shall not be required to account to the Company.
- (d) The Custodian shall be authorized to open such additional accounts as may be necessary or convenient for administration of its duties hereunder, with notice to be provided to the Company.

3.4 Payment of Moneys.

Upon receipt of Proper Instructions, which may be standing instructions, the Custodian shall cause Frost Bank to pay out from the respective Cash Account designated by the Company (or remit to its agents or its sub-custodians, and direct them to pay out) moneys of the Company on deposit therein for any other purpose directed by the Company, but only upon receipt of Proper Instructions specifying the amount of such payment, and naming the Person or Persons to whom such payment is to be made.

- (a) At any time or times, the Custodian shall be entitled to pay (i) itself from the Cash Account, whether or not in receipt of express direction or instruction from the Company, any amounts due and payable to it pursuant to Section 6 hereof, and (ii) as otherwise permitted under this Agreement, provided, however, that in each case (i) the Custodian shall have first invoiced or billed the Company for such amounts and the Company shall have failed to pay such amounts within thirty (30) days after the date of such invoice or bill, and (i) all such payments shall be regularly accounted for to the Company.

3.5 Records. The Custodian shall create and maintain complete and accurate records relating to its activities under this Agreement with respect to the cash held for the Company under this Agreement, as required by Section 31 of the 1940 Act, and Rules 31a-1 and 32a-2 thereunder. To the extent that the Custodian, in its sole opinion, is able to do so, the Custodian shall provide assistance to the Company (at the Company's reasonable request made from time to time) by providing sub-certifications regarding certain of its services performed hereunder to the Company in connection with the Company's certification requirements pursuant to the Sarbanes-Oxley Act of 2002, as amended. All such records shall be the property of the Company and shall at all times during the regular business hours of the Custodian be open for inspection by duly authorized officers, employees or agents of the Company (including its independent public accountants) and employees and agents of the Securities and Exchange Commission, upon reasonable request and at least five Business Days' prior written notice and at the Company's expense.

4. **REPORTING**

Upon the Company's written request, the Custodian shall provide to the Company a monthly report of (i) all deposits to and withdrawals from the Cash Account during the month, and the outstanding balance (as of the last day of the preceding monthly report and as of the last day of the subject month) and (ii) such other matters as the parties may agree from time to time.

5. **CERTAIN GENERAL TERMS**

5.1 Resolution of Discrepancies. In the event of any discrepancy between the information set forth in any report provided by the Custodian to the Company and any information contained in the books or records of the Company, the Company shall promptly notify the Custodian thereof and the parties shall cooperate to diligently resolve the discrepancy.

5.2 Improper Instructions. Notwithstanding anything herein to the contrary, the Custodian shall not be obligated to take any action (or forebear from taking any action), which it reasonably determines (at its sole option) to be contrary to the terms of this Agreement or applicable law. In no instance shall the Custodian be obligated to provide services on any day that is not a Business Day.

5.3 Proper Instructions

- (a) The Company will give a notice to the Custodian, in form acceptable to the Custodian, specifying the names and specimen signatures (whether manual, facsimile, PDF or other electronic signature) of persons authorized to give Proper Instructions (collectively, "Authorized Persons" and each is an "Authorized Person") which notice shall be signed (whether manual, facsimile, PDF or other electronic signature) by an Authorized Person previously certified to the

Custodian. The Custodian shall be entitled to rely upon the identity and authority of such persons until it receives written notice from an Authorized Person of the Company to the contrary. The initial Authorized Persons are set forth on Schedule A attached hereto and made a part hereof (as such Schedule A may be modified from time to time by written notice from the Company to the Custodian). The Custodian shall be entitled to accept and act upon Proper Instructions sent by unsecured email, facsimile transmission or other similar unsecured electronic methods. If such person on behalf of the Company elects to give the Custodian email or facsimile instructions (or instructions by a similar electronic method) and the Custodian in its discretion elects to act upon such instructions, the Custodian's reasonable understanding of such instructions shall be deemed controlling. The Custodian shall not be liable for any losses, costs or expenses arising directly or indirectly from the Custodian's reliance upon and compliance with such instructions notwithstanding such instructions conflicting with or being inconsistent with a subsequent written instruction. The Company agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Custodian, including without limitation the risk of the Custodian acting on unauthorized instructions, and the risk of interception and misuse by third parties (except, in each case, to the extent due to the Custodian's bad faith, willful misconduct or gross negligence, as applicable), and acknowledges and agrees that there may be more secure methods of transmitting such instructions than the method(s) selected by it and agrees that the security procedures (if any) to be followed in connection with its transmission of such instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

- (b) The Custodian shall have no responsibility or liability to the Company (or any other person or entity), and shall be indemnified and held harmless by the Company, in the event that a subsequent written confirmation of an oral instruction fails to conform to the oral instructions received by the Custodian. The Custodian shall not have an obligation to act in accordance with purported instructions to the extent that they conflict with applicable law or regulations, local market practice or the Custodian's operating policies and practices. The Custodian shall not be liable for any loss resulting from a delay while it obtains clarification of any Proper Instructions.

5.4 Actions Permitted Without Express Authority. The Custodian may, at its discretion, without express authority from the Company:

- (a) make payments to itself as described in or pursuant to Section 3.4, provided that (i) the Custodian shall have first invoiced or billed the Company for such amounts and the Company shall have failed to pay such amounts within thirty (30) days after the date of such invoice or bill, and (ii) all such payments shall be regularly accounted for to the Company; and
- (b) endorse for collection cheques, drafts and other negotiable instruments.

5.5 Evidence of Authority. The Custodian shall be protected in acting upon any instructions, notice, request, consent, certificate, instrument, electronic communication or paper reasonably believed by it to be genuine and to have been properly executed (whether manual, facsimile, PDF or other electronic signature) or otherwise given by or on behalf of the Company by an Authorized Person. The Custodian may receive and accept a certificate signed (whether manual, facsimile, PDF or other electronic signature) by any Authorized Person as conclusive evidence of:

- (a) the authority of any person to act in accordance with such certificate; or
- (b) any determination or of any action by the Company as described in such certificate,

and such certificate may be considered as in full force and effect until receipt by the Custodian of written notice to the contrary from an Authorized Person of the Company.

5.6 Receipt of Communications. Any communication received by the Custodian on a day which is not a Business Day or after 1:30 p.m., San Antonio, Texas time (or such other time as is agreed by the Company and the Custodian from time to time), on a Business Day will be deemed to have been received on the next Business Day (but in the case of communications so received after 1:30 p.m. San Antonio, Texas time, on a Business Day the Custodian will use reasonable efforts to process such communications as soon as possible after receipt).

6. **COMPENSATION OF CUSTODIAN**

6.1 Fees. The Custodian shall be entitled to compensation for its services in accordance with the terms of that certain fee letter agreement dated November 2, 2022 between the Company and the Custodian.

6.2 Expenses. The Company agrees to pay or reimburse to the Custodian upon its request from time to time all costs, disbursements, advances, and expenses (including reasonable fees and expenses of legal counsel) incurred, and any disbursements and advances made (including any account overdraft resulting from any settlement or assumed settlement, provisional credit, chargeback, returned deposit item, reclaimed payment or claw-back, or the like), in connection with the preparation or execution of this Agreement, or in connection with the transactions contemplated hereby or the administration of this Agreement or performance by the Custodian, as applicable, of its duties and services under this Agreement, from time to time (including costs and expenses of any action deemed necessary by the Custodian to collect any amounts owing to it under this Agreement).

7. **RESPONSIBILITY OF CUSTODIAN**

7.1 General Duties. The Custodian shall have no duties, obligations or responsibilities under this Agreement except for such duties as are expressly and specifically set forth in this Agreement, and the duties and obligations of the Custodian

shall be determined solely by the express provisions of this Agreement. No implied duties, obligations or responsibilities shall be read into this Agreement against, or on the part of, the Custodian.

7.2 Instructions

- (a) The Custodian shall be entitled to refrain from taking any action unless it has such instruction (in the form of Proper Instructions) from the Company as it reasonably deems necessary, and shall be entitled to require, upon notice to the Company, that Proper Instructions to it be in writing. The Custodian shall have no liability for any action (or forbearance from action) taken pursuant to the Proper Instruction of the Company.
- (b) Whenever the Custodian is entitled or required to receive or obtain any communications or information pursuant to or as contemplated by this Agreement, it shall be entitled to receive the same in writing, in form, content and medium reasonably acceptable to it and otherwise in accordance with any applicable terms of this Agreement; and whenever any report or other information is required to be produced or distributed by the Custodian it shall be in form, content and medium reasonably acceptable to it and the Company, and otherwise in accordance with any applicable terms of this Agreement.

7.3 General Standards of Care. Notwithstanding any terms herein contained to the contrary, the acceptance by the Custodian of its appointment hereunder is expressly subject to the following terms, which shall govern and apply to each of the terms and provisions of this Agreement (whether or not so stated therein):

- (a) The Custodian may rely on and shall be protected in acting or refraining from acting upon any written notice, instruction, statement, certificate, request, waiver, consent, opinion, report, receipt or other paper, electronic communication or document furnished to it (including any of the foregoing provided to it by telecopier or electronic means), not only as to its due execution and validity, but also as to the truth and accuracy of any information therein contained, which it in good faith believes to be genuine and signed (whether manual, facsimile, PDF or other electronic signature) or presented by the proper person (which in the case of any instruction from or on behalf of the Company shall be an Authorized Person); and the Custodian shall be entitled to presume the genuineness and due authority of any signature (whether manual, facsimile, PDF or other electronic signature) appearing thereon. The Custodian shall not be bound to make any independent investigation into the facts or matters stated in any such notice, instruction, statement, certificate, request, waiver, consent, opinion, report, receipt or other paper, electronic communication or document, provided, however, that if the form thereof is specifically prescribed by the terms of this Agreement, the Custodian, as applicable, shall examine the same to determine whether it substantially conforms on its face to such requirements hereof.

- (b) Neither the Custodian nor any of their directors, officers or employees shall be liable to anyone for any error of judgment, or for any act done or step taken or omitted to be taken by it (or any of its directors, officers or employees), or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, unless such action constitutes gross negligence, willful misconduct or bad faith on its part and in breach of the terms of this Agreement. The Custodian shall not be liable for any action taken by it in good faith and reasonably believed by it to be within powers conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed hereunder, or omitted to be taken by it by reason of the lack of direction or instruction required hereby for such action. The Custodian shall not be under any obligation at any time to ascertain whether the Company is in compliance with the 1940 Act, the regulations thereunder, or the Company's investment objectives and policies then in effect.
- (c) In no event shall the Custodian be liable for any indirect, incidental, special, punitive or consequential damages (including lost profits or diminution of value) whether or not it has been advised of the likelihood of such damages.
- (d) The Custodian may consult with, and obtain advice from, legal counsel selected in good faith with respect to any question as to any of the provisions hereof or its duties hereunder, or any matter relating hereto, and the written opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Custodian in good faith in accordance with the opinion and directions of such counsel; the reasonable cost of such services shall be reimbursed pursuant to Section 6.2 above.
- (e) The Custodian shall not be deemed to have notice of any fact, claim or demand with respect hereto unless actually known by an officer working in its Trust group and charged with responsibility for administering this Agreement or unless (and then only to the extent received) in writing by the Custodian at the applicable address(es) as set forth in Section 13 and specifically referencing this Agreement.
- (f) No provision of this Agreement shall require the Custodian to expend or risk its own funds, or to take any action (or forbear from action) hereunder which might in its judgment involve any expense or any financial or other liability unless it shall be furnished with acceptable indemnification. Nothing herein shall obligate the Custodian to commence, prosecute or defend legal proceedings in any instance, whether on behalf of the Company or on its own behalf or otherwise, with respect to any matter arising hereunder, or relating to this Agreement or the services contemplated hereby.
- (g) The permissive rights of the Custodian to take any action hereunder shall not be construed as duty.

- (h) The Custodian may act or exercise its duties or powers hereunder through agents (including for the avoidance of doubt, sub-custodians) or attorneys, and the Custodian, as applicable, shall not be liable or responsible for the actions or omissions of any such agent or attorney appointed and maintained with reasonable due care.
- (i) All indemnifications contained in this Agreement in favor of the Custodian shall survive the termination of this Agreement or earlier resignation of the Custodian, as applicable.

7.4 Indemnification; Custodian's Lien.

- (a) The Company shall and does hereby indemnify and hold harmless the Custodian and its officers, directors, employees, attorneys, agents, advisors, successors and assigns (collectively, the "Indemnified Persons" and each an "Indemnified Person") for and from any and all costs and expenses (including reasonable fees and expenses), and any and all losses, damages, claims and liabilities, that may arise, be brought against or incurred by an Indemnified Person, whether brought by or involving any third party or the Company, and any advances or disbursements made by an Indemnified Person (including in respect of any Account overdraft, returned deposit item, chargeback, provisional credit, settlement or assumed settlement, reclaimed payment, claw-back or the like), as a result of, relating to, or arising out of this Agreement, or the administration or performance of the duties of the Custodian hereunder, or the enforcement of any provision of this Agreement, including indemnification obligations, or the relationship between the Company and the Custodian created hereby, other than such liabilities, losses, damages, claims, costs and expenses as are directly caused by the Custodian's, as applicable, own actions constituting bad faith, gross negligence or willful misconduct.
- (b) If the Company requires the Custodian, its affiliates, subsidiaries or agents, to advance cash for any purpose or in the event that the Custodian or its nominee shall incur or be assessed any taxes, charges, expenses, assessments, claims or liabilities in connection with the performance of this Agreement, except such as may arise from its or its nominee's own gross negligent action, grossly negligent failure to act or willful misconduct, or if the Company fails to compensate or pay the Custodian pursuant to Section 6.2 or Section 7.4 hereof, any cash at any time held for the account of the Company shall be security therefor and should the Company fail to repay the Custodian promptly (or, if specified, within the time frame provided herein), the Custodian shall be entitled to utilize available cash to the extent necessary to obtain reimbursement.

7.5 Force Majeure. Without prejudice to the generality of the foregoing, the Custodian shall not be liable to the Company for any damage or loss resulting from or caused by events or circumstances beyond the reasonable control of the Custodian, including nationalization, expropriation, currency restrictions, the interruption,

disruption or suspension of the normal procedures and practices of any securities market, power, mechanical, communications or other technological failures or interruptions, computer viruses or the like, fires, floods, earthquakes or other natural disasters, civil and military disturbance, acts of war or terrorism, riots, revolution, acts of God, work stoppages, strikes, national disasters of any kind, or other similar events or acts; errors by the Company (including any Authorized Person) in its instructions to the Custodian; or changes in applicable law, regulation or orders.

8. SECURITY CODES

If the Custodian issues to the Company, security codes, passwords or test keys in order that it may verify that certain transmissions of information, including Proper Instructions, have been originated by the Company, the Company shall take all commercially reasonable steps to safeguard any security codes, passwords, test keys or other security devices which the Custodian shall make available.

9. TAX LAW

9.1 Domestic Tax Law. The Custodian shall have no responsibility or liability for any obligations now or hereafter imposed on the Company or the Custodian as custodian of the Company's cash, by the tax law of the United States or any state or political subdivision thereof. The Custodian shall be kept indemnified by and be without liability to the Company for such obligations including taxes, (but excluding any income taxes assessable in respect of compensation paid to the Custodian pursuant to this Agreement) withholding, certification and reporting requirements, claims for exemption or refund, additions for late payment interest, penalties and other expenses (including legal expenses) that may be assessed against the Company, or the Custodian as custodian of the Company's cash.

9.2 Foreign Tax Law. It shall be the responsibility of the Company to notify the Custodian of the obligations imposed on the Company by the tax law of foreign (e.g., non-U.S.) jurisdictions, including responsibility for withholding and other taxes, assessments or other government charges, certifications and government reporting. The sole responsibility of the Custodian with regard to such tax law shall be to use reasonable efforts to cooperate with the Company with respect to any claims for exemption or refund under the tax law of the jurisdictions for which the Company has provided such information.

10. EFFECTIVE PERIOD AND TERMINATION

10.1 Effective Date. This Agreement shall become effective as of its due execution (whether manual, facsimile, PDF or other electronic signature) and delivery by each of the parties. This Agreement shall continue in full force and effect until terminated as hereinafter provided. This Agreement may only be amended by mutual written agreement of the parties hereto. This Agreement may be terminated by the Custodian or the Company pursuant to Section 10.2.

10.2 Termination. This Agreement shall terminate upon the earliest of (a) occurrence of the effective date of termination specified in any written notice of termination given by any party to the other parties not later than sixty (60) days prior to the effective date of termination specified therein, (b) such other date of termination as may be mutually agreed upon by the parties in writing.

10.3 Resignation. The Custodian may at any time resign under this Agreement by giving not less than sixty (60) days' advance written notice thereof to the Company. The Company may at any time remove the Custodian under this Agreement by giving not less than sixty (60) days' advance written notice to the Custodian.

10.4 Successor. Prior to the effective date of termination of this Agreement, or the effective date of the resignation or removal of the Custodian, as the case may be, the Company shall give Proper Instruction to the Custodian designating a successor Custodian, if applicable. The Custodian shall, upon receipt of Proper Instruction from the Company deliver directly to the successor Custodian all cash then owned by the Company and held by the Custodian as custodian, , provided that the Company shall have paid to the Custodian all fees, expenses and other amounts to the payment or reimbursement of which it shall then be entitled. In addition, the Custodian shall, at the expense of the Company, transfer to such successor all relevant books, records, correspondence, and other data established or maintained by the Custodian under this Agreement (if such form differs from the form in which the Custodian has maintained the same, the Company shall pay any expenses associated with transferring the data to such form), and will cooperate in the transfer of such duties and responsibilities. Upon such delivery and transfer, the Custodian shall be relieved of all obligations under this Agreement.

10.5 Payment of Fees, etc. Upon termination of this Agreement or resignation of the Custodian, the Company shall pay to each of the Custodian such compensation, and shall likewise reimburse the Custodian for its costs, expenses and disbursements, as may be due as of the date of such termination or resignation (or removal, as the case may be). All indemnifications in favor of the Custodian under this Agreement shall survive the termination of this Agreement, or any resignation or removal of the Custodian, as applicable.

10.6 Final Report. In the event of any resignation or removal of the Custodian, the Custodian shall provide to the Company a complete final report or data file transfer of any Confidential Information as of the date of such resignation or removal.

11. **REPRESENTATIONS AND WARRANTIES**

11.1 Representations of the Company. The Company represents and warrants to the Custodian that:

- (a) it has the power and authority to enter into and perform its obligations under this Agreement, and it has duly authorized, executed and delivered this Agreement so as to constitute its valid and binding obligation; and
- (b) in giving any instructions which purport to be “Proper Instructions” under this Agreement, the Company will act in accordance with the provisions of its organizational and operational documents and any applicable laws and regulations.

11.2 Representations of the Custodian. The Custodian hereby represents and warrants to the Company that:

- (a) it is qualified to act as a custodian pursuant to Sections 17(f) and 26(a)(1) of the 1940 Act;
- (b) it has the power and authority to enter into and perform its obligations under this Agreement;
- (c) it has duly authorized and executed this Agreement so as to constitute its valid and binding obligations; and
- (d) it maintains business continuity policies and standards that include data file backup and recovery procedures that comply with all applicable regulatory requirements.

12. **PARTIES IN INTEREST; NO THIRD PARTY BENEFIT**

This Agreement is not intended for, and shall not be construed to be intended for, the benefit of any third parties and may not be relied upon or enforced by any third parties (other than successors and permitted assigns pursuant to Section 17).

13. **NOTICES**

Any Proper Instructions shall be given to the following address (or such other address as either party may designate by written notice to the other party), and otherwise any notices, approvals and other communications hereunder shall be sufficient if made in writing and given to the parties at the following address (or such other address as either of them may subsequently designate by notice to the other), given by (i) certified or registered mail, postage prepaid, (ii) recognized courier or delivery service, (iii) electronic mail or (iv) confirmed telecopier or telex, with a duplicate sent on the same day by first class mail, postage prepaid:

- (a) if to the Company or any Subsidiary, to

Stellus Capital SBIC LP
Attention: Victoria Garcia

Email: vgarcia@stelluscapital.com with a copy to
LoanOps@stelluscapital.com
Phone: 832-654-0299

(b) if to the Custodian, to

Frost Bank
Attention: Ralph Ruske
Phone: 713-388-4650
E-mail: rruske@frostbank.com

14. CHOICE OF LAW AND JURISDICTION

This Agreement shall be construed, and the provisions thereof interpreted under and in accordance with and governed by the laws of the State of Texas for all purposes (without regard to its choice of law provisions); except to the extent such laws are inconsistent with federal securities laws, including the 1940 Act, in which case such federal securities laws shall govern. All actions and proceedings relating to or arising from, directly or indirectly, this Agreement may be brought in Texas State or U.S. federal courts located within the City of San Antonio, State of Texas and the Company and the Custodian hereby submit to personal jurisdiction of such courts for such actions or proceedings. The Company and the Custodian each hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury and any objection to laying of venue in such courts on grounds of forum nonconveniens in respect of any claim based upon, arising out of or in connection with this Agreement. No actions or proceedings relating to or arising from, directly or indirectly, this Agreement shall be brought in a forum outside of the United States of America.

15. ENTIRE AGREEMENT; COUNTERPARTS

15.1 Complete Agreement. This Agreement constitutes the complete and exclusive agreement of the parties with regard to the matters addressed herein and supersedes and terminates as of the date hereof, all prior agreements, agreements or understandings, oral or written between the parties to this Agreement relating to such matters.

15.2 Counterparts. This Agreement may be executed (whether manual, facsimile, PDF or other electronic signature) in any number of counterparts and all counterparts taken together shall constitute one and the same instrument.

15.3 Electronic Signatures. The exchange of copies of this Agreement and of signature pages by pdf or other electronic transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by pdf shall be deemed to be their original signatures for all purposes. By executing this Agreement, the Company hereby acknowledges and agrees, and directs the Custodian to acknowledge and agree and the Custodian does hereby acknowledge and agree, that execution of this Agreement, any Proper Instructions and any other notice, form or other document

executed by the Company or the Custodian in connection with this Agreement, by electronic signature (including, without limitation, any .pdf file, .jpeg file or any other electronic or image file, or any other “electronic signature” as defined under E-SIGN or TUETA, including Orbit, Adobe Fill & Sign, Adobe Sign, DocuSign, or any other similar platform identified by the Company and reasonably available at no undue burden or expense to the Custodian) shall be permitted hereunder notwithstanding anything to the contrary herein and such electronic signatures shall be legally binding as if such electronic signatures were handwritten signatures. Any electronically signed document delivered via email from a person purporting to be an Authorized Person shall be considered signed or executed by such Authorized Person on behalf of the Company. The Company also hereby acknowledges that the Custodian shall have no duty to inquire into or investigate the authenticity or authorization of any such electronic signature and shall be entitled to conclusively rely on any such electronic signature without any liability with respect thereto.

16. AMENDMENT; WAIVER

16.1 Amendment. This Agreement may not be amended except by an express written instrument duly executed (whether manual, facsimile, PDF or other electronic signature) by each of the Company and the Custodian.

16.2 Waiver. In no instance shall any delay or failure to act be deemed to be or effective as a waiver of any right, power or term hereunder, unless and except to the extent such waiver is set forth in an expressly written instrument signed by the party against whom it is to be charged.

17. SUCCESSOR AND ASSIGNS

17.1 Successors Bound. The covenants and agreements set forth herein shall be binding upon and inure to the benefit of each of the parties and their respective successors and permitted assigns. Neither party shall be permitted to assign their rights under this Agreement without the written consent of the other party; provided, however, that the foregoing shall not limit the ability of the Custodian to delegate certain duties or services to or perform them through agents or attorneys appointed with due care as expressly provided in this Agreement.

17.2 Merger and Consolidation. Any corporation or association into which the Custodian may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Custodian shall be a party, or any corporation or association to which the Custodian transfers all or substantially all of its corporate trust business, shall be the successor of the Custodian hereunder and shall succeed to all of the rights, powers and duties of the Custodian, as applicable, hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

18. SEVERABILITY

The terms of this Agreement are hereby declared to be severable, such that if any term hereof is determined to be invalid or unenforceable, such determination shall not affect the remaining terms.

19. REQUEST FOR INSTRUCTIONS

If, in performing its duties under this Agreement, the Custodian is required to decide between alternative courses of action, the Custodian may (but shall not be obliged to) request written instructions from the Company as to the course of action desired by it. If the Custodian does not receive such instructions within two (2) Business Days after it has requested them, the Custodian may, but shall be under no duty to, take or refrain from taking any such courses of action. The Custodian shall act in accordance with instructions received from the Company in response to such request after such two-Business Day period except to the extent it has already taken, or committed itself to take, action inconsistent with such instructions.

20. OTHER BUSINESS

Nothing herein shall prevent the Custodian or any of its affiliates from engaging in other business, or from entering into any other transaction or financial or other relationship with, or receiving fees from or from rendering services of any kind to the Company or any other Person. Nothing contained in this Agreement shall constitute the Company and/or the Custodian (and/or any other Person) as members of any partnership, joint venture, association, syndicate, unincorporated business or similar assignment as a result of or by virtue of the engagement or relationship established by this Agreement.

21. REPRODUCTION OF DOCUMENTS

This Agreement and all schedules, exhibits, attachments and amendments hereto may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties hereto each agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding, whether or not the original is in existence and whether or not such reproduction was made by a party in the regular course of business, and that any enlargement, facsimile or further production shall likewise be admissible in evidence.

PAGE INTENTIONALLY ENDS HERE. SIGNATURES APPEAR ON NEXT PAGE.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed and delivered by a duly authorized officer, intending the same to take effect as of the date first written above.

STELLUS CAPITAL SBIC LP

By: _____
Name: W. Todd Huskinson
Title:

FROST BANK, as Custodian

By: _____
Name: Ralph Ruske
Title: Senior Vice President

SCHEDULE A

Any of the following persons (each acting singly) shall be an Authorized Person (as this list may subsequently be modified by the Company from time to time by written notice to the Custodian):

W. Todd Huskinson

Victoria H. Garcia

Vince Gwon

I, Robert T. Ladd, Chief Executive Officer of Stellus Capital Investment Corporation certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stellus Capital Investment Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 9th day of May 2023.

By: /s/ Robert T. Ladd
Robert T. Ladd
Chief Executive Officer

I, W. Todd Huskinson, Chief Financial Officer of Stellus Capital Investment Corporation certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stellus Capital Investment Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 9th day of May 2023.

By: /s/ W. Todd Huskinson

W. Todd Huskinson
Chief Financial Officer

**Certification of Chief Executive Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

In connection with this Quarterly report on Form 10-Q (the "Report") of Stellus Capital Investment Corporation (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Robert T. Ladd, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Robert T. Ladd

Name: Robert T. Ladd
Date: May 9, 2023

**Certification of Chief Financial Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

In connection with this Quarterly report on Form 10-Q (the "Report") of Stellus Capital Investment Corporation (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, W. Todd Huskinson, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ W. Todd Huskinson

Name: W. Todd Huskinson

Date: May 9, 2023
