

INVESTMENT ACTIVITIES

KCAP Financial, Inc. maintains longstanding relationships with middle market private equity sponsors, "club" lenders, investment banks and sources of non-sponsored middle market transactions. Through these relationships, we will lead and participate in various types of transactions including:

- **Senior Debt:** KCAP Financial, Inc. predominantly provides cash flow based term loans, as well as revolving credit facilities.
- **Second Lien Debt:** We provide second-lien term loans on a directly-sourced or participant basis to companies with proven track records of consistent cash flows and sufficient enterprise value coverage.
- **Secured and Unsecured Subordinated Loans:** KCAP Financial, Inc. invests in secured and unsecured subordinated debt, which may be structured with a combination of current interest, deferred interest, or equity-linked components.
- **Equity:** We can invest in minority or control equity positions alongside its private equity sponsor partners.

Our management team maintains a flexible approach to funding, and our investment activities fit a wide range of possible transaction needs. With a strong capital base, we are in a position to structure and deliver solutions that work to meet the particular transaction profile. We target the following companies:

- EBITDA of \$7.5 - 50 million
- History of generating consistent cash flows
- Identifiable and defensible market positions in industries with positive dynamics
- Management teams with demonstrated track records and aligned incentives

We look at a wide variety of opportunities. Target industries include:

