

**KOHLBERG**  
CAPITAL CORPORATION

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*May 2007*

## **Forward Looking Information**

This presentation may include forward-looking statements. These forward-looking statements include comments with respect to our objectives and strategies, and the results of our operations and our business.

However, by their nature, these forward-looking statements involve numerous assumptions, uncertainties and opportunities, both general and specific. The risk exists that these statements may not be fulfilled. We caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of factors could cause future company results to differ materially from these statements.

Forward-looking statements may be influenced in particular by factors such as fluctuations in interest rates and stock indices, the effects of competition in the areas in which we operate, and changes in economic, political, regulatory and technological conditions. We caution that the foregoing list is not exhaustive.

When relying on forward-looking statements to make decisions, investors should carefully consider the aforementioned factors as well as other uncertainties and events.

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# **Company Overview**

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**Chris Lacovara**

**Chairman, Kohlberg Capital  
Co-Managing Partner, Kohlberg & Co.**

# Overview – Investment Highlights

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## Innovative Strategy and Platform

- ◆ Internally managed structure
  - ◆ Inclusion of Katonah asset management business
  - ◆ Affiliation with Kohlberg & Co.
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## Highly Experienced Management Team

- ◆ Seasoned management team with average industry tenure of 20+ years
  - ◆ Kohlberg & Co. participation on the Board and Investment Committee
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## Dynamic Business Model

- ◆ Compelling middle market opportunity
  - ◆ Multi-channel origination capabilities
  - ◆ Disciplined investment process with seasoned credit professionals
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## Attractive Portfolio

- ◆ Currently \$218M of first lien / second lien / mezzanine and equity
  - ◆ Average yield of Libor + 4.2%
  - ◆ CDO investments of \$24M with an average yield of 14%
  - ◆ 100% ownership of profitable Katonah asset management business
  - ◆ Q1 dividend at 7.7% (on IPO price); Q4 run-rate > 10%
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## Alignment of Interests

- ◆ No external management fees
  - ◆ 20% insider ownership including Kohlberg & Co. principals
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# Overview – Business Model

*Internally managed - management, originations and credit staff are employed by the BDC or its wholly owned portfolio company, KDA*

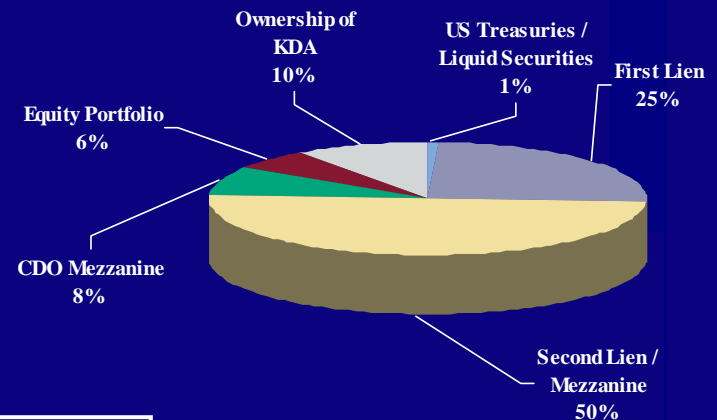
|   | Current Valuation (\$ millions)  | IPO Shares        |                    |
|---|--|-------------------|--------------------|
| <b>Kohlberg Capital</b><br><br><b>NASDAQ</b><br><b>“KCAP”</b> | <b>Middle Market Investments</b><br><ul style="list-style-type: none"> <li>◆ Acquisition of \$185M portfolio for cash</li> <li>◆ Average yield: 8.5% to 9.5%</li> </ul>  | \$218             | } Issued To Public |
|   | <b>CDO Equity Investments</b><br><ul style="list-style-type: none"> <li>◆ Initially acquired for stock</li> <li>◆ Approximate yield: 14.0%</li> </ul>                    | \$24              |                    |
|   | <b>Katonah Debt Advisors</b><br><ul style="list-style-type: none"> <li>◆ Initially acquired for stock</li> <li>◆ Current annual cash flow stream: \$6 million</li> </ul> | \$47              |                    |
|   | <b>\$289</b>   | <b>17,943,333</b> |                    |

# Overview – Business Model

***Kohlberg Capital's debt and equity investments generate cash flow and increasing dividends to shareholders***

| Asset Class                               | Estimated Gross Asset Yield Fully Ramped |
|---|--|
| US Treasuries / Liquid Securities         | 5%                                       |
| First Lien                                | 9%                                       |
| Second Lien / Mezzanine                   | 12%                                      |
| CDO Mezzanine                             | 12%                                      |
| Equity Portfolio                          | 20%                                      |
| Ownership of Katonah                      | Variable                                 |
| <b>Weighted Average Approximate Yield</b> | <b>11%</b>                               |

**Fully Ramped Asset Mix**



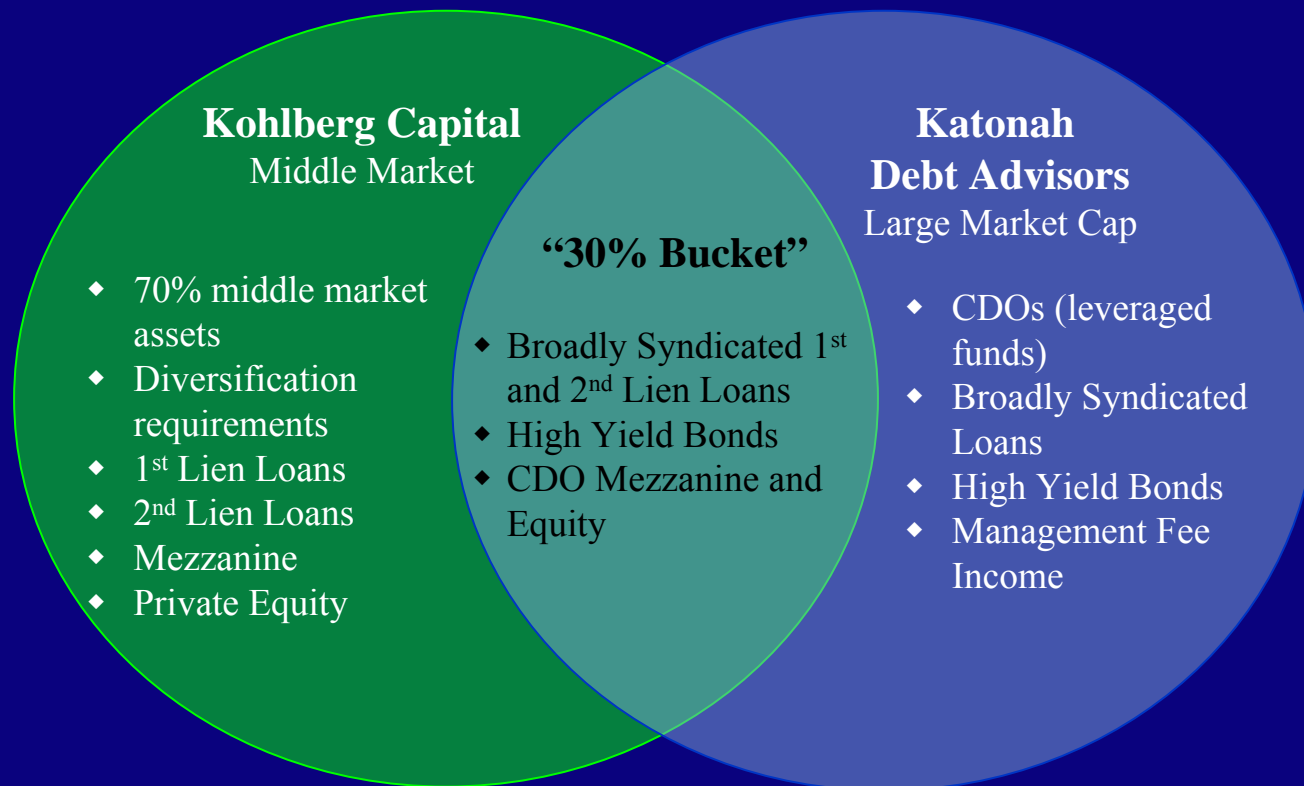
|                                   |       |
|-----------------------------------|-------|
| Estimated Leverage (Asset/Equity) | 1.85x |
| Gross Weighted Average Yield      | 11%   |
| Expected Loan Loss Experience     | 1%    |
| Cost of Debt                      | 6%    |
| Estimated G&A                     | < 2%  |



|                |     |
|----------------|-----|
| ROA %          | 6%  |
| ROE %          | 11% |
| Dividend Yield | 10% |

# Overview – Strategy and Platform

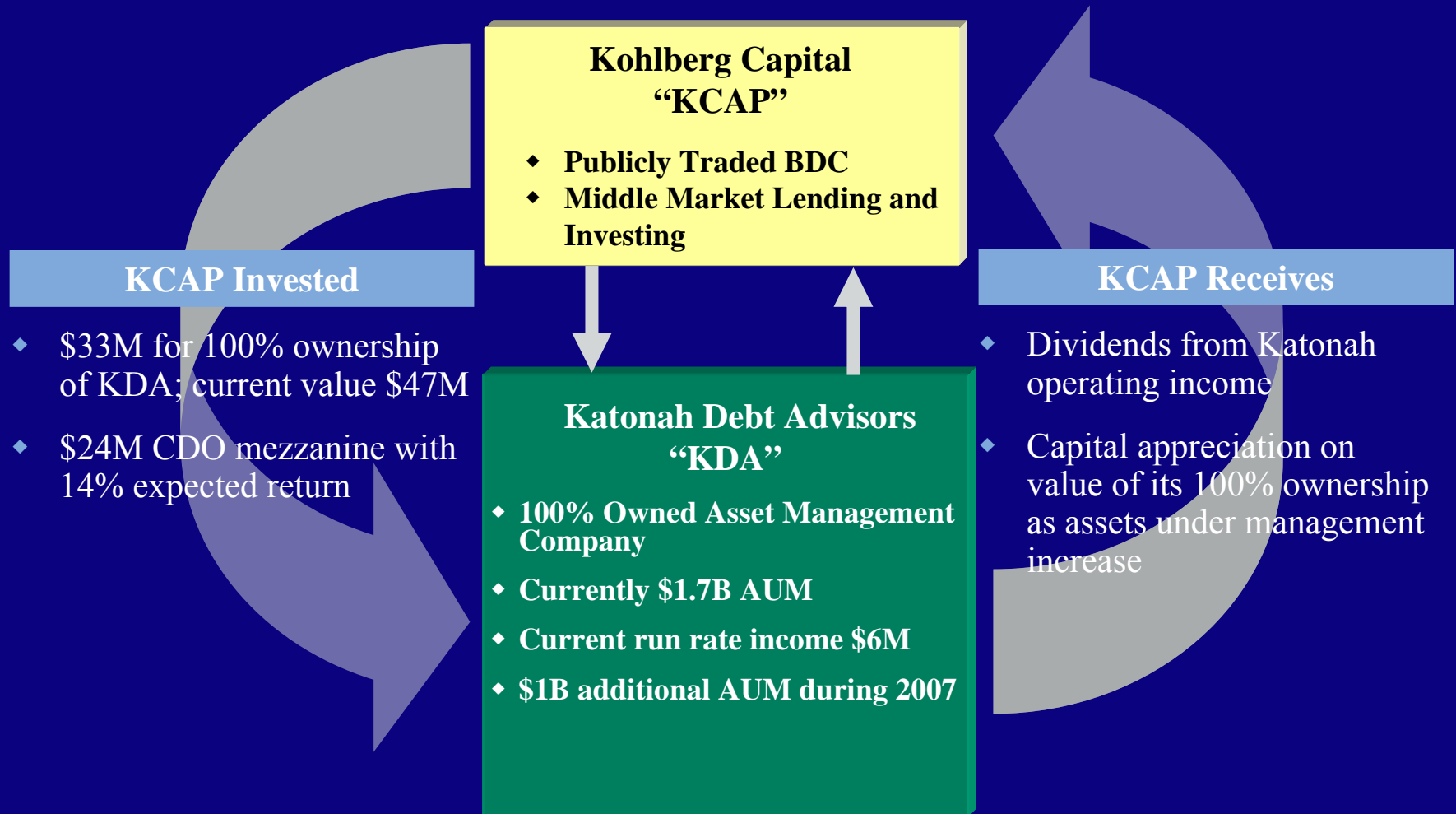
***Overlap between targeted assets of BDC and Katonah allows BDC to use its 30% allocation creatively outside of the middle market, minimizing cash***



***Origination and credit resources common to both***

# Overview – Strategy and Platform

*A publicly traded BDC with a wholly owned asset management company*





# Overview – Strategy and Platform

*As Katonah grows AUM, KCAP shareholders will benefit*

|                   |        | Assets Under Management (\$ in millions) |         |         |                              |
|-------------------|--------|--|---------|---------|------------------------------|
|                   |        | \$1,200                                  | \$1,700 | \$2,500 |                              |
| Average Fees      | 50 bps | \$3                                      | \$6     | \$9     | Distributable Cash           |
|                   | 60 bps | NA                                       | \$7     | \$10    |                              |
|                   | 70 bps | NA                                       | \$8     | \$11    |                              |
| Percentage of AUM | 2.75%  | \$33                                     | \$47    | \$69    | Theoretical Value of Katonah |
|                   | 3.00%  | \$36                                     | \$51    | \$75    |                              |
|                   | 3.25%  | \$39                                     | \$55    | \$81    |                              |

Growth in KDA's AUM will result in an increasing dividend yield and an increase in Katonah's underlying value

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# **Dynamic Business Model**

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**Dayl Pearson**

**Chief Executive Officer**

# Dynamic Business Model

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***Dynamic business model generates strong asset and dividend growth while responsibly managing credit risk***

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- ◆ Focus on middle market transaction-driven lending with large transaction volume
- ◆ Pursue a highly selective and diversified asset accumulation strategy
- ◆ Utilize extensive sourcing capabilities of experienced management team, Kohlberg & Co. middle market franchise and Katonah staff
- ◆ Employ disciplined investment process with a 20-year track record of success
- ◆ Generate attractive near-term dividends based on existing portfolio
- ◆ Enhance dividend over time with additional higher return assets, leverage, and lean expense structure

# Dynamic Business Model

***A portfolio of assets with attractive yields in a diverse group of industries***

**Current Middle Market Loans and Equities and Ongoing Diversification Strategy**

Industries Include:

Healthcare

Real Estate

Agriculture

Electronics

Utilities

Cargo Transport

Education

Aerospace / Defense

Finance

Insurance

Manufacturing

Automotive

Packaging

Non-Durable Consumer

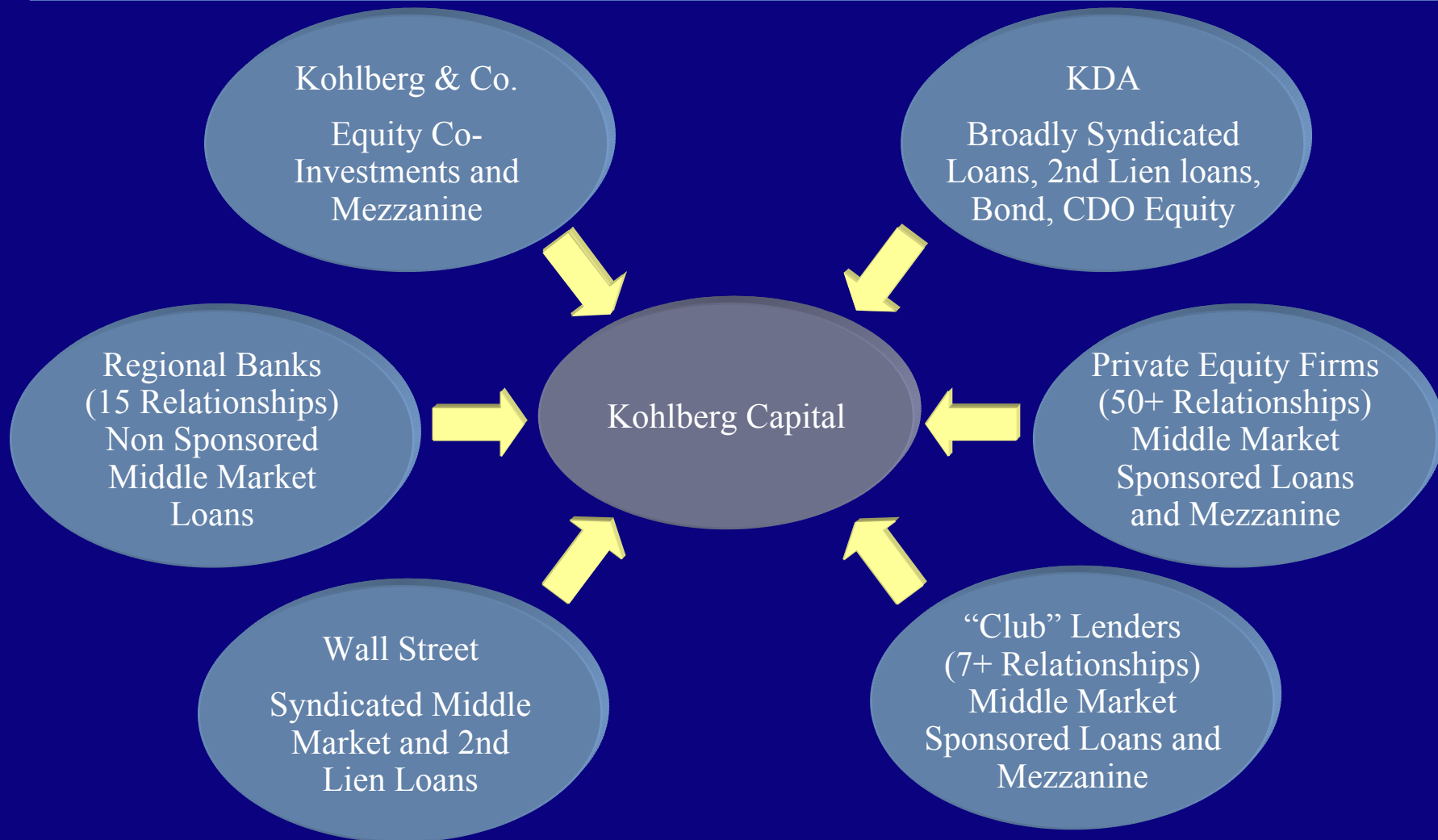
Food & Beverage

A focus on growing and maintaining a highly diversified portfolio of middle market assets

- ◆ Balance at 3/31/07:  $\approx$  \$218M
- ◆ Average Deal Size:  $\approx$  \$3.8M
- ◆ No. of Issues: 64 +
- ◆ Average Interest Rate: Libor +  $\approx$  4.2%

# Dynamic Business Model

*Leverage extensive proprietary relationships to source high quality assets*



# Dynamic Business Model

***Our middle market credit risk rating system enhances investment decisions and portfolio management process***

- ◆ Key tool of credit and portfolio management
- ◆ Based upon comparative analysis of key factors
  - Financial strength / cash flow generation
  - Industry assessment / economic drivers / competitors
  - Management / Sponsor
- ◆ Should track closely to Moody's and S&P
- ◆ Approved by investment committee
- ◆ Key monitoring metric

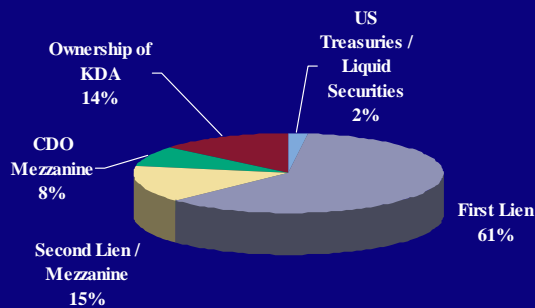
| Risk Rating System |                            |
|--------------------|----------------------------|
| KCAP System        | Agency Equivalent          |
| 1.0                | Investment Grade           |
| 2.0                | BB+ to BB-                 |
| 2.5                | B+                         |
| 3.0                | B                          |
| 3.5                | B-                         |
| 4.0                | CCC+                       |
| 4.5                | CCC or Worse               |
| 5.0                | Expected loss of Principle |

# Dynamic Business Model

*The existing investment portfolio originated by KDA management supports an attractive near-term dividend yield and future growth in dividend yield*

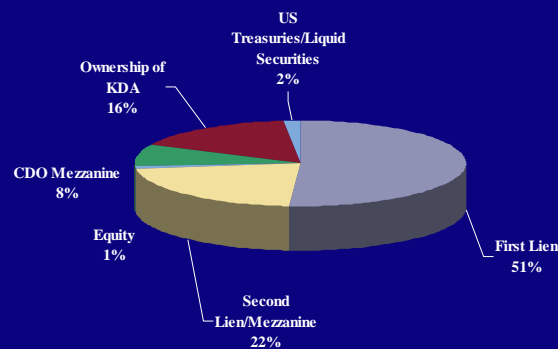
- ◆ Portfolio includes more than 64 companies across 24 different industries
- ◆ As existing assets mature, Kohlberg will redeploy its capital into higher yielding assets

**Initial Asset Mix at IPO**



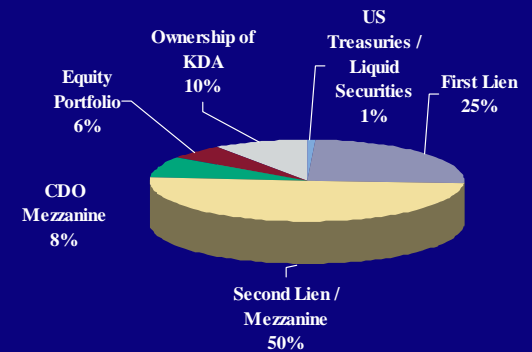
L+400

**Asset Mix as of 3/31/07**



L+465

**Fully Ramped**



L+525

Unleveraged  
Gross Yield  
on Interest  
Paying  
Investments

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# **Financial Summary**

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**Mike Wirth**

**Chief Financial Officer**



# Financial Summary – Q1 2007

|   | Q1 Actual | Consensus Estimates |        |             |
|---|-----------|---------------------|--------|-------------|
|   |           | Q1                  | 2007   | Q4 Run Rate |
| <b>Total Assets</b>                     | \$299.3   |                     |        |             |
| <b>GAAP Net Income</b>                  | \$13.9    |                     |        |             |
| <b>Unrealized Gains</b>                 | \$8.6     |                     |        |             |
| <b>(Distributable) Income</b>           | \$5.3     |                     |        |             |
| <b>GAAP E.P.S. Excluding unrealized</b> | \$0.30    | \$0.27              | \$1.27 | \$1.45      |
| <b>Dividend Per Share</b>               | \$0.29    | \$0.27              | \$1.26 | \$1.47      |
| <b>Implied Yield (IPO Price)</b>        | 8%        |                     |        | 10%         |
| <b>Book Value Per Share</b>             | \$14.78   |                     |        |             |



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## Q & A

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**Chris Lacovara – Chairman**

**Dayl Pearson – CEO**

**Mike Wirth – CFO**