

Stellus Capital Investment Corp  
Form 497  
November 13, 2017

**Filed Pursuant to Rule 497  
Securities Act File No. 333-216138**

Stellus Capital Investment Corporation

Supplement No. 1, dated November 13, 2017  
to  
Prospectus Supplement, dated August 23, 2017

This supplement contains information which amends, supplements or modifies certain information contained in the Prospectus of Stellus Capital Investment Corporation (the “Company”), dated April 3, 2017, as supplemented by the Prospectus Supplement, dated August 23, 2017. Capitalized terms used but not otherwise defined herein shall have the same meaning given to them in the Prospectus Supplement or Prospectus, as applicable.

*You should carefully consider the “Risk Factors” beginning on page 17 of the Prospectus before you decide to invest.*

**STATUS OF OUR OFFERING**

On August 23, 2017, we established an at-the-market program to which this Supplement No. 1 and the Prospectus Supplement, dated August 23, 2017, relate, and through which we may sell, from time to time at our sole discretion, up to \$50.0 million of our common stock. The proceeds raised, the related underwriting fees, the offering expenses and the price at which these shares were issued from the period of August 23, 2017 through November 10, 2017 are as follows:

<b>Fiscal Year 2017 Issuance of Common Stock</b>	<b>Number of Shares</b>	<b>Gross Proceeds</b>	<b>Sales Agent Commissions</b>	<b>Offering Expenses</b>	<b>Average Offering Price</b>
Fourth Quarter (through November 10, 2017)	91,466	\$1,249,923	\$ 12,798	\$ -	\$ 13.68
Third Quarter ended September 30, 2017	211,956	2,900,376	43,506	65,954	13.68
Total	303,422	\$4,150,299	\$ 56,304	\$ 65,954	\$ 13.68

FILING OF FORM 10-Q

On November 9, 2017, we filed our Quarterly Report on Form 10-Q (“Form 10-Q”) for the quarter ended September 30, 2017 with the Securities and Exchange Commission. We have attached the Form 10-Q to this supplement as Annex A.

**Annex A**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the quarterly period ended September 30, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**COMMISSION FILE NUMBER: 1-35730**

**STELLUS CAPITAL INVESTMENT CORPORATION**

**( Exact Name of Registrant as Specified in Its Charter)**

Maryland  
(State or other Jurisdiction of Incorporation or Organization) 46-0937320  
(I.R.S. Employer Identification No.)

4400 Post Oak Parkway, Suite 2200

Houston, Texas 77027

(Address of Principal Executive Offices) (Zip Code)

(713) 292-5400

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes " No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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	" Accelerated filer	x
Non-accelerated filer	" Smaller reporting company "	
Emerging growth company		

x

(do not check if a smaller reporting company)

Edgar Filing: Stellus Capital Investment Corp - Form 497

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 x

The number of shares of the issuer's Common Stock, \$0.001 par value per share, outstanding as of November 3, 2017 was 15,945,879.

**STELLUS CAPITAL INVESTMENT CORPORATION**

**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

Item 1. Financial Statements	
<u>Consolidated Statements of Assets and Liabilities as of September 30, 2017 (unaudited) and December 31, 2016</u>	<u>2</u>
<u>Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2017 and 2016 (unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Changes in Net Assets for the nine-month periods ended September 30, 2017 and 2016 (unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows for the nine-month periods ended September 30, 2017 and 2016 (unaudited)</u>	<u>5</u>
<u>Consolidated Schedules of Investments as of September 30, 2017 (unaudited) and December 31, 2016</u>	<u>6</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>19</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>48</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>64</u>
Item 4. <u>Controls and Procedures</u>	<u>64</u>

**PART II. OTHER INFORMATION**

Item 1. <u>Legal Proceedings</u>	<u>65</u>
Item 1A. <u>Risk Factors</u>	<u>65</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>65</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>65</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>65</u>
Item 5. <u>Other Information</u>	<u>65</u>
Item 6. <u>Exhibits</u>	<u>66</u>

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

	September 30, 2017 (unaudited)	December 31, 2016
<b>ASSETS</b>		
Non-controlled, affiliated investments, at fair value (amortized cost of \$1,052,185 and \$0, respectively)	\$ 940,000	\$—
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$351,197,270 and \$362,217,251, respectively)	354,357,607	365,625,891
Cash and cash equivalents	11,666,805	9,194,129
Interest receivable	4,143,998	4,601,742
Accounts receivable	3,806	748
Prepaid loan structure fees	47,453	—
Prepaid expenses	138,165	456,219
Total Assets	\$ 371,297,834	\$ 379,878,729
<b>LIABILITIES</b>		
Notes Payable	\$ 47,220,425	\$ 24,565,891
Credit facility payable	35,544,028	115,171,208
SBA Debentures	63,585,342	63,342,036
Dividends payable	1,796,308	1,413,982
Base management fees payable	1,546,781	1,608,295
Incentive fees payable	619,617	1,353,271
Interest payable	694,917	973,812
Directors' fees payable	83,000	—
Unearned revenue	128,094	19,955
Administrative services payable	313,595	272,511
Deferred Tax Liability	—	8,593
Other accrued expenses and liabilities	229,685	267,390
Total Liabilities	\$ 151,761,792	\$ 208,996,944
Net Assets	\$ 219,536,042	\$ 170,881,785
<b>NET ASSETS</b>		
Common Stock, par value \$0.001 per share (200,000,000 shares authorized, 15,854,413 and 12,479,959 shares issued and outstanding, respectively)	\$ 15,854	\$ 12,480
Paid-in capital	226,842,884	180,994,723
Accumulated net realized loss	(8,589,708 )	(13,089,671 )
Distributions in excess of net investment income	(1,781,150 )	(435,794 )

Edgar Filing: Stellus Capital Investment Corp - Form 497

Net unrealized appreciation on investments and cash equivalents, net of provision for taxes of \$0 and \$8,593, respectively	3,048,162	3,400,047
Net Assets	\$ 219,536,042	\$ 170,881,785
Total Liabilities and Net Assets	\$ 371,297,834	\$ 379,878,729
Net Asset Value Per Share	\$ 13.85	\$ 13.69



## STELLUS CAPITAL INVESTMENT CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
<b>INVESTMENT INCOME</b>				
Interest income	\$ 9,728,749	\$ 9,773,863	\$ 28,847,532	\$ 28,477,016
Other income	249,596	428,890	1,389,158	816,739
Total Investment Income	\$ 9,978,345	\$ 10,202,753	\$ 30,236,690	29,293,755
<b>OPERATING EXPENSES</b>				
Management fees	\$ 1,546,781	\$ 1,574,354	\$ 4,634,318	\$ 4,673,568
Valuation fees	137,445	157,179	326,839	357,346
Administrative services expenses	313,256	244,303	933,214	782,230
Incentive fees	462,743	1,110,297	2,718,586	3,121,395
Professional fees	356,654	177,410	803,818	564,724
Directors' fees	83,000	73,000	254,000	251,000
Insurance expense	111,680	119,323	331,398	355,376
Interest expense and other fees	2,042,608	2,037,782	5,892,047	5,932,814
Deferred offering costs	-	-	-	261,761
Other general and administrative expenses	145,494	100,362	481,700	340,406
Total Operating Expenses	5,199,661	5,594,010	16,375,920	16,640,620
Loss on extinguishment of debt	302,732	-	302,732	-
Net Investment Income	\$ 4,475,952	\$ 4,608,743	\$ 13,558,038	\$ 12,653,135
Net Realized Gain (Loss) on Investments and Cash Equivalents	\$ 5,211,960	\$ (898,189 )	\$ 4,499,963	\$ (895,809 )
Net Change in Unrealized Appreciation (Depreciation) on Investments and Cash Equivalents	\$ (4,051,314 )	\$ 6,176,947	\$ (360,478 )	\$ 5,361,794
Benefit for taxes on investments at Taxable Subsidiaries	\$ -	\$ 39,965	\$ 8,593	\$ 362,116
Net Increase in Net Assets Resulting from Operations	\$ 5,636,598	\$ 9,927,466	\$ 17,706,116	\$ 17,481,236
Net Investment Income Per Share	\$ 0.29	\$ 0.37	\$ 0.93	\$ 1.01
Net Increase in Net Assets Resulting from Operations Per Share	\$ 0.36	\$ 0.80	\$ 1.22	\$ 1.40
Weighted Average Shares of Common Stock Outstanding	15,668,415	12,479,958	14,510,408	12,479,959
Distributions Per Share	\$ 0.34	\$ 0.34	\$ 1.02	\$ 1.02



## STELLUS CAPITAL INVESTMENT CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (unaudited)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Increase in Net Assets Resulting from Operations		
Net investment income	\$ 13,558,038	\$ 12,653,135
Net realized gain (loss) on investments and cash equivalents	4,499,963	(895,809 )
Net change in unrealized appreciation (depreciation) on investments and cash equivalents	(360,478 )	5,361,794
Benefit for taxes on investments at Taxable Subsidiaries	8,593	362,116
Net Increase in Net Assets Resulting from Operations	17,706,116	17,481,236
Stockholder distributions		
Net investment income	(14,903,394 )	(12,726,304 )
Total Distributions	(14,903,394 )	(12,726,304 )
Capital share transactions		
Issuance of common stock	47,491,626	—
Sales load	(1,340,131 )	—
Offering costs	(299,961 )	—
Net increase in net assets resulting from capital share transactions	45,851,535	—
Total increase in net assets	48,654,257	4,754,932
Net assets at beginning of period	170,881,785	164,651,104
Net assets at end of period (includes \$1,781,150 and \$852,791 of distributions in excess of net investment income, respectively)	\$ 219,536,042	\$ 169,406,036

## STELLUS CAPITAL INVESTMENT CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 17,706,116	\$ 17,481,236
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Purchases of investments	(117,683,094)	(37,392,617)
Proceeds from sales and repayments of investments	133,380,057	35,618,611
Net change in unrealized appreciation (depreciation) on investments	360,478	(5,361,794)
Deferred tax benefit	(8,593)	(362,116)
Increase in investments due to PIK	(347,482)	(165,110)
Amortization of premium and accretion of discount, net	(881,710)	(830,040)
Amortization of loan structure fees	372,820	392,702
Amortization of deferred financing costs	165,763	244,197
Loss on extinguishment of debt	302,732	—
Amortization of loan fees on SBIC debentures	243,306	137,077
Net realized loss (gain) on investments	(4,499,963)	895,809
Deferred offering cost	—	261,761
Changes in other assets and liabilities		
Changes in other assets and liabilities		
Decrease in interest receivable	457,744	562,019
Decrease (increase) in accounts receivable	(3,058)	7,684
Decrease in prepaid expenses and fees	318,054	328,105
Increase (decrease) in management fees payable	(61,514)	55,575
Increase in directors' fees payable	83,000	—
Increase (decrease) in incentive fees payable	(733,654)	829,074
Increase (decrease) in administrative services payable	41,084	(158,223)
Decrease in interest payable	(278,895)	(161,952)
Increase (decrease) in unearned revenue	108,139	(15,104)
Increase in dividend payable	382,326	—
Increase (decrease) in other accrued expenses and liabilities	(37,706)	123,625
Net cash provided by (used in) operating activities	29,385,950	12,490,519
Cash flows from financing activities		
Proceeds from notes issued	48,875,000	—
Financing costs paid on Credit Facility	(47,453)	—
Proceeds from the issuance of common stock	47,491,626	—

Edgar Filing: Stellus Capital Investment Corp - Form 497

Sales load for common stock issued	(1,340,131	)	—	
Offering costs paid for common stock issued	(299,961	)	—	
Stockholder distributions paid	(14,903,394	)	(12,726,304	)
Financing costs paid for Notes issued	(1,688,961	)	—	
Repayments on Notes issued	(25,000,000	)	—	
Borrowings under credit facility	116,000,000		28,250,000	
Repayments of credit facility	(196,000,000	)	(30,250,000	)
Net cash used in financing activities	(26,913,274	)	(14,726,304	)
Net increase (decrease) in cash and cash equivalents	2,472,676		(2,235,785	)
Cash and cash equivalents balance at beginning of period	9,194,129		10,875,790	
Cash and cash equivalents balance at end of period	11,666,805		8,640,005	
Supplemental and non-cash financing activities				
Supplemental and non-cash financing activities				
Interest expense paid	5,384,053		5,315,790	
Excise tax paid	37,648		—	
Conversion from debt to equity	864,101		—	

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments – (unaudited)

September 30, 2017

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amortized Cost
Non-controlled, affiliated investments	(2)									
Glori Energy Production Inc.								Houston, TX		
Glori Energy Production, LLC Class A Common Units	(4)	Equity						Energy: Oil & Gas	1,000 shares	1,052,000
Subtotal Non-controlled, affiliated investments										1,052,000
Non-controlled, non-affiliated investments	(2)									
Abrasive Products & Equipment, LLC, et al								Deer Park, TX		
Term Loan (SBIC)	(2)(12)	Second Lien	L+10.50%	1.00%	11.84%		3/5/2020	Chemicals, Plastics, & Rubber	\$5,325,237	\$5,267,000
APE Holdings, LLC Class A Common Units	(4)	Equity							375,000 units	375,000
Total Apex Environmental Resources Holdings, LLC Common Units	(4)	Equity						Amsterdam, OH Environmental Industries	673 shares	673,000

Edgar Filing: Stellus Capital Investment Corp - Form 497

Preferred Units Total Atmosphere Aggregator Holdings II, LP	(4)	Equity						Atlanta, GA	673 shares	672,600 673,270
Common Units Atmosphere Aggregator Holdings, LP	(4)	Equity						Services: Business	254,250 units	254,250
Common Units Total ASC Communications, LLC	(7)	Equity						Chicago, IL		1,004,000
Term Loan (SBIC) ASC Communications Holdings, LLC	(2)(12)	First Lien	L+6.25%	1.00%	7.58%	6/29/2022	Healthcare & Pharmaceuticals		\$7,481,250	7,409,000
Class A Preferred Units (SBIC) Total Beneplace, LLC	(2)(4)	Equity						Austin TX	73,529 shares	500,000 7,909,000
Term Loan (SBIC) Beneplace Holdings, LLC	(2)(12)	Second Lien	L+10.00%	1.00%	11.34%	9/27/2022	Insurance		\$5,000,000	4,906,000
Preferred Units Total Binder & Binder National Social Security Disability Advocates, LLC	(4)	Equity							500,000 units	500,000
Residual claim from Term Loan BW DME Acquisition, LLC	(8)	Unsecured						Hauppauge, NY		5,406,000
Term Loan (SBIC) BW DME Holdings, LLC	(4)	Unsecured						Services: Consumer	\$550,000	550,000
Class A Preferred Units Total	(4)	Equity						Tempe, AZ		1,000,000 shares 10,269,000
Term Loan (SBIC) BW DME Holdings, LLC	(2)(12)(13)	First Lien	L+6.00%	1.00%	9.08%	8/24/2022	Healthcare & Pharmaceuticals		\$9,550,000	9,269,000

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments – (unaudited)

September 30, 2017

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amortized Cost	Fair Value
C.A.R.S. Protection Plus, Inc. Term Loan	(12)	First Lien	L+8.50%	0.50%	9.73%		12/31/2020	Murrysville, PA Automotive	\$98,746	97,359	98,746
Term Loan (SBIC)	(2)(12)	First Lien	L+8.50%	0.50%	9.73%		12/31/2020		\$7,702,191	7,593,999	7,702,191
CPP Holdings LLC Class A Common Units	(4)	Equity							149,828 shares	149,828	200,000
Total										7,841,186	8,000,000
Catapult Learning, LLC et al Term Loan	(13)	First Lien	L+6.50%	1.00%	9.23%		7/16/2020	Camden, NJ Education	\$12,500,000	12,422,124	12,500,000
Colford Capital Holdings, LLC Delay Draw Term Loan #1	(5)	Unsecured	12.00%		12.00%		5/31/2018	New York, NY Finance	\$12,500,000	12,451,470	12,500,000
Delay Draw Term Loan #2	(5)	Unsecured	12.00%		12.00%		5/31/2018		\$2,000,000	1,990,217	2,000,000
Delay Draw Term Loan #4	(5)	Unsecured	12.00%		12.00%		5/31/2018		\$5,000,000	4,980,364	5,000,000
Colford Capital Holdings, LLC Preferred	(4)(5)	Equity							38,893 units	557,143	600,000



Edgar Filing: Stellus Capital Investment Corp - Form 497

Units											
Total										19,979,194	2
Douglas Products & Packaging Company, LLC								Liberty, MO			
Term Loan (SBIC)	(2)(12)	Second Lien	L+10.50%	0.50%	11.84%	12/31/2020	Chemicals, Plastics, & Rubber	\$9,000,000	8,895,337	9	
Fumigation Holdings, Inc. Class A Common Stock	(4)	Equity						250 shares	250,000	5	
Total										9,145,337	9
Dream II Holdings, LLC Class A Common Units	(4)	Equity					Boca Raton, FL	Services: Consumer	250,000 units	242,304	3
Empirix Inc.							Billerica, MA				
Term Loan	(12)	Second Lien	L+9.50%	1.00%	10.81%	5/1/2020	Software	\$11,657,850	11,545,160	1	
Term Loan (SBIC)	(2)(12)	Second Lien	L+9.50%	1.00%	10.81%	5/1/2020		\$9,750,000	9,654,202	9	
Empirix Holdings I, Inc. Common Shares, Class A	(4)	Equity						1,304 shares	1,304,232	9	
Empirix Holdings I, Inc. Common Shares, Class B	(4)	Equity						1,317,406 shares	13,174	9	
Total										22,516,768	2
Energy Labs Inc.							Houston, TX				
Term Loan (SBIC)	(2)(13)	First Lien	L+7.00%	0.50%	11.25%	9/29/2021	Energy: Oil & Gas	\$5,300,000	5,210,391	5	
Energy Labs Holding Corp. Common Stock	(4)	Equity						500 shares	500,000	4	

Edgar Filing: Stellus Capital Investment Corp - Form 497

Total EOS Fitness OPCO Holdings, LLC							Phoenix, AZ		5,710,391	5
Term Loan (SBIC)	(2)(12)	First Lien	L+8.75%	0.75%	9.99%	12/30/2019	Hotel, Gaming, & Leisure	\$3,215,429	3,182,293	3
EOS Fitness Holdings, LLC Class A Preferred Units	(4)	Equity						118 shares	117,670	1
EOS Fitness Holdings, LLC Class B Common Units	(4)	Equity						3,017 shares	3,017	5
Total Furniture Factory Outlet, LLC							Fort Smith, AR		3,302,980	3
Term Loan	(12)	First Lien	L+9.00%	0.50%	10.34%	6/10/2021	Consumer Goods: Durable	\$7,288,484	7,174,121	7
Furniture Factory Holdings, LLC Term Loan	(11)	Unsecured	11.00%			2/3/2021		\$122,823	122,823	1
Sun Furniture Factory, LP Common Units	(4)	Equity						13,445 shares	94,569	2
Total									7,391,513	7

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments – (unaudited)

September 30, 2017

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amortized C
GK Holdings, Inc.								Cary, NC		
Term Loan	(12)	Second Lien	L+10.25%	1.00%	11.58%		1/30/2022	Education	\$5,000,000	4,929,497
Good Source Solutions, Inc.								Carlsbad, CA		
Term Loan	(13)	First Lien	L+7.25%	0.50%	11.62%		7/15/2021	Beverage, Food, & Tobacco	\$1,350,000	1,328,254
Term Loan (SBIC)	(2)(13)	First Lien	L+7.25%	0.50%	11.62%		7/15/2021		\$1,200,000	1,180,670
Good Source Holdings, LLC Class A Preferred Units	(4)	Equity							159 shares	159,375
Good Source Holdings, LLC Class B Common Units	(4)	Equity							4,482 shares	0
Total Grupo HIMA San Pablo, Inc., et al								San Juan, PR		2,668,299
Term Loan	(3)	First Lien	L+7.00%	1.50%	8.50%		1/31/2018	Healthcare & Pharmaceuticals	\$4,766,667	4,758,981
Term Loan		Second Lien	13.75%		13.75%		7/31/2018		\$4,109,524	4,067,690
Total Hostway Corporation								Chicago, IL		8,826,671
Term Loan	(4)(12)	Second Lien	L+8.75%	1.25%	0.00%		12/13/2020	High Tech Industries	\$6,750,000	6,675,175

Edgar Filing: Stellus Capital Investment Corp - Form 497

HUF Worldwide, LLC	(9)						Los Angeles, CA			
Term Loan	(12)	First Lien	L+9.00%	0.50%	10.30%	10/22/2019	Retail	\$3,651,709	3,613,358	
Term Loan (SBIC)	(2)(12)	First Lien	L+9.00%	0.50%	10.30%	10/22/2019		\$6,138,648	6,082,112	
HUF Holdings, LLC	(4)	Equity						616,892 units	624,427	
Common Class A Units										
Total Keais Records Service, LLC							Houston, TX		10,319,897	
Term Loan	(12)	Second Lien	L+10.50%	0.50%	11.84%	6/30/2022	Services: Business	\$7,750,000	7,633,118	
Keais Holdings, LLC Class A Units	(4)	Equity						148,335 units	775,000	
Total KidKraft, Inc.							Dallas, TX		8,408,118	
Term Loan	(6)	Second Lien	12.00%		11.00%	1.00%	3/30/2022	Consumer Goods: Durable	\$9,292,027	9,132,335
Livingston International, Inc.							Toronto, Ontario			
Term Loan	(5)(12)	Second Lien	L+8.25%	1.25%	9.58%	4/18/2020	Transportation: Cargo	\$6,841,739	6,780,602	
Madison Logic, Inc.							New York, NY			
Term Loan (SBIC)	(2)(12)	First Lien	L+8.00%	0.50%	9.24%	11/30/2021	Media: Broadcasting & Subscription	\$4,906,250	4,863,954	
Madison Logic Holdings, Inc. Common Stock (SBIC)	(2)(4)	Equity						5,000 shares	50,000	
Madison Logic Holdings, Inc. Series A Preferred Stock (SBIC)	(2)(4)	Equity						4,500 shares	450,000	
Total Mobileum, Inc.							Santa Clara, CA		5,363,954	
Term Loan	(12)		L+10.25%	0.75%	11.59%	5/1/2022	Software	\$9,000,000	8,842,705	

Edgar Filing: Stellus Capital Investment Corp - Form 497

	Second Lien			
Mobile Acquisition Holdings, LP Class A-2 Common Units Total	(4) Equity		750 units	750,000
				9,592,705

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments – (unaudited)

September 30, 2017

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Am
<b><u>MBS Holdings, Inc.</u></b>									Birmingham, AL	
Series E Preferred Stock	(4)	Equity						Media: Broadcasting & Subscription	2,774,695 shares	1,0
Series F Preferred Stock	(4)	Equity							399,308 shares	20
Total										1,2
<b><u>MTC Parent, L.P.</u></b>									Oak Brook, IL	
Class A-2 Common Units	(4)	Equity						Finance	750,000 shares	28
<b><u>National Trench Safety, LLC, et al</u></b>									Houston, TX	
Term Loan (SBIC)	(2)	Second Lien	11.50%		11.50%		3/31/2022	Construction & Building	\$10,000,000	9,8
NTS Investors, LP Class A Common Units	(4)	Equity							2,335 units	50
Total										10
<b><u>OGS Holdings, Inc.</u></b>									Chantilly, Virginia	
Series A Convertible Preferred Stock	(4)	Equity						Services: Government	11,521 shares	50
<b><u>Protect America, Inc.</u></b>									Austin TX	
Term Loan (SBIC)	(2)(6)(12)	Second Lien	L+9.75%	1.00%	9.13%	2.00%	10/30/2020	Services: Consumer	\$17,529,167	17
<b><u>Refac Optical Group, et al</u></b>									Blackwood, NJ	
Revolver	(10)(12)	First Lien	L+8.00%		9.23%		9/30/2018	Retail	\$880,000	88
Term A Loan	(12)	First Lien	L+8.00%		9.23%		9/30/2018		\$1,060,966	1,0

Edgar Filing: Stellus Capital Investment Corp - Form 497

Term B Loan	(6)(12)	First Lien	L+10.75%		10.23%	1.75%	9/30/2018		\$6,449,251	6,449,251
Total										8,300,000
<b><u>Resolute Industrial, LLC</u></b>	(14)							Wheeling, IL		
Term Loan	(12)	First Lien	L+7.62%	1.00%	8.95%		7/26/2022	Capital Equipment	\$3,797,222	3,797,222
Term Loan (SBIC)	(2)(12)	First Lien	L+7.62%	1.00%	8.95%		7/26/2022		\$13,290,278	13,290,278
Resolute Industrial Holdings, LLC Class A Preferred Units	(4)	Equity							601 units	750,000
Total										17,000,000
<b><u>Roberts-Gordon, LLC</u></b>								Buffalo, NY		
Term Loan	(12)	Second Lien	L+10.00%	1.00%	11.34%		1/1/2022	Construction & Building	\$7,200,000	7,200,000
Specified Air Solutions, LLC Class A Common Unites	(4)	Equity							3,846 shares	500,000
Total										7,500,000
<b><u>Sitel Worldwide Corporation</u></b>								Nashville, TN		
Term Loan	(12)	Second Lien	L+9.50	1.00%	10.81%		9/18/2022	High Tech Industries	\$10,000,000	9,800,000
<b><u>Skopos Financial, LLC</u></b>								Irving, TX		
Term Loan	(5)	Unsecured	12.00%		12.00%		1/31/2019	Finance	\$20,000,000	19,000,000
Skopos Financial Group, LLC Class A Units	(4)(5)	Equity							1,120,684 units	1,120,684
Total										21,000,000
<b><u>SPM Capital, LLC</u></b>								Bloomington, MN		
Term Loan	(3)	First Lien	L+6.50	1.50%	8.00%		10/31/2018	Healthcare & Pharmaceuticals	\$5,599,563	5,599,563
<b><u>SQAD, LLC</u></b>								Tarrytown, NY		
Term Loan (SBIC)	(2)(6)	Unsecured	12.25%		11.00%	1.25%	4/30/2019	Media: Broadcasting & Subscription	\$7,268,386	7,268,386
SQAD Holdco, Inc. Preferred Shares, Series A (SBIC)	(2)(4)	Equity							5,624 shares	560,000
SQAD Holdco, Inc. Common Shares (SBIC)	(2)(4)	Equity							5,800 shares	620,000
Total										7,800,000





## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments – (unaudited)

September 30, 2017

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amount
TechInsights, Inc.								Ottawa, Ontario		
Term Loan	(5)(12)(13)	First Lien	L+6.50%	1.00%	8.72%		8/16/2022	High Tech Industries	\$20,000,000	19,500,000
Time Manufacturing Acquisition, LLC								Waco, TX		
Term Loan	(6)	Unsecured	11.50%		10.75%	0.75%	8/3/2023	Capital Equipment	\$6,361,305	6,200,000
Time Manufacturing Investments, LLC Class A Common Units	(4)	Equity							5,000 units	500,000
Total TFH Reliability, LLC								Houston, TX		6,700,000
Term Loan (SBIC)	(2)(12)	Second Lien	L+10.75%	0.50%	12.09%		4/21/2022	Chemicals, Plastics, & Rubber	\$5,875,000	5,700,000
TFH Reliability Group, LLC Class A Common Units	(4)	Equity							250,000 shares	250,000
Total U.S. Auto Sales, Inc. et al								Lawrenceville, GA		6,000,000
Term Loan	(5)(12)	Second Lien	L+11.75%	1.00%	12.99%		6/8/2020	Finance	\$4,500,000	4,400,000
USASF Blocker II, LLC Common Units	(4)(5)	Equity							441 units	441,000
	(4)(5)	Equity							9,000 units	9,000,000

Edgar Filing: Stellus Capital Investment Corp - Form 497

USASF Blocker LLC Common Units Total									4,92
VRI Intermediate Holdings, LLC							Franklin, OH		
Term Loan (SBIC)	(2)(12)	Second Lien	L+9.25%	1.00%	10.59%	10/31/2020	Healthcare & Pharmaceuticals	\$9,000,000	8,83
VRI Ultimate Holdings, LLC Class A Preferred Units Total	(4)	Equity						326,797 shares	500
Wise Holding Corporation							Salt Lake City, UT		9,33
Term Loan	(12)	Unsecured	L+11.00%	1.00%	12.34%	12/31/2021	Beverage, Food, & Tobacco	\$1,250,000	1,23
WCI Holdings LLC Class A Preferred Units	(4)	Equity						56 units	55,5
WCI Holdings LLC Class B Common Units Total	(4)	Equity						3,044 units	3,04
Zemax, LLC							Redmond, WA		1,29
Term Loan (SBIC)	(2)(12)	Second Lien	L+10.00%	1.00%	11.24%	4/23/2020	Software	\$3,962,500	3,91
Zemax Software Holdings, LLC Preferred Units (SBIC)	(2)(4)	Equity						24,500 units	5,00
Zemax Software Holdings, LLC Common Units (SBIC) Total	(2)(4)	Equity						5,000 shares	245
Total Non-controlled, non-affiliated investments Net Investments									4,16
LIABILITIES IN EXCESS OF OTHER ASSETS NET ASSETS									351
									352

**Stellus Capital Investment Corporation**

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

**September 30, 2017**

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

(2) Investments held by the SBIC Subsidiary, which include \$6,696,574 of cash and \$143,369,190 of investments (at par) are excluded from the obligations to the lenders of the Credit Facility. The Company's obligations to the lenders of the Credit Facility, as defined in Note 9, are secured by a first priority security interest in all investments and cash and cash equivalents, except for investments held by the SBIC Subsidiary.

- (3) These loans have LIBOR or Euro Floors which are higher than the current applicable LIBOR or Euro rates; therefore, the floors are in effect.

(4) Security is non-income producing.

(5) The investment is not a qualifying asset under the Investment Company Act of 1940, as amended. The Company may not acquire any non-qualifying assets unless, at the time of the acquisition, qualifying assets represent at least 70% of the Company's total assets. Qualifying assets represent approximately 79% of the Company's total assets as of September 30, 2017.

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

(7) Excluded from the investment is an undrawn revolver commitment in an amount not to exceed \$666,666, with an interest rate of LIBOR plus 6.25% and a maturity of June 29, 2022. This investment is accruing an unused commitment fee of 0.50% per annum.

(8) In the fourth quarter of 2016, Binder & Binder National Social Security Disability, emerged from Chapter 11 Bankruptcy in the U.S. Bankruptcy Court, Southern District of New York. The investment's fair value has been adjusted to reflect the court-approved unsecured claim distribution proceeds that have been awarded to the Company. As of this time, the Company does not expect to receive any additional repayment other than the court awarded amount.

Excluded from the investment is an undrawn revolver commitment in an amount not to exceed \$1,250,000, with an (9) interest rate of LIBOR plus 9.00% and a maturity of October 22, 2019. This investment is accruing an unused commitment fee of 0.50% per annum.

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

(11) Interest compounds annually on this loan at a rate of 11%. The interest does not increase the principal balance.

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

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

Excluded from the investment is an undrawn commitment in an amount not to exceed \$5,750,000, with an interest (14) rate of LIBOR plus 7.62% and a maturity of July 26, 2022. This investment is accruing an unused commitment fee of 0.50% per annum.

#### **Abbreviation Legend**

PIK — Payment-In-Kind

L — LIBOR

Euro — Euro Dollar

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments

December 31, 2016

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amortized Cost
<b>Non-controlled, non-affiliated investments</b>	(2)									
<b><u>Abrasive Products &amp; Equipment, LLC, et al</u></b>								Deer Park, TX		
Term Loan (SBIC)	(2)(3)	Second Lien	L+10.50%	1.00%	11.50%		3/5/2020	Chemicals, Plastics, & Rubber	\$ 5,325,237	\$ 5,252,426
APE Holdings, LLC Class A Units	(4)	Equity							375,000 units	375,000
Total										5,627,426
<b><u>Apex Environmental Resources Holdings, LLC</u></b>								Amsterdam, OH		
Common Units	(4)	Equity						Environmental Industries	517 shares	517
Preferred Units	(4)	Equity							517 shares	517,439
Total										517,956
<b><u>Atkins Nutritionals Holdings II, Inc.</u></b>								Denver, CO		
Term Loan	(3)	Second Lien	L+8.50%	1.25%	9.75%		4/3/2019	Beverage, Food, & Tobacco	\$ 8,000,000	7,928,373
<b><u>Binder &amp; Binder National Social Security Disability Advocates, LLC</u></b>								Hauppauge, NY		

Edgar Filing: Stellus Capital Investment Corp - Form 497

Residual Claim From Term Loan	(4)(14)	Unsecured					Services: Consumer	\$ 1,000,000	1,000,000
<b><u>Calero Software, LLC et al</u></b>							Rochester, NY		
Term Loan	(3)	Second Lien	L+9.50%	1.00%	10.50%	6/5/2019	Telecommunications	\$ 7,500,000	7,422,928
Managed Mobility Holdings, LLC Partnership Units	(4)	Equity						8,932 units	525,000
Total									7,947,928
<b><u>C.A.R.S. Protection Plus, Inc</u></b>							Murrysville, PA		
Term Loan	(12)	First Lien	L+8.50%	0.50%	9.03%	12/31/2020	Automotive	\$ 101,911	100,207
Term Loan (SBIC)	(2)(12)	First Lien	L+8.50%	0.50%	9.03%	12/31/2020		\$ 7,949,027	7,785,147
CPP Holdings LLC Class A Common Units	(4)	Equity						149,828 shares	149,828
Total									8,035,182
<b><u>Catapult Learning, LLC et al</u></b>							Camden, NJ		
Term Loan	(13)	First Lien	L+6.50%	1.00%	8.99%	7/16/2020	Education	\$12,500,000	12,404,725
<b><u>Colford Capital Holdings, LLC</u></b>							New York, NY		
Delay Draw Term Loan #1	(5)	Unsecured	12.00%		12.00%	5/31/2018	Finance	\$12,500,000	12,401,505
Delay Draw Term Loan #2	(5)	Unsecured	12.00%		12.00%	5/31/2018		\$ 2,000,000	1,980,173
Delay Draw Term Loan #4	(5)	Unsecured	12.00%		12.00%	5/31/2018		\$ 5,000,000	4,960,146
CC Blocker 1, LLC Preferred Units	(4)(5)	Equity						38,893 units	557,143
Total									19,898,967

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments — (continued)

December 31, 2016

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amortized Cost	Value
<b><u>Doskocil Manufacturing Company, Inc.</u></b>								Arlington, TX			
Term Loan (SBIC)	(2)(13)	First Lien	L+6.00%	1.00%	9.40%		11/10/2020	Consumer goods: non-durable	\$ 8,750,000	\$ 8,626,143	\$
<b><u>Douglas Products &amp; Packaging Company, LLC</u></b>								Liberty, MO			
Term Loan (SBIC)	(2)(12)	Second Lien	L+10.50%	0.50%	11.50%		12/31/2020	Chemicals, Plastics, & Rubber	\$ 9,000,000	8,876,203	9
Fumigation Holdings, Inc. Class A Common Stock	(4)	Equity							250 shares	250,000	4
Total										9,126,203	9
<b><u>Eating Recovery Center, LLC</u></b>								Denver, CO			
Term Loan	(6)	Unsecured	13.00%		12.00%	1.00%	6/28/2018	Healthcare & Pharmaceuticals	\$18,400,000	18,271,406	1
ERC Group Holdings LLC Class A Units	(4)	Equity							17,820 units	1,655,274	2
Total										19,926,680	2
<b><u>Empirix Inc.</u></b>								Billerica, MA			
Term Loan	(3)	Second Lien	L+9.50%	1.00%	10.50%		5/1/2020	Software	\$11,657,850	11,517,953	1
Term Loan (SBIC)	(2)(3)	Second Lien	L+9.50%	1.00%	10.50%		5/1/2020		\$ 9,750,000	9,631,895	9
Empirix Holdings I, Inc.	(4)	Equity							1,304 shares	1,304,232	1

Edgar Filing: Stellus Capital Investment Corp - Form 497

Common Shares, Class A .																			
Empirix Holdings I, Inc. Common Shares, Class B .	(4)	Equity										1,317,406 shares	13,174	1					
Total																			22,467,254
<b><u>Energy Labs Inc.</u></b>																			
										Houston, TX									
Term Loan (SBIC)	(2)(13)	First Lien	L+7.00%	0.50%	11.03%	9/29/2021	Energy: Oil & Gas	\$ 5,300,000	5,197,928	5									
Energy Labs Holding Corp. Common Stock	(4)	Equity										500 shares	500,000	5					
Total																			5,697,928
<b><u>EOS Fitness OPCO Holdings, LLC</u></b>																			
										Phoenix, AZ									
Term Loan (SBIC)	(2)(3)	First Lien	L+8.75%	0.75%	9.50%	12/30/2019	Hotel, Gaming, & Leisure	\$ 3,331,184	3,287,412	3									
EOS Fitness Holdings, LLC Class A Preferred Units	(4)	Equity										118 shares	117,670	7					
EOS Fitness Holdings, LLC Class B Common Units	(4)	Equity										3,017 shares	3,017	1					
Total																			3,408,099
<b><u>Furniture Factory Outlet, LLC</u></b>																			
										Fort Smith, AR									
Term Loan	(12)	First Lien	L+9.00%	0.50%	10.00%	6/10/2021	Consumer goods: Durable	\$ 9,875,000	9,695,423	9									
Furniture Factory Holdings, LLC Term Loan	(15)	Unsecured	11.00%			2/3/2021		\$ 122,823	122,823	1									
Sun Furniture Factory, LP Common Units	(4)	Equity										13,445 shares	94,569	1					
Total																			9,912,815



## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments — (continued)

December 31, 2016

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amortized Cost	Fair Value
<b><u>GK Holdings, Inc.</u></b>											
								Cary, NC			
Term Loan	(3)	Second Lien	L+9.50%	1.00%	10.50%		1/30/2022	Education	\$5,000,000	\$4,920,321	\$5,000,000
<b><u>Glori Energy Production Inc.</u></b>											
								Houston, TX			
Term Loan	(3)(4)(6) (7)(8)	First Lien	L+12.00%	1.00%	11.00%	2.00%	3/14/2017	Energy: Oil & Gas	\$1,624,250	1,622,130	864,100
<b><u>Good Source Solutions, Inc.</u></b>											
								Carlsbad, CA			
Term Loan	(13)	First Lien	L+7.25%	0.50%	11.38%		7/15/2021	Beverage, Food, & Tobacco	\$1,350,000	1,325,011	1,346,000
Term Loan (SBIC)	(2)(13)	First Lien	L+7.25%	0.50%	11.38%		7/15/2021		\$1,200,000	1,177,788	1,196,000
Good Source Holdings, LLC Class A Preferred Units	(4)	Equity							159 shares	159,375	136,600
Good Source Holdings, LLC Class B Common Units Total	(4)	Equity							4,482 shares	0	0
										2,662,174	2,679,000
<b><u>Grupo HIMA San Pablo, Inc., et al</u></b>											
								San Juan, PR			
Term Loan	(3)	First Lien	L+7.00%	1.50%	8.50%		1/31/2018	Healthcare & Pharmaceuticals	\$4,812,500	4,787,801	4,693,000
Term Loan		Second Lien	13.75%		13.75%		7/31/2018		\$4,000,000	3,924,736	3,535,000
Total										8,712,537	8,229,000
<b><u>Hollander Sleep</u></b>											
								Boca Raton, FL			

**Products,**  
**LLC**

Term Loan	(3)	First Lien	L+8.00%	1.00%	9.00%	10/21/2020	Services: Consumer	\$7,286,790	7,211,543	7,286,790
Dream II Holdings, LLC Class A Common Units	(4)	Equity						250,000 units	242,304	145,000
Total									7,453,847	7,431,790

**Hostway Corporation**

Term Loan	(3)	Second Lien	L+8.75%	1.25%	10.00%	12/13/2020	Chicago, IL High Tech Industries	\$6,750,000	6,661,202	5,832,000
-----------	-----	-------------	---------	-------	--------	------------	-------------------------------------	-------------	-----------	-----------

**HUF Worldwide, LLC**

Revolver	(9)(12)	First Lien	L+9.00%	0.50%	9.85%	10/22/2019	Los Angeles, CA Retail	\$ 375,000	375,000	375,000
Term Loan	(12)	First Lien	L+9.00%	0.50%	9.85%	10/22/2019		\$3,651,709	3,603,959	3,651,709
Term Loan (SBIC)	(2)(12)	First Lien	L+9.00%	0.50%	9.85%	10/22/2019		\$6,138,648	6,063,652	6,138,648
HUF Holdings, LLC Common Class A Units	(4)	Equity						616,892 units	624,427	624,427
Total									10,667,038	10,789,000

**Keais Records Service, LLC**

Term Loan	(12)	Second Lien	L+10.50%	0.50%	11.50%	6/30/2022	Houston, TX Services: Business	\$7,750,000	7,620,000	7,620,000
Keais Holdings, LLC Class A Units	(4)	Equity						148,335 units	775,000	775,000
Total									8,395,000	8,395,000

**KidKraft, Inc.**

Term Loan	(6)	Second Lien	12.00%		11.00%	1.00%	3/30/2022	Dallas, TX Consumer Goods: Durable	\$9,222,874	9,044,671	9,044,671
-----------	-----	-------------	--------	--	--------	-------	-----------	---------------------------------------	-------------	-----------	-----------

**Livingston International, Inc.**

Term Loan	(3)(5)	Second Lien	L+8.25%	1.25%	9.50%	4/18/2020	Toronto, Ontario Transportation: Cargo	\$6,841,739	6,765,448	6,692,000
-----------	--------	-------------	---------	-------	-------	-----------	---	-------------	-----------	-----------

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments — (continued)

December 31, 2016

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amortized Cost
<b><u>Madison Logic, Inc.</u></b>								New York, NY		
Term Loan (SBIC)	(2)(12)	First Lien	L+8.00%	0.50%	8.76%		11/30/2021	Media: Broadcasting & Subscription	\$ 5,000,000	\$ 4,950,667
Madison Logic Holdings, Inc.	(2)(4)	Equity							5,000 shares	50,000
Common Stock (SBIC)										
Madison Logic Holdings, Inc.	(2)(4)	Equity							4,500 shares	450,000
Series A Preferred Stock (SBIC)										
Total										5,450,667
<b><u>Mobileum, Inc.</u></b>								Santa Clara, CA		
Term Loan	(12)	Second Lien	L+10.25%	0.75%	11.25%		5/1/2022	Software	\$ 9,000,000	8,823,965
Mobile Acquisition Holdings, LP	(4)	Equity							750 units	750,000
Class A-2 Common Units										
Total										9,573,965
<b><u>Momentum Telecom Inc., et al</u></b>								Birmingham, AL		
Term Loan	(3)	First Lien	L+8.50%	1.00%	9.50%		3/10/2019	Media: Broadcasting & Subscription	\$ 6,468,196	6,395,759
Term Loan (SBIC)	(2)(3)	First Lien	L+8.50%	1.00%	9.50%		3/10/2019		\$ 8,687,486	8,589,400

Edgar Filing: Stellus Capital Investment Corp - Form 497

MBS Holdings, Inc. Series E Preferred Stock	(4)	Equity						2,774,695 shares	1,000,000	
MBS Holdings, Inc. Series F Preferred Stock	(4)	Equity						399,308 shares	206,682	
<b>Total</b>									16,191,843	
<b><u>MTC Intermediate Holdco, Inc.</u></b>										
Oak Brook, IL										
Term Loan	(3)	Second Lien	L+9.50%	1.00%	10.50%	5/31/2022	Finance	\$ 575,000	564,899	
Term Loan (SBIC)	(2)(3)	Second Lien	L+9.50%	1.00%	10.50%	5/31/2022		\$ 9,750,000	9,578,720	
MTC Parent, L.P. Class A-2 Common Units	(4)	Equity						750,000 shares	750,000	
<b>Total</b>									10,893,619	
<b><u>OG Systems, LLC</u></b>										
Chantilly, Virginia										
Term Loan	(3)(6)	Unsecured	L+11.00%	1.00%	11.00%	1.00%	1/22/2020	Services: Government	\$ 4,028,288	3,979,529
OGS Holdings, Inc. Series A Convertible Preferred Stock	(4)	Equity						11,521 shares	50,001	
<b>Total</b>									4,029,530	
<b><u>Refac Optical Group, et al</u></b>										
Blackwood, NJ										
Revolver	(10)(12)	First Lien	L+8.00%		8.77%	9/30/2018	Retail	\$ 400,000	400,000	
Term A Loan	(11)(12)	First Lien	L+8.00%		8.77%	9/30/2018		\$ 1,502,736	1,502,736	
Term B Loan	(6)(11)(12)	First Lien	L+10.75%		9.77%	1.75%	9/30/2018		\$ 6,403,267	6,403,267
<b>Total</b>									8,306,003	
<b><u>Securus Technologies Holdings, Inc.</u></b>										
Dallas, TX										
Term Loan	(3)	Second Lien	L+7.75	1.25%	9.00%	4/30/2021	Telecommunications	\$ 8,500,000	8,455,863	
<b><u>Sitel Worldwide Corporation</u></b>										
Nashville, TN										
Term Loan	(3)	Second Lien	L+9.50	1.00%	10.50%	9/18/2022	High Tech Industries	\$10,000,000	9,825,536	



## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments — (continued)

December 31, 2016

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amorti- Cost
<b><u>Skopos Financial, LLC</u></b>								Irving, TX		
Term Loan	(5)	Unsecured	12.00%		12.00%		1/31/2019	Finance	\$20,000,000	\$19,791
Skopos Financial Group, LLC Class A Units	(4)(5)	Equity							1,120,684 units	1,162,54
Total										20,954,4
<b><u>SPM Capital, LLC</u></b>								Bloomington, MN		
Term Loan	(3)	First Lien	L+5.50	1.50%	7.00%		10/31/2017	Healthcare & Pharmaceuticals	\$ 6,387,916	6,362,83
<b><u>SQAD, LLC</u></b>								Tarrytown, NY		
Term Loan (SBIC)	(2)(6)	Unsecured	12.25%		11.00%	1.25%	4/30/2019	Media: Broadcasting & Subscription	\$ 7,245,241	7,179,97
SQAD Holdco, Inc. Preferred Shares, Series A (SBIC)	(2)(4)	Equity							5,624 shares	562,368
SQAD Holdco, Inc. Common Shares (SBIC)	(2)(4)	Equity							5,800 shares	62,485
Total										7,804,83
<b><u>Stratose Intermediate Holdings, II, LLC</u></b>								Atlanta, GA		
Term Loan	(3)	Second Lien	L+9.50%	1.00%	10.50%		7/26/2022	Services: Business	\$15,000,000	14,705,9
Atmosphere Aggregator Holdings II, LP Common Units	(4)	Equity							254,250 units	254,250
Atmosphere Aggregator Holdings, LP Common Units	(4)	Equity							750,000 units	750,000
Total										15,710,2

<b><u>360 Holdings III Corp</u></b>							Irvine, CA			
Term Loan	(3)	First Lien	L+9.00%	1.00%	10.00%	10/1/2021	Consumer goods: non-durable	\$ 3,950,000	3,811,65	
<b><u>Telecommunications Management, LLC</u></b>							Sikeston, MO			
Term Loan	(3)	Second Lien	L+8.00%	1.00%	9.00%	10/30/2020	Media: Broadcasting & Subscription	\$ 5,000,000	4,970,52	
<b><u>TFH Reliability, LLC</u></b>							Houston, TX			
Term Loan (SBIC)	(2)(12)	Lien	L+10.75%	0.50%	11.75%	4/21/2022	Chemicals, Plastics, & Rubber	\$ 5,875,000	5,759,98	
TFH Reliability Group, LLC Class A Common Units	(4)	Equity						250,000 shares	250,000	
Total									6,009,98	
<b><u>U.S. Auto Sales, Inc. et al</u></b>							Lawrenceville, GA			
Term Loan	(3)(5)	Second Lien	L+11.75%	1.00%	12.75%	6/8/2020	Finance	\$ 4,500,000	4,466,51	
USASF Blocker II, LLC Common Units	(4)(5)	Equity						441 units	441,000	
USASF Blocker LLC Common Units	(4)(5)	Equity						9,000 units	9,000	
Total									4,916,51	
<b><u>Vandelay Industries Finance, LLC, et al</u></b>							La Vergne, TN			
Term Loan	(6)	Second Lien	11.75%		10.75%	1.00%	11/12/2019	Construction & Building	\$ 2,500,000	2,485,34
<b><u>Vision Media Management &amp; Fulfillment, LLC</u></b>							Valencia, CA			
Term Loan (SBIC)	(2)(13)	First Lien	L+8.50%	1.00%	10.22%	1/27/2021	Media: Broadcasting & Subscription	\$ 1,613,517	1,584,01	

## Stellus Capital Investment Corporation

## Consolidated Schedule of Investments — (continued)

December 31, 2016

Investments	Footnotes	Security	Coupon	LIBOR floor	Cash	PIK	Maturity	Headquarters/ Industry	Principal Amount/ Shares	Amortized Cost	Fa Va
<b>Wise Holding Corporation</b>								Salt Lake City, UT Beverage, Food, & Tobacco			
Term Loan	(3)	Unsecured	L+10.00%	1.00%	11.00%		12/31/2021		\$1,250,000	\$ 1,232,489	\$
WCI Holdings LLC Class A Preferred Units	(4)	Equity							56 units	55,550	58
WCI Holdings LLC Class B Common Units	(4)	Equity							3,044 units	3,044	3,2
Total										1,291,083	1,3
<b>Zemax, LLC</b>								Redmond, WA			
Term Loan (SBIC)	(2)(3)	Second Lien	L+10.00%	1.00%	11.00%		4/23/2020	Software	\$3,962,500	3,908,696	3,9
Zemax Software Holdings, LLC Preferred Units (SBIC)	(2)(4)	Equity							24,500 units	5,000	5,4
Zemax Software Holdings, LLC Common Units (SBIC)	(2)(4)	Equity							5,000 shares	245,000	26
Total										4,158,696	4,2
<b>Total Non-controlled, non-affiliated investments</b>										\$ 362,217,251	\$
<b>Net Investments</b>										\$ 362,217,251	\$
<b>LIABILITIES IN EXCESS OF OTHER ASSETS</b>											(19
<b>NET ASSETS</b>											\$



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

(2) The Company's obligations to the lenders of the Credit Facility are secured by a first priority security interest in all non-controlled nonaffiliated investments and cash and cash equivalents, but exclude \$3,457,351 of cash and cash equivalents and \$100,252,693 of investments (at par) that are held by Stellus Capital SBIC LP. See Note 1 of the Notes to the Consolidated Financial Statements for discussion.

- (3) These loans have LIBOR or Euro Floors which are higher than the current applicable LIBOR or Euro rates; therefore, the floors are in effect.

(4) Security is non-income producing.

(5) The investment is not a qualifying asset under the Investment Company Act of 1940, as amended. The Company may not acquire any non-qualifying assets unless, at the time of the acquisition, qualifying assets represent at least 70% of the Company's total assets. Qualifying assets represent approximately 85% of the Company's total assets.

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

(7) Investment has been on non-accrual since December 1, 2016.

(8) Investment is in payment default.

(9) Excluded from the investment is an undrawn revolver commitment in an amount not to exceed \$875,000, with an interest rate of LIBOR plus 9.00% and a maturity of October 22, 2019. This investment is accruing an unused commitment fee of 0.50% per annum.

(10) Excluded from the investment is an undrawn commitment in an amount not to exceed \$1,000,000, with an interest rate of LIBOR plus 8.00% and a maturity of September 30, 2018. This investment is accruing an unused commitment fee of 0.50% per annum.

(11) Variable rate loans bear interest at a rate that may be determined by reference to either LIBOR (which can include one-, two-, three- or six month LIBOR) or an alternate base rate (which can include the Federal Funds Effective Rate or the Prime Rate), at the borrower's option, which rates reset periodically based on the terms of the loan agreement.



**Stellus Capital Investment Corporation**

**Consolidated Schedule of Investments — (continued)**

**December 31, 2016**

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

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

(14) In the fourth quarter of 2016 Binder, emerged from Chapter 11 Bankruptcy in the U.S. Bankruptcy Court, Southern District of New York. The investment's cost has been adjusted to reflect the court-approved unsecured claim distribution proceeds that have been awarded to the Company. As of this time we do not expect to receive any additional repayment other than what the court has awarded.

(15) Interest compounds annually on this loan at a rate of 11%. The interest does not increase the principal balance.

**Abbreviation Legend**

PIK — Payment-In-Kind

L — LIBOR

Euro — Euro Dollar

## STELLUS CAPITAL INVESTMENT CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017

(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*. 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”).

The Company has issued a total of 15,854,413 shares and raised \$234,399,463 in gross proceeds since inception, incurring \$7,540,725 in offering expenses and sales load fees for net proceeds from offerings of \$226,858,738. 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 1, Inc., SCIC — SKP Blocker 1, Inc., SCIC — APE Blocker 1, Inc., SCIC — CC Blocker 1, Inc., SCIC — ERC Blocker 1, Inc., SCIC — Hollander Blocker 1, Inc., and SCIC — HUF 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, we 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. 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.

The SBIC license allows the SBIC subsidiary 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’s assets over the Company’s stockholders in the event the Company liquidates the SBIC subsidiary or the SBA exercises its remedies under the SBA-guaranteed debentures issued by the SBIC subsidiary upon an event of default. See footnote (2) of the Consolidated Schedule of Investments. SBA regulations currently limit the amount that an SBIC may borrow to a maximum of \$150 million when it has at least \$75 million 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. As of September 30, 2017 and December 31, 2016, the SBIC subsidiary had \$58.5 and \$38.0 million of regulatory capital, respectively, as such term is defined by the SBA, and has received commitments from the SBA of \$65.0 million. As of both September 30, 2017 and December 31, 2016, the SBIC subsidiary had \$65.0 million of SBA-guaranteed debentures (the “SBA Debentures”) outstanding.

**STELLUS CAPITAL INVESTMENT CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2017**

**(Unaudited)**

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 \$5.0 million to \$50.0 million of EBITDA (earnings before interest, taxes, depreciation and amortization)) through first lien, second lien, unitranche and mezzanine debt financing, 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 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 and nine months ended September 30, 2017 and September 30, 2016 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, 2016. Certain reclassifications have been made to certain prior period balances to conform with current presentation. In accordance

with Regulation S-X under the Securities Act of 1933, as amended, and the Exchange Act, the Company does not consolidate portfolio company investments. The accounting records of the Company are maintained in U.S. dollars.

***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 Equivalent***