

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **August 6, 2013**

KCAP Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

814-00735
(Commission File Number)

20-5951150
(IRS Employer Identification No.)

295 MADISON AVENUE
NEW YORK, NY
(Address of principal executive offices)

10017
(Zip Code)

Registrant's telephone number, including area code: **(212) 455-8300**

Kohlberg Capital Corporation
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On August 6, 2013 the Registrant issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

Exhibit 99.1. Press release dated August 6, 2013

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KCAP Financial, Inc.

(Registrant)

August 6, 2013

(Date)

/s/ EDWARD U. GILPIN

Edward U. Gilpin
Chief Financial Officer

Exhibit Index

99.1 Press release dated August 6, 2013

KCAP Financial, Inc. Announces Second Quarter 2013 Financial Results

NEW YORK, Aug. 6, 2013 (GLOBE NEWSWIRE) -- KCAP Financial, Inc. (Nasdaq:KCAP) announced its second quarter 2013 financial results.

Financial Highlights

- Net investment income for the three months ended June 30, 2013 was approximately \$6.6 million, or \$0.20 per share (basic) and \$0.20 per share (diluted).
- KCAP Financial declared a second quarter dividend of \$0.28 per share.
- On June 18, 2013, KCAP completed the sale of notes in a \$140 million debt securitization financing transaction, resulting in the addition of \$105.25 million of attractively priced debt on the balance sheet.
- At June 30, 2013, the fair value of KCAP's investments totaled approximately \$436.5 million.
- Net asset value per share of \$8.24 as of June 30, 2013.

Dayl Pearson, President and Chief Executive Officer of KCAP Financial, Inc., noted, "Second quarter was a challenging credit environment. Notwithstanding the market, our asset manager affiliate Trimaran Advisors was able to launch a new CLO, and in June we completed an attractively priced debt securitization. Although, on a per share basis our net investment income was below target, this was the result of our strategic decision to slow down our investing activity in a very frothy credit environment, particularly during April and May. We will continue to prudently allocate our capital as we see opportunities for future earnings and growth."

Operating Results

For the three months ended June 30, 2013, we reported total investment income of approximately \$11.2 million, as compared to approximately \$9.5 million, in the prior year period, an increase of 18%. Investment income from debt securities increased 12% to approximately \$3.0 million from approximately \$2.7 million. Dividends from investments in CLO fund securities decreased 11% from \$5.5 million to \$4.9 million, and dividends from our Asset Manager Affiliates increased 175% from \$1.2 million to \$3.3 million. The decrease in CLO dividends is attributable to the acceleration of pre-payments in existing CLO funds that are past their reinvestment period, while the increase in dividends from the Asset Manager Affiliates is attributable to greater assets under management and incentive fees.

For the three months ended June 30, 2013, total expenses were higher by approximately \$1.2 million as compared to the same period in 2012. This is primarily attributed to the increase in interest expense related to the average outstanding principal balance on our borrowings, and an increase in professional and administrative fees.

Net investment income for the second quarter of 2013 and 2012 was approximately \$6.6 million and \$6.0 million, or \$0.20 and \$0.23 per share, respectively. Net realized and unrealized appreciation on investments for the second quarter of 2013 was approximately \$2.0 million, as compared to net realized and unrealized depreciation on investments of \$4.4 million in 2012.

Portfolio and Investment Activity

The fair value of our portfolio was approximately \$436.5 million as of June 30, 2013.

The composition of our investment portfolio at June 30, 2013 and December 31, 2012 at cost and fair value was as follows:

| Security Type | June 30, 2013 (unaudited) | | | December 31, 2012 | | |
|--------------------------|---------------------------|----------------------|----------------|----------------------|----------------------|----------------|
| | Cost | Fair Value | % ¹ | Cost | Fair Value | % ¹ |
| Time Deposits | \$ -- | \$ -- | -- % | \$1,942,834 | \$1,942,834 | 1% |
| Money Market Account | 67,494,608 | 67,494,608 | 25 | 30,543,824 | 30,543,824 | 15 |
| Senior Secured Loan | 143,450,925 | 136,475,845 | 50 | 67,874,565 | 60,258,885 | 29 |
| Junior Secured Loan | 51,226,118 | 38,393,950 | 14 | 49,646,273 | 33,486,956 | 17 |
| First Lien Bond | 2,932,604 | 2,550,300 | 1 | 2,928,762 | 3,000,000 | 1 |
| Senior Subordinated Bond | 2,838,822 | 2,017,899 | 1 | 2,729,088 | 2,735,881 | 1 |
| Senior Unsecured Bond | 10,812,702 | 11,293,900 | 4 | 10,798,463 | 11,185,000 | 5 |
| CLO Fund Securities | 97,909,419 | 81,484,885 | 30 | 90,146,410 | 83,257,507 | 40 |
| Equity Securities | 18,841,238 | 9,485,307 | 3 | 18,375,588 | 8,020,716 | 4 |
| Preferred Stock | 400,000 | 1,000 | -- | 400,000 | 371,160 | -- |
| Asset Manager Affiliates | 83,234,131 | 87,300,000 | 32 | 83,161,529 | 77,242,000 | 37 |
| Total | \$479,140,566 | \$436,497,694 | 160% | \$358,547,336 | \$312,044,763 | 150% |

¹ Calculated as a percentage of net asset value.

At June 30, 2013, our portfolio consisted of investments in 83 companies. At fair value, 62% of our portfolio consisted of debt investments (loans, bonds and collateralized loan obligation funds), of which 50% were first lien debt, 20% were junior loans, and 30% were CLO securities.

Liquidity and Capital Resources

As of June 30, 2013, we had unrestricted cash and money market of approximately \$75.2 million, total assets of approximately \$541.5 million and stockholders' equity of approximately \$274.3 million. Our net asset value per common share was \$8.24. As of June 30, 2013, we had \$197.7 million of outstanding borrowings at a weighted average interest rate of approximately 5.2%.

Subject to prevailing market conditions, we intend to grow our portfolio of assets by raising additional capital, including through the prudent use of leverage available to us. As a result, we may seek to enter into new agreements with other lenders or into other financing arrangements as market conditions permit. Such financing arrangements may include a new secured and/or unsecured credit facility or the issuance of unsecured debt or preferred stock.

Dividend

Generally, we seek to fund dividends to shareholders from current and distributable earnings, primarily from net interest and dividend income generated by our investment portfolio and any distributions from our asset manager affiliates (Trimaran Advisors and Katonah Debt Advisors). We announced a regular quarterly dividend of \$0.28 per share for the quarter ended June 30, 2013. The record date for this dividend was July 5, 2013 and the dividend was paid on July 26, 2013. Tax characteristics of all dividends will be reported to stockholders on Form 1099-DIV after the end of the calendar year.

We have adopted a dividend reinvestment plan that provides for reinvestment of dividends in shares of our common stock, unless a stockholder elects to receive cash. As a result, if we declare a cash dividend, shareholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends. Please contact your broker or other financial intermediary for more information regarding the dividend reinvestment plan.

Conference Call and Webcast

We will hold a conference call on Tuesday, August 6, 2013 at 4:30 p.m. Eastern Daylight Time to discuss our second quarter 2013 financial results. Shareholders, prospective shareholders and analysts are welcome to listen to the call or attend the webcast.

The conference call dial-in number is (866) 757-5630. No password is required. A live audio webcast of the conference call can be accessed via the Internet, on a listen-only basis on our Company's website www.kcapfinancial.com in the Investor Relations section under Events. The online archive of the webcast will be available after 7:00 p.m. Eastern Daylight Time for approximately 90 days.

A replay of this conference call will be available from 7:30 p.m. on August 06, 2013 until 11:59 p.m. on August 13, 2013. The dial in number for the replay is (800) 585-8367 and the conference ID is 27511816.

About KCAP Financial, Inc.

KCAP Financial, Inc. is a publicly traded, internally managed business development company. The Company's middle market investment business originates, structures, finances and manages a portfolio of term loans, mezzanine investments and selected equity securities in middle market companies. The Company's wholly owned portfolio companies, Katonah Debt Advisors, L.L.C. and Trimaran Advisors, L.L.C., manage collateralized debt obligation funds that invest in broadly syndicated corporate term loans, high-yield bonds and other credit instruments.

The KCAP Financial, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=3121>

Forward Looking Statements

This press release contains forward-looking statements. The matters discussed in this press release that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. Further information about factors that could affect our financial and other results is included in our filings with the Securities and Exchange Commission. We do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required to be reported under the rules and regulations of the Securities and Exchange Commission.

BALANCE SHEETS

| | As of June 30, 2013 | As of December 31, 2012 |
|---|------------------------------------|--|
| | (unaudited) | |
| ASSETS | | |
| Investments at fair value: | | |
| Time deposits (cost: 2013 -- \$0; 2012 -- \$1,942,834) | \$— | \$1,942,834 |
| Money market account (cost: 2013 -- \$67,494,608; 2012 -- \$30,543,824) | 67,494,608 | 30,543,824 |
| Debt securities (cost: 2013 -- \$211,661,173; 2012 -- \$134,377,151) | 190,732,894 | 111,037,882 |
| CLO Fund securities managed by non-affiliates (cost: 2013 -- \$9,733,633; 2012 -- \$10,487,023) | 1,784,300 | 3,725,924 |
| CLO Fund securities managed by affiliates (cost: 2013 -- \$88,175,787; 2012 -- \$79,659,387) | 79,700,585 | 79,531,583 |
| Equity securities (cost: 2013 -- \$18,841,238; 2012 -- \$18,375,587) | 9,485,307 | 8,020,716 |
| Asset manager affiliates (cost: 2013 -- \$83,234,131; 2012 -- \$83,161,529) | <u>87,300,000</u> | <u>77,242,000</u> |
| Total Investments at fair value (cost: 2013 -- \$479,140,566; 2012 -- \$358,547,336) | 436,497,694 | 312,044,763 |
| Cash | 7,669,782 | 738,756 |
| Restricted cash | 78,985,473 | — |
| Interest receivable | 1,164,144 | 697,349 |
| Receivable for open trades | 3,515,052 | — |
| Accounts receivable | 3,302,142 | 2,210,869 |
| Other assets | <u>10,364,201</u> | <u>3,568,736</u> |
| | | |
| Total assets | <u>\$541,498,488</u> | <u>\$319,260,473</u> |
| LIABILITIES | | |
| Convertible Notes | \$51,008,000 | \$60,000,000 |
| Retail Notes | 41,400,000 | 41,400,000 |
| Payable for open trades | 66,840,035 | — |
| Notes payable - KCAP Senior Funding I, LLC | 105,250,000 | — |
| Accounts payable and accrued expenses | 2,692,613 | 2,581,432 |
| Dividend payable | <u>—</u> | <u>7,403,382</u> |
| | | |
| Total liabilities | <u>\$267,190,648</u> | <u>\$111,384,814</u> |
| | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock, par value \$0.01 per share, 100,000,000 common shares authorized; 33,298,674 and 26,470,408 common shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively | \$330,207 | \$264,382 |
| Capital in excess of par value | 370,441,874 | 310,566,503 |
| Accumulated undistributed net investment income | 4,380,234 | 103,484 |
| Accumulated net realized losses | (57,680,841) | (56,035,375) |
| Net unrealized depreciation on investments | <u>(43,163,634)</u> | <u>(47,023,335)</u> |
| | | |
| Total stockholders' equity | <u>\$274,307,840</u> | <u>\$207,875,659</u> |
| | | |
| Total liabilities and stockholders' equity | <u>\$541,498,538</u> | <u>\$319,260,473</u> |
| | | |
| NET ASSET VALUE PER COMMON SHARE | <u>\$8.24</u> | <u>\$7.85</u> |

See accompanying notes to financial statements.

KCAP FINANCIAL, INC.
STATEMENTS OF OPERATIONS
(unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|-------------|-------------------------|-------------|
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Investment Income: | | | | |
| Interest from investments in debt securities | \$2,997,246 | \$2,671,291 | \$5,475,265 | \$5,172,904 |

| | | | | |
|---|-------------------|------------------|-------------------|-------------------|
| Interest from cash and time deposits | 3,026 | 845 | 7,738 | 3,408 |
| Dividends from investments in CLO Fund securities managed by non-affiliates | 323,790 | 458,538 | 747,664 | 877,703 |
| Dividends from investments in CLO Fund securities managed by affiliates | 4,557,531 | 5,028,886 | 10,038,183 | 8,642,525 |
| Dividends from affiliate asset managers | 3,300,000 | 1,200,000 | 6,300,000 | 2,025,000 |
| Capital structuring service fees | 52,753 | 122,044 | 59,326 | 161,605 |
| | <u>11,234,346</u> | <u>9,481,604</u> | <u>22,628,176</u> | <u>16,883,145</u> |

Expenses:

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Interest and amortization of debt issuance costs | 2,250,063 | 1,646,352 | 4,510,309 | 3,088,638 |
| Compensation | 1,110,409 | 1,073,975 | 2,020,122 | 2,021,710 |
| Professional fees | 652,644 | 245,671 | 1,294,971 | 1,162,331 |
| Insurance | 126,632 | 142,676 | 255,348 | 272,280 |
| Administrative and other | 513,085 | 369,109 | 1,019,556 | 695,085 |
| | <u>4,652,833</u> | <u>3,477,783</u> | <u>9,100,306</u> | <u>7,240,044</u> |

Net Investment Income

6,581,513 6,003,821 13,527,870 9,643,101

Realized And Unrealized Gains (Losses) On Investments:

| | | | | |
|--|------------------|--------------------|------------------|--------------------|
| Net realized gains (losses) from investment transactions | (1,562,529) | 1,688 | (1,645,466) | 304,421 |
| Net change in unrealized appreciation (depreciation) on: | | | | |
| Debt securities | 124,466 | (3,915,572) | 2,410,992 | (4,998,267) |
| Equity securities | 1,064,379 | 997,361 | 998,942 | 1,678,347 |
| CLO Fund securities managed by affiliates | (3,768,238) | 264,851 | (8,347,397) | 2,631,727 |
| CLO Fund securities managed by non-affiliates | (820,826) | (38,767) | (1,188,235) | (65,611) |
| Affiliate asset manager investments | 6,910,060 | (1,695,927) | 9,985,399 | (6,999,609) |
| | <u>3,509,841</u> | <u>(4,388,054)</u> | <u>3,859,701</u> | <u>(7,753,413)</u> |
| Net realized and unrealized appreciation (depreciation) on investments | <u>1,947,312</u> | <u>(4,386,366)</u> | <u>2,214,235</u> | <u>(7,448,992)</u> |

Net Increase In Net Assets Resulting From Operations

\$8,528,825 \$1,617,455 \$15,742,105 \$2,194,109

Net Increase In Net Assets Resulting from Operations per Common Share:

| | | | | |
|---|--------|--------|--------|--------|
| Basic: | \$0.26 | \$0.06 | \$0.51 | \$0.09 |
| Diluted: | \$0.25 | \$0.06 | \$0.48 | \$0.09 |
| Net Investment Income Per Common Share: | | | | |
| Basic: | \$0.20 | \$0.23 | \$0.43 | \$0.38 |
| Diluted: | \$0.20 | \$0.23 | \$0.42 | \$0.38 |

| | | | | |
|---|------------|------------|------------|------------|
| Weighted Average Shares of Common Stock Outstanding—Basic | 33,040,155 | 26,633,122 | 31,163,596 | 25,451,974 |
| Weighted Average Shares of Common Stock Outstanding—Diluted | 39,372,311 | 26,642,088 | 37,495,139 | 25,462,443 |

See accompanying notes to financial statements.

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