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**KOHLBERG**  
CAPITAL CORPORATION

**Investor Presentation**  
**Second Quarter 2012**

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## Forward Looking Information

This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The matters discussed in this presentation, as well as in future oral and written statements by management of Kohlberg Capital Corporation, 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. Important assumptions include our ability to acquire or originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans or objectives will be achieved.

There are a number of important risks and uncertainties that could cause our actual results to differ materially from those indicated by such forward-looking statements. You should not place undue reliance on these forward-looking statements. The forward-looking statements relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this presentation.

# INVESTMENT HIGHLIGHTS

## Innovative Strategy and Platform

- ◆ Internally managed structure
- ◆ 100% ownership of CLO fund Asset Manager Affiliates (Katonah Debt Advisors and Trimaran Advisors)

## Highly Experienced Management Team

- ◆ Seasoned management team with average industry tenure of 25+ years
- ◆ Managed loan portfolios through numerous cycles

## Dynamic Business Model

- ◆ Compelling middle market opportunities; multi-channel origination capabilities
- ◆ Enhanced portfolio yield through high returns on investments in CLO funds
- ◆ Disciplined investment process with seasoned credit professionals

## Strong Portfolio

- ◆ First lien / second lien / mezz and equity - average unlevered yield of 8%
- ◆ CLO Fund investments – current unlevered yield of +30% on fair value
- ◆ Asset Manager Affiliates: synergies + stable cash flow and dividend

## Low Leverage

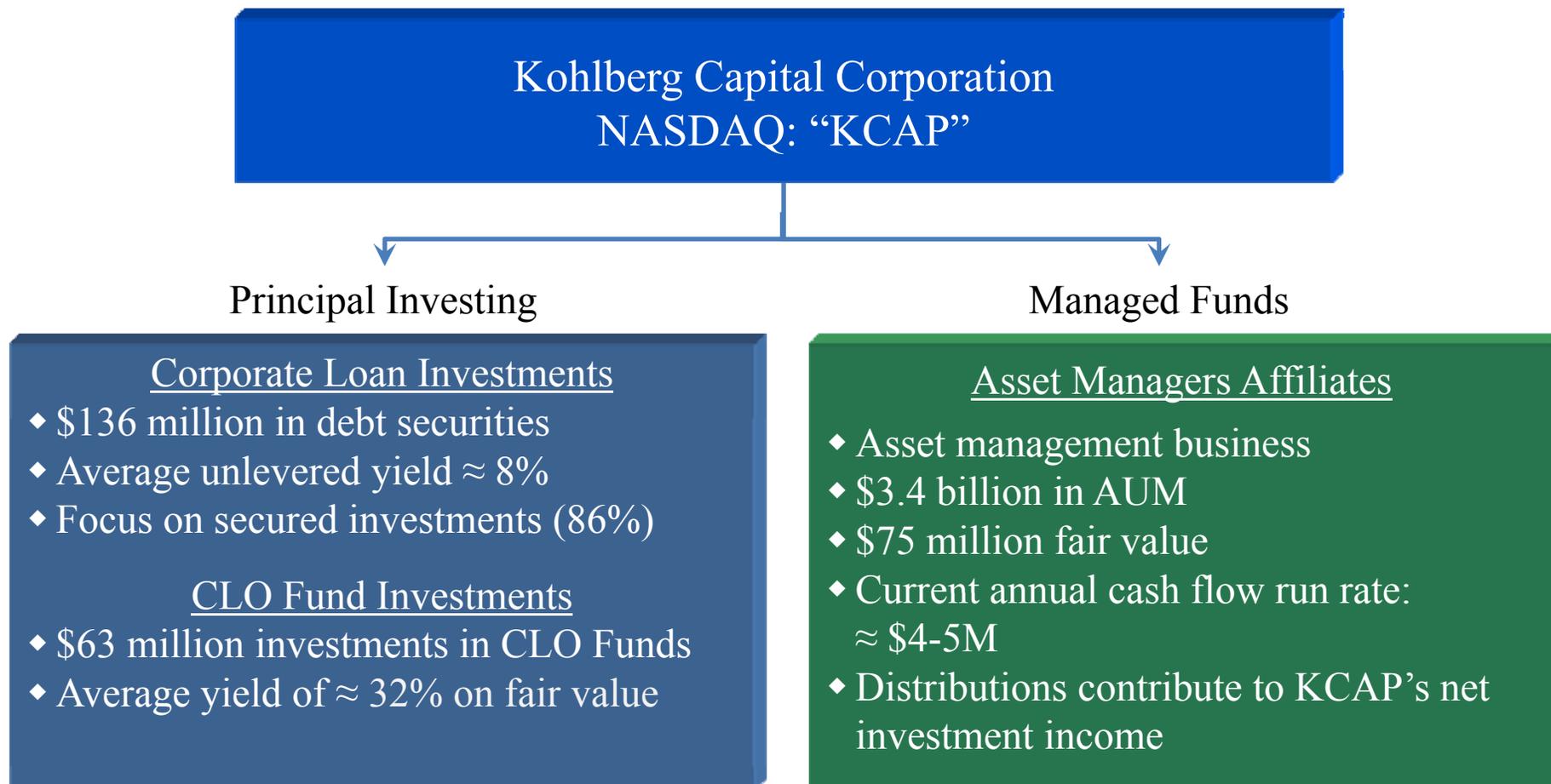
- ◆ \$60 million in borrowings as of March 31, 2012
- ◆ Debt is unsecured, convertible notes at 8.75% with a 2016 maturity
- ◆ \$30 million in available borrowing capacity through a new secured facility
- ◆ Asset coverage is 445%, well above the minimum 200% (1:1) required for a BDC

## Alignment of Interests

- ◆ No external management fees
- ◆ Board members and management own 18% of shares

# OVERVIEW – BUSINESS MODEL

*Internally managed BDC with a diversified portfolio of corporate credit investments and an attractive asset management business*



# QUARTERLY DIVIDENDS

| <b>2012</b>   | <i>Dividend</i> | <i>Yield</i> |
|---------------|-----------------|--------------|
| First quarter | \$ 0.18         | 10%          |

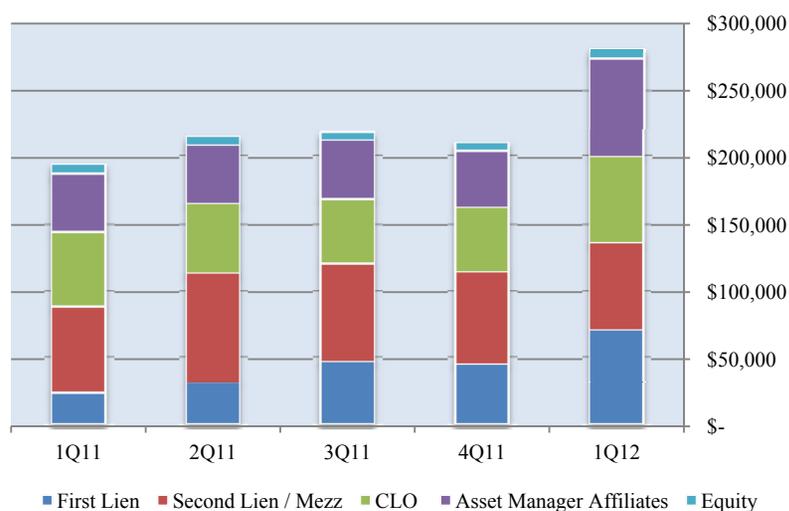
| <b>2011</b>    | <i>Dividend</i> | <i>Yield</i> |
|----------------|-----------------|--------------|
| Fourth quarter | \$ 0.18         | 11%          |
| Third quarter  | \$ 0.18         | 12%          |
| Second quarter | \$ 0.17         | 9%           |
| First quarter  | \$ 0.17         | 8%           |
|                | <b>\$ 0.52</b>  |              |

| <b>2010</b>    |                |     |
|----------------|----------------|-----|
| Fourth quarter | \$ 0.17        | 10% |
| Third quarter  | \$ 0.17        | 10% |
| Second quarter | \$ 0.17        | 14% |
| First quarter  | \$ 0.17        | 12% |
|                | <b>\$ 0.68</b> |     |

# PORTFOLIO HIGHLIGHTS

## ASSET MIX

**Investments at Fair Value (in thousands)**



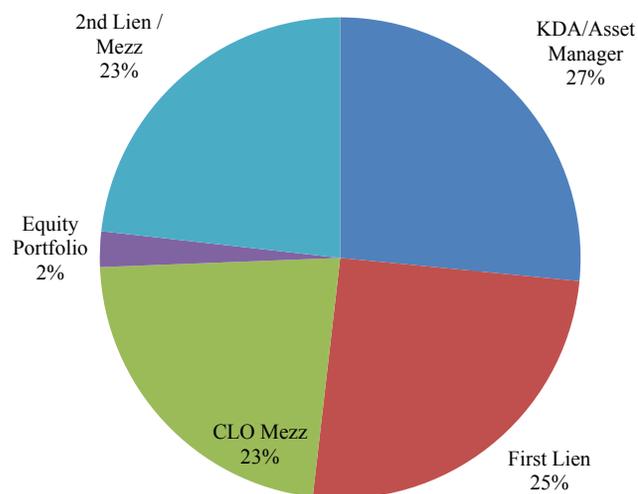
|                          | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 |
|--------------------------|------|------|------|------|------|
| First Lien               | 25%  | 22%  | 22%  | 15%  | 12%  |
| Second Lien / Mezz       | 23%  | 33%  | 34%  | 38%  | 34%  |
| CLO                      | 23%  | 23%  | 22%  | 24%  | 29%  |
| Asset Manager Affiliates | 27%  | 19%  | 20%  | 20%  | 22%  |
| Equity                   | 2%   | 3%   | 3%   | 3%   | 4%   |

|                          | 1Q12   | 4Q11   | 3Q11   | 2Q11   | 1Q11   |
|--------------------------|--------|--------|--------|--------|--------|
| First Lien               | 71,085 | 45,259 | 47,019 | 31,871 | 23,277 |
| Second Lien / Mezz       | 65,272 | 69,414 | 73,588 | 81,573 | 65,162 |
| CLO                      | 63,404 | 48,438 | 48,761 | 52,361 | 55,981 |
| Asset Manager Affiliates | 74,594 | 40,814 | 42,629 | 42,201 | 42,196 |
| Equity                   | 6,722  | 6,041  | 6,010  | 6,721  | 7,388  |

# INVESTMENT PORTFOLIO

*A balanced investment risk / return profile*

1Q12



| <u>Investment</u>                     | <u>Yield</u> |
|---------------------------------------|--------------|
| First lien <sup>1</sup>               | 5.3%         |
| Second lien / Mezz <sup>1</sup>       | 10.0%        |
| CLO Mezz <sup>2</sup>                 | 32%          |
| Asset Manager Affiliates <sup>3</sup> | 8.0%         |
| Equity Portfolio                      | --           |
| <b>Approx. Weighted Average Yield</b> | <b>13.3%</b> |

<sup>1</sup> Yield based on par

<sup>2</sup> Yield based on fv

<sup>3</sup> Asset Manager Affiliates estimated yield on cost; excludes incentive fees

## Portfolio Statistics

### Total Portfolio:

Fair value \$281 million

Book value \$336 million

### Portfolio (excluding KDA & CLO Securities):

Fair value \$136 million

Book value \$157 million

Number of issuers 56

Average deal/issuer size \$2.4 million

In default <1%

Fixed rate 16%

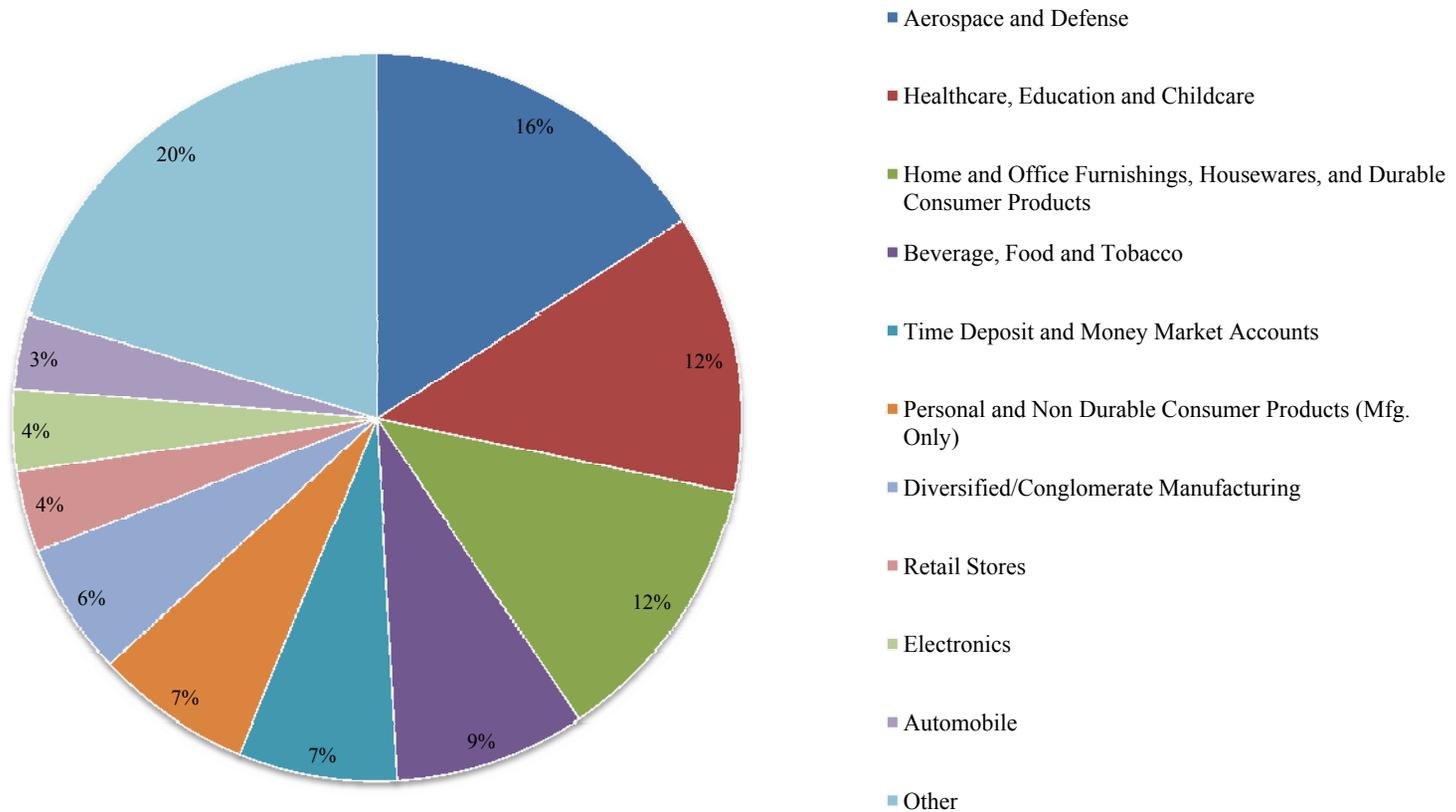
Floating rate 79%

Equity (neither fixed/floating) 5%

Note: Percentages to total fair value excluding KDA & CLO Securities

# PORTFOLIO HIGHLIGHTS

## PORTFOLIO LOAN SECURITIES - INDUSTRY DIVERSIFICATION



# STRONG CREDIT QUALITY

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*Experienced management team has led to strong credit performance in a challenging environment*

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- ◆ Only four portfolio companies on non-accrual status as of March 31, 2012
- ◆ Hard Watch List represents less than 1% of total assets (four issuers)
  - ◆ Three of the four watch list assets are senior secured loans
- ◆ Despite mark-to-market unrealized losses, portfolio assets continue to amortize or pay-off at par
- ◆ 86% of corporate loan portfolio is secured
- ◆ Weighted average yield of 7.6% on loan portfolio consists of less than 2% PIK interest

# CLO FUND PORTFOLIO

## *Understanding risks and return*

### CLO Fund Structure

|                          |                   |
|--------------------------|-------------------|
| Remaining financing term | 8 years           |
| Current portfolio yield  | L + 357 bps       |
| W/A cost of debt capital | <u>L + 55 bps</u> |
| Net interest spread      | <u>302 bps</u>    |
| Fees and expenses        | <u>55 bps</u>     |
| Net spread to equity     | <u>247bps</u>     |

#### Current Actual CLO Portfolio Performance:

-on current carrying value 32%

Data as of most recent trustee report for 1Q12 quarter-end

### CLO Fund Statistics

|                              |               |
|------------------------------|---------------|
| Fair value                   | \$63 million  |
| Par                          | \$95 million  |
| Cost                         | \$79 million  |
| <i>Diversity:</i>            |               |
| Number of CLOs               | 13            |
| Average number of issuers    | 151           |
| Average number of industries | 28            |
| Average position size        | \$2.1 million |

# LEVERAGE

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## *Low Leverage and Room for Growth Relative to Peers*

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- ◆ Convertible notes and an additional \$30 million in available borrowing capacity through a new secured facility
- ◆ Debt-to-equity of 0.29x based on net asset value of \$207 million for the quarter ended March 31, 2012
- ◆ Asset coverage at 445% at March 2012; BDC structure requires minimum asset coverage of 200%
- ◆ Fixed rate, five year (2016) maturity
- ◆ Initial conversion price of \$8.44 (10% premium over pricing date market close and above \$8.21 reported NAV prior to issuance)

# FINANCIAL HIGHLIGHTS

|   | 1Q12      | 4Q11      | 3Q11      | 2Q11      | 1Q11    | 4Q10      |
|---|-----------|-----------|-----------|-----------|---------|-----------|
| Earnings per share                                | \$ 0.28   | \$ 0.31   | \$ 0.32   | \$ 0.26   | \$ 0.32 | \$ 0.30   |
| Net investment income per share                   | \$ 0.15   | \$ 0.18   | \$ 0.18   | \$ 0.12   | \$ 0.22 | \$ 0.23   |
| Net realized and unrealized gain (loss) per share | \$ (0.12) | \$ (0.24) | \$ (0.24) | \$ (0.08) | \$ 0.20 | \$ (0.53) |
| Net asset value per share                         | \$ 7.78   | \$ 7.85   | \$ 8.29   | \$ 8.52   | \$ 8.64 | \$ 8.21   |
| Dividend distribution per share                   | \$ 0.18   | \$ 0.18   | \$ 0.18   | \$ 0.17   | \$ 0.17 | \$ 0.17   |
| Share Price                                       |           |           |           |           |         |           |
| High  | \$ 7.46   | \$ 6.88   | \$ 8.34   | \$ 8.32   | \$ 8.71 | \$ 8.47   |
| Low   | \$ 6.25   | \$ 5.50   | \$ 3.42   | \$ 7.04   | \$ 8.36 | \$ 6.42   |
| Close   | \$ 6.91   | \$ 6.31   | \$ 5.85   | \$ 7.95   | \$ 8.26 | \$ 8.35   |

# FINANCIAL HIGHLIGHTS

## NET ASSET VALUE

| March 31, 2012                    | Fair Value                   | NAV per Share         |
|-----------------------------------|------------------------------|-----------------------|
| <i>Investments at fair value:</i> |                              |                       |
| Debt securities                   | \$ 136,356,490               | \$ 5.12               |
| CLO Fund securities               | 63,404,342                   | 2.38                  |
| Equity securities                 | 6,721,881                    | 0.25                  |
| KDA / asset manager               | <u>74,594,000</u>            | <u>2.80</u>           |
| Total Investments                 | 281,076,713                  | 10.55                 |
| Cash                              | 2,032,121                    | 0.08                  |
| Other assets                      | <u>17,119,147</u>            | <u>0.65</u>           |
| Total Assets                      | \$ <u>300,227,981</u>        | \$ <u>11.28</u>       |
| Borrowings                        | \$ 60,000,000                | \$ 2.25               |
| Other Liabilities                 | <u>33,273,465</u>            | <u>1.25</u>           |
| Total Liabilities                 | \$ <u>93,273,465</u>         | \$ <u>3.5</u>         |
| <b>NET ASSET VALUE</b>            | \$ <b><u>206,954,516</u></b> | \$ <b><u>7.78</u></b> |

## INVESTMENT PORTFOLIO

| March 31, 2012           | Cost                         | Fair Value                   |
|--------------------------|------------------------------|------------------------------|
| Senior secured loan      | \$ 79,891,869                | \$ 71,084,981                |
| Junior secured loan      | 59,306,011                   | 46,674,886                   |
| Mezzanine                | 10,940,849                   | 11,588,115                   |
| Senior subordinated bond | 6,538,199                    | 6,608,520                    |
| Preferred                | 400,000                      | 400,000                      |
| CLO Fund securities      | 79,154,474                   | 63,404,342                   |
| Equity securities        | 16,559,610                   | 6,721,881                    |
| KDA / asset manager      | <u>83,421,984</u>            | <u>74,594,000</u>            |
| <b>Total Assets</b>      | \$ <b><u>336,212,995</u></b> | \$ <b><u>281,076,725</u></b> |

## SUMMARY OF KCAP ATTRIBUTES

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*Dynamic business model generates sustainable dividends*

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- ✓ Sustainable, recurring revenues not dependent on capital gains
    - ◆ Recurring interest income from secured loan and CLO portfolios
    - ◆ Stable asset management fee income from Asset Manager Affiliates
  - ✓ New investments in current market environment provide higher returns and enhance portfolio yield
  - ✓ Not reliant on high leverage to generate returns
  - ✓ Floating rate assets, many with minimum index rate floors, provide NAV protection and increased earnings in a rising rate environment
  - ✓ Experienced credit managers with long track records
  - ✓ Interest aligned with shareholders – significant insider ownership and internally managed
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KOHLBERG  
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Q & A

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