



# **BLACKROCK KELSO CAPITAL**

**Investor Presentation**

**May 2012**

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|             |   |           |
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## **I. BlackRock Kelso Capital Overview**

# Market-Leading Platform

## *Successful Track Record of Middle Market Investing*

- ✓ Dedicated team of investment professionals with long-standing relationships and a proactive direct origination focus
- ✓ Industry-leading, “hands-on” diligence approach focusing on long-term business fundamentals and capital preservation
- ✓ Vast majority of investments the result of directly negotiated transactions
- ✓ Completed 130 investments in middle market companies since inception<sup>(1)</sup>
- ✓ Gross investments to date of over \$2.5 billion<sup>(1)</sup>
- ✓ Declared \$8.46 per share in dividends to shareholders since inception<sup>(2)</sup>
- ✓ Active management of existing portfolio
- ✓ Active support of world-class investment partners in BlackRock, Inc. and the Kelso Principals

## *Business Development Company Fund Structure*

- ✓ Conservatively structured and highly regulated asset class (maximum one-to-one leverage allowance)
- ✓ Highly visible investment income and dividend generation
- ✓ Mark-to-market accounting requirements ensure accurate and timely valuations for investors
- ✓ Well capitalized with \$322.3 million in excess asset coverage<sup>(1,13)</sup>

# Investment Selection Criteria

## Focus on Value and Cash Flow

- ✓ Premium on fundamental analysis and value from an investor's perspective
- ✓ Invest at low multiples of operating cash flow in companies profitable at the time of investment on an operating cash flow basis
- ✓ Typically do not invest in start-up companies or companies having speculative business plans

## Competitive Position in Industry

- ✓ Companies that have strong market positions and are well suited to capitalize on growth opportunities
- ✓ Companies that demonstrate significant competitive advantages that aid to protect their market position and profitability

## Experienced Management

- ✓ Generally require that portfolio companies have an experienced management team
- ✓ Generally require portfolio companies to have in place proper incentives to induce management to succeed and to act in concert with investor interests, which may include a significant equity stake

## Investment Exit Strategy

- ✓ Internally generated cash flow for debt repayment
- ✓ Strategic acquisition by other industry participants
- ✓ Initial public offering of common stock or another capital market transaction
- ✓ Exit equity investments via repurchases by the company and sales pursuant to M&A

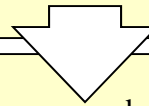
## Liquidation Value of Assets

- ✓ Enterprise value focus
- ✓ Prospective liquidation value of the assets that collateralize loans
- ✓ Emphasize both tangible assets, such as accounts receivable, inventory, equipment and real estate, as well as intangible assets, such as intellectual property, customer lists, networks, and databases

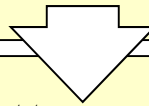
# Thorough Investment Process

## Due Diligence

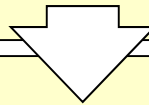
Review financials, business plan, due diligence materials and industry analysis  
Investment committee provides guidance and resources for due diligence process



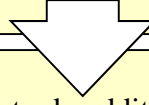
Visit management, sponsor, and company facilities  
Investment committee provides senior transaction and industry resources



Access management teams and other experts  
Leverage the resources of our partners



Conduct competitive analysis, collateral analysis, and determine exit strategy  
Evaluate from an equity owner's perspective



Engage lawyers and consultants to do additional research and diligence  
Review due diligence findings

*Post approval, BlackRock Kelso Capital works to structure investments quickly and effectively*

# Comprehensive Portfolio Management

## **Detailed review and rating process**

- Review financial statements and reports
- Evaluate adherence to business plan and covenants
- Compare to other industry participants

## **Financial performance of existing portfolio companies is evaluated by the deal team on at least a quarterly basis**

- Monthly and/or quarterly financials are analyzed by the deal team
- Discussions with management are conducted to review the performance of the businesses
- In many cases, BKCC maintains observation rights or seats on the portfolio companies' boards of directors

## **Update memos are prepared for each portfolio company by the respective deal team at least quarterly**

- Memos are reviewed at the weekly investment professionals' meeting

## **A separate investment rating meeting is held and attended by all transaction professionals each quarter**

- Each investment is reviewed by its primary deal team and given a suggested rating level to be discussed among all transaction professionals
- At the conclusion of discussion, and subject to the approval of senior management, the chief financial officer records the internal investment ratings for review by the Board of Directors

*All investments that are rated at levels other than the highest rating are reviewed on a weekly basis by the transaction professionals and management*





## **II. Financial Summary**

# Financial and Portfolio Summary

## Financial Highlights

Amounts shown on per share basis; share count in millions

|   | Three Months Ending |           |           |           |           |           |
|---|---------------------|-----------|-----------|-----------|-----------|-----------|
|   | 3/31/12             | 12/31/11  | 9/30/11   | 6/30/11   | 3/31/11   | 12/31/10  |
| Net Investment Income <sup>(3)</sup>                  | \$ 0.26             | \$ 0.15   | \$ 0.29   | \$ 0.35   | \$ 0.20   | \$ 0.03   |
| Net Realized Gains (Losses) <sup>(3)</sup>            | \$ (0.00)           | \$ (0.10) | \$ 0.02   | \$ (0.01) | \$ (0.59) | \$ (0.39) |
| Net Unrealized Gains (Losses) <sup>(3)</sup>          | \$ 0.02             | \$ 0.04   | \$ (0.13) | \$ 0.19   | \$ 0.63   | \$ 0.39   |
| Net Income <sup>(3)</sup>                             | \$ 0.28             | \$ 0.10   | \$ 0.18   | \$ 0.53   | \$ 0.25   | \$ 0.03   |
| Net Asset Value at End of Period <sup>(4)</sup>       | \$ 9.59             | \$ 9.58   | \$ 9.75   | \$ 9.83   | \$ 9.56   | \$ 9.62   |
| Dividends Declared <sup>(3)</sup>                     | \$ 0.26             | \$ 0.26   | \$ 0.26   | \$ 0.26   | \$ 0.32   | \$ 0.32   |
| Basic and Diluted Weighted Average Shares Outstanding | 73.4                | 73.2      | 73.1      | 73.0      | 72.8      | 70.9      |
| Total Shares Outstanding at End of Period             | 73.4                | 73.2      | 73.0      | 73.0      | 72.8      | 72.6      |

## Portfolio Summary

\$ in thousands

|   | 3/31/12      | 12/31/11     | 9/30/11      | 6/30/11    | 3/31/11    | 12/31/10   |
|---|--------------|--------------|--------------|------------|------------|------------|
| Investment Portfolio at Cost <sup>(5)</sup>                   | \$ 1,142,955 | \$ 1,097,871 | \$ 1,048,672 | \$ 993,646 | \$ 980,490 | \$ 985,678 |
| Investment Portfolio at Fair Value                            | \$ 1,095,390 | \$ 1,048,952 | \$ 992,262   | \$ 947,656 | \$ 921,188 | \$ 880,086 |
| Fair Value % Cost   | 95.8%        | 95.5%        | 94.6%        | 95.4%      | 94.0%      | 89.3%      |
| Number of Portfolio Companies                                 | 55           | 54           | 54           | 55         | 52         | 50         |
| Average Investment Size at Cost                               | \$ 20,781    | \$ 20,331    | \$ 19,420    | \$ 18,066  | \$ 18,856  | \$ 19,714  |
| Yield on Income Producing Capital at Cost                     | 11.6%        | 11.9%        | 11.9%        | 11.5%      | 11.4%      | 10.9%      |
| Yield on Senior Secured Loans at Cost                         | 11.5%        | 12.0%        | 11.7%        | 11.1%      | 10.8%      | 10.1%      |
| Yield on Other Debt Securities at Cost                        | 11.9%        | 11.4%        | 12.1%        | 11.9%      | 12.2%      | 12.1%      |
| <b>Total Investment Portfolio at Fair Value<sup>(6)</sup></b> |              |              |              |            |            |            |
| Senior Secured Loans & Notes                                  | 72.6%        | 73.4%        | 71.2%        | 68.1%      | 62.2%      | 60.6%      |
| Unsecured & Subordinated Debt                                 | 16.3%        | 16.0%        | 17.2%        | 19.4%      | 25.0%      | 25.9%      |
| Preferred & Common Equity & Warrants                          | 11.1%        | 10.6%        | 11.5%        | 12.5%      | 12.8%      | 13.5%      |

## Portfolio Activity

\$ in thousands

|  | Three Months Ending |            |            |           |           |           |
|--|---------------------|------------|------------|-----------|-----------|-----------|
|  | 3/31/12             | 12/31/11   | 9/30/11    | 6/30/11   | 3/31/11   | 12/31/10  |
| New Investments at Cost                | \$ 73,446           | \$ 141,002 | \$ 139,402 | \$ 81,575 | \$ 39,551 | \$ 84,240 |
| Sales, Repayments, Other Exits at Cost | (40,739)            | (86,126)   | (87,592)   | (71,375)  | (4,047)   | (41,038)  |
| Net New Investments at Cost            | \$ 32,707           | \$ 54,875  | \$ 51,810  | \$ 10,200 | \$ 35,505 | \$ 43,202 |
| New Portfolio Company Investments      | 2                   | 3          | 3          | 4         | 2         | 3         |
| Portfolio Company Exits                | 1                   | 3          | 4          | 1         | -         | 4         |

Please see Notes to the Investor Presentation on page 22

# Select Historical Financial Information

## Financial History

| \$ in thousands, except per share data                               | Three Months Ending |            |            |            |            |            |            |            | Full Year  |            |            |            |
|--|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | 3/31/12             | 12/31/11   | 9/30/11    | 6/30/11    | 3/31/11    | 12/31/10   | 9/30/10    | 6/30/10    | 3/31/10    | 12/31/09   | 12/31/11   | 12/31/10   |
| Net Investment Income Before Incentive Fees                          | \$ 21,238           | \$ 23,176  | \$ 20,965  | \$ 25,739  | \$ 14,877  | \$ 16,968  | \$ 16,811  | \$ 20,421  | \$ 20,759  | \$ 21,803  | \$ 84,757  | \$ 74,959  |
| Net Investment Income Before Incentive Fees per share <sup>(3)</sup> | \$ 0.29             | \$ 0.32    | \$ 0.29    | \$ 0.35    | \$ 0.20    | \$ 0.24    | \$ 0.26    | \$ 0.36    | \$ 0.37    | \$ 0.39    | \$ 1.16    | \$ 1.20    |
| Net Investment Income  | \$ 19,024           | \$ 11,298  | \$ 20,965  | \$ 25,739  | \$ 14,877  | \$ 2,354   | \$ 16,811  | \$ 20,421  | \$ 20,265  | \$ 4,984   | \$ 72,879  | \$ 59,851  |
| Net Investment Income per share <sup>(3)</sup>                       | \$ 0.26             | \$ 0.15    | \$ 0.29    | \$ 0.35    | \$ 0.20    | \$ 0.03    | \$ 0.26    | \$ 0.36    | \$ 0.36    | \$ 0.09    | \$ 1.00    | \$ 0.96    |
| Net Investment Income, as adjusted <sup>(7)</sup>                    | \$ 18,649           | \$ 19,697  | \$ 18,008  | \$ 20,897  | \$ 14,606  | \$ 15,205  | \$ 13,020  | \$ 16,290  | \$ 16,764  | \$ 17,783  | \$ 73,208  | \$ 61,278  |
| Adjusted Net Investment Income per share                             | \$ 0.25             | \$ 0.27    | \$ 0.25    | \$ 0.29    | \$ 0.20    | \$ 0.21    | \$ 0.20    | \$ 0.28    | \$ 0.30    | \$ 0.31    | \$ 1.00    | \$ 0.98    |
| Net Realized / Unrealized Gains (Losses)                             | \$ 1,274            | \$ (4,249) | \$ (8,027) | \$ 13,179  | \$ 3,138   | \$ 62      | \$ (496)   | \$ 1,914   | \$ 10,218  | \$ 11,355  | \$ 4,042   | \$ 11,699  |
| Net Realized / Unrealized Gains (Losses) per share <sup>(3)</sup>    | \$ 0.02             | \$ (0.06)  | \$ (0.11)  | \$ 0.18    | \$ 0.04    | \$ 0.00    | \$ (0.01)  | \$ 0.03    | \$ 0.18    | \$ 0.20    | \$ 0.06    | \$ 0.19    |
| Net Income   | \$ 20,298           | \$ 7,050   | \$ 12,937  | \$ 38,918  | \$ 18,015  | \$ 2,416   | \$ 16,316  | \$ 22,335  | \$ 30,483  | \$ 16,339  | \$ 76,921  | \$ 71,550  |
| Net Income per share <sup>(3)</sup>                                  | \$ 0.28             | \$ 0.10    | \$ 0.18    | \$ 0.53    | \$ 0.25    | \$ 0.03    | \$ 0.25    | \$ 0.39    | \$ 0.54    | \$ 0.29    | \$ 1.05    | \$ 1.14    |
| Dividends Declared   | \$ 19,090           | \$ 19,041  | \$ 18,984  | \$ 18,983  | \$ 23,354  | \$ 23,222  | \$ 20,964  | \$ 18,157  | \$ 18,112  | \$ 18,072  | \$ 80,362  | \$ 80,456  |
| Dividends Declared per share <sup>(3)</sup>                          | \$ 0.26             | \$ 0.26    | \$ 0.26    | \$ 0.26    | \$ 0.32    | \$ 0.32    | \$ 0.32    | \$ 0.32    | \$ 0.32    | \$ 0.32    | \$ 1.10    | \$ 1.28    |
| Total Net Assets   | \$ 703,952          | \$ 701,009 | \$ 711,784 | \$ 717,617 | \$ 695,433 | \$ 698,480 | \$ 639,078 | \$ 642,416 | \$ 552,954 | \$ 539,563 | \$ 701,009 | \$ 698,480 |
| Net Asset Value per share <sup>(4)</sup>                             | \$ 9.59             | \$ 9.58    | \$ 9.75    | \$ 9.83    | \$ 9.56    | \$ 9.62    | \$ 9.76    | \$ 9.83    | \$ 9.77    | \$ 9.55    | \$ 9.58    | \$ 9.62    |
| Book Debt / Book Equity Ratio  | 0.54x               | 0.49x      | 0.45x      | 0.38x      | 0.40x      | 0.24x      | 0.32x      | 0.23x      | 0.46x      | 0.55x      | 0.49x      | 0.24x      |
| Book Debt / Book Equity Ratio, Net of Available Cash <sup>(8)</sup>  | 0.53x               | 0.48x      | 0.40x      | 0.32x      | 0.32x      | 0.24x      | 0.24x      | 0.19x      | 0.45x      | 0.54x      | 0.48x      | 0.24x      |

Please see Notes to the Investor Presentation on page 22

# Select Historical Portfolio Information

## Portfolio History

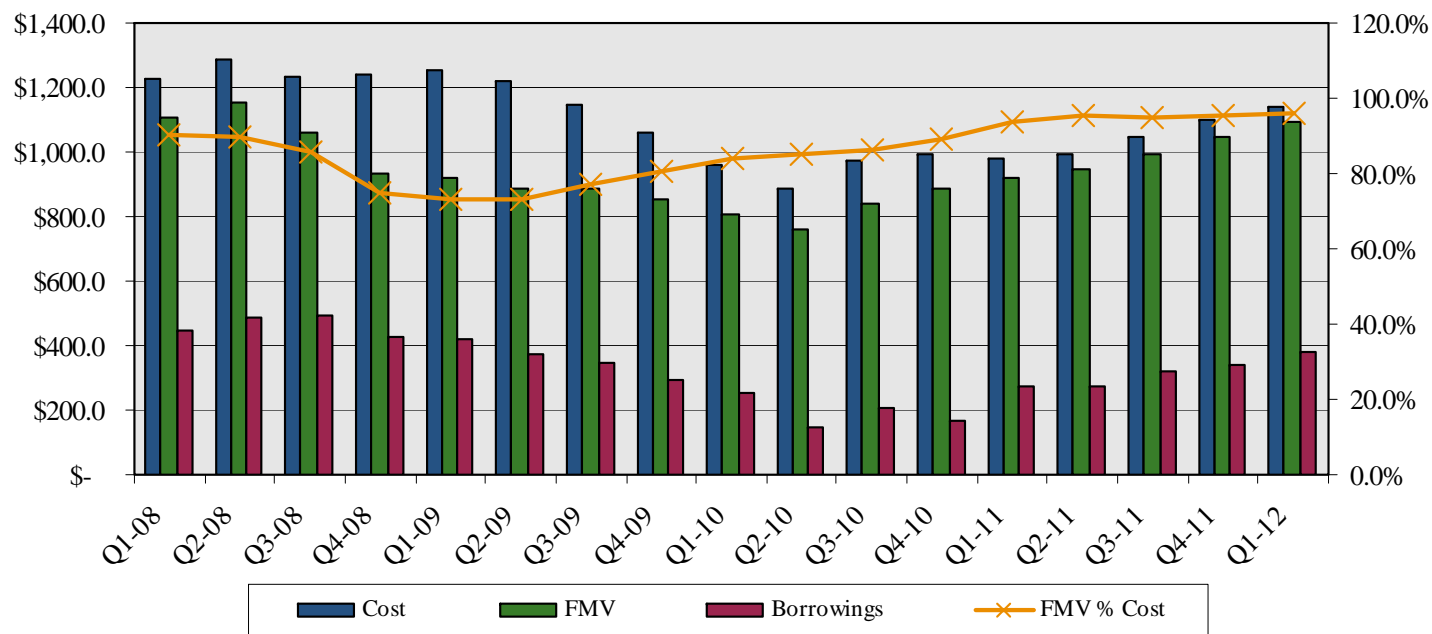
*\$ in thousands, except per share data  
As of and for the Three Months Ending,*

|   | 3/31/12      | 12/31/11     | 9/30/11      | 6/30/11    | 3/31/11    | 12/31/10   | 9/30/10    | 6/30/10     | 3/31/10     | 12/31/09     |
|---|--------------|--------------|--------------|------------|------------|------------|------------|-------------|-------------|--------------|
| Investment Portfolio at Cost <sup>(5)</sup>                   | \$ 1,142,955 | \$ 1,097,871 | \$ 1,048,672 | \$ 993,646 | \$ 980,490 | \$ 985,678 | \$ 966,827 | \$ 886,663  | \$ 957,362  | \$ 1,054,820 |
| Investment Portfolio at Fair Value <sup>(5)</sup>             | \$ 1,095,390 | \$ 1,048,952 | \$ 992,262   | \$ 947,656 | \$ 921,188 | \$ 880,086 | \$ 833,747 | \$ 753,591  | \$ 803,329  | \$ 846,742   |
| Fair Value % Cost   | 95.8%        | 95.5%        | 94.6%        | 95.4%      | 94.0%      | 89.3%      | 86.2%      | 85.0%       | 83.9%       | 80.3%        |
| Number of Portfolio Companies                                 | 55           | 54           | 54           | 55         | 52         | 50         | 51         | 51          | 55          | 57           |
| Average Investment Size at Cost                               | \$ 20,781    | \$ 20,331    | \$ 19,420    | \$ 18,066  | \$ 18,856  | \$ 19,714  | \$ 18,957  | \$ 17,386   | \$ 17,407   | \$ 18,506    |
| Weighted Average Yield on Invested Capital at Cost            | 11.6%        | 11.9%        | 11.9%        | 11.5%      | 11.4%      | 10.9%      | 10.5%      | 10.5%       | 11.6%       | 11.2%        |
| Weighted Average Yield on Senior Secured Loans at Cost        | 11.5%        | 12.0%        | 11.7%        | 11.1%      | 10.8%      | 10.1%      | 9.4%       | 10.0%       | 10.3%       | 9.4%         |
| Weighted Average Yield on Other Debt Securities at Cost       | 11.9%        | 11.4%        | 12.1%        | 11.9%      | 12.2%      | 12.1%      | 11.9%      | 11.3%       | 13.9%       | 14.2%        |
| <u>Total Investment Portfolio at Fair Value<sup>(6)</sup></u> |              |              |              |            |            |            |            |             |             |              |
| Senior Secured Loans & Notes                                  | 72.6%        | 73.4%        | 71.2%        | 68.1%      | 62.2%      | 60.6%      | 61.1%      | 70.1%       | 66.8%       | 64.8%        |
| Unsecured & Subordinated Debt                                 | 16.3%        | 16.0%        | 17.2%        | 19.4%      | 25.0%      | 25.9%      | 26.3%      | 17.4%       | 26.3%       | 30.6%        |
| Preferred & Common Equity & Warrants                          | 11.1%        | 10.6%        | 11.5%        | 12.5%      | 12.8%      | 13.5%      | 12.6%      | 12.5%       | 7.0%        | 4.6%         |
| New Investments at Cost                                       | \$ 73,446    | \$ 141,002   | \$ 139,402   | \$ 81,575  | \$ 39,551  | \$ 84,240  | \$ 177,428 | \$ 127,847  | \$ 16,442   | \$ 8,585     |
| Sales, Repayments, Other Exits at Cost                        | (40,739)     | (86,126)     | (87,592)     | (71,375)   | (4,047)    | (41,038)   | (100,206)  | (181,349)   | (72,676)    | (55,976)     |
| Net New Investments at Cost                                   | \$ 32,707    | \$ 54,875    | \$ 51,810    | \$ 10,200  | \$ 35,505  | \$ 43,202  | \$ 77,223  | \$ (53,502) | \$ (56,235) | \$ (47,391)  |
| Number of New Portfolio Company Investments                   | 2            | 3            | 3            | 4          | 2          | 3          | 4          | 1           | -           | -            |
| Number of Portfolio Company Exits                             | 1            | 3            | 4            | 1          | -          | 4          | 4          | 5           | 2           | 3            |

Please see Notes to the Investor Presentation on page 22

# Portfolio Evolution

Quarterly Cost / FMV / Borrowings<sup>(5,9)</sup>



|                  | Q1-08      | Q2-08      | Q3-08      | Q4-08      | Q1-09      | Q2-09      | Q3-09      | Q4-09      | Q1-10    | Q2-10    | Q3-10    | Q4-10    | Q1-11    | Q2-11    | Q3-11      | Q4-11      | Q1-12      |
|------------------|------------|------------|------------|------------|------------|------------|------------|------------|----------|----------|----------|----------|----------|----------|------------|------------|------------|
| Cost             | \$ 1,228.1 | \$ 1,286.4 | \$ 1,235.1 | \$ 1,241.1 | \$ 1,256.2 | \$ 1,220.8 | \$ 1,149.2 | \$ 1,058.7 | \$ 960.0 | \$ 889.8 | \$ 974.1 | \$ 995.1 | \$ 980.5 | \$ 993.6 | \$ 1,048.7 | \$ 1,097.9 | \$ 1,143.0 |
| FMV              | 1,109.0    | 1,155.8    | 1,057.1    | 932.1      | 917.9      | 889.5      | 884.9      | 850.7      | 806.0    | 756.8    | 841.1    | 889.5    | 921.2    | 947.7    | 992.3      | 1,049.0    | 1,095.4    |
| Borrowings       | 444.9      | 484.0      | 491.0      | 426.0      | 421.5      | 376.0      | 347.5      | 296.0      | 253.5    | 145.0    | 205.5    | 170.0    | 275.0    | 275.0    | 317.5      | 343.0      | 378.9      |
| FMV % Cost       | 90.3%      | 89.8%      | 85.6%      | 75.1%      | 73.1%      | 72.9%      | 77.0%      | 80.3%      | 84.0%    | 85.0%    | 86.3%    | 89.4%    | 94.0%    | 95.4%    | 94.6%      | 95.5%      | 95.8%      |
| Borrowings % FMV | 40.1%      | 41.9%      | 46.4%      | 45.7%      | 45.9%      | 42.3%      | 39.3%      | 34.8%      | 31.5%    | 19.2%    | 24.4%    | 19.1%    | 29.9%    | 29.0%    | 32.0%      | 32.7%      | 34.6%      |
| NAV/Share        | \$ 12.60   | \$ 12.31   | \$ 11.52   | \$ 9.23    | \$ 9.04    | \$ 9.24    | \$ 9.59    | \$ 9.55    | \$ 9.77  | \$ 9.83  | \$ 9.76  | \$ 9.62  | \$ 9.56  | \$ 9.83  | \$ 9.75    | \$ 9.58    | \$ 9.59    |
| Share Price      | \$ 11.94   | \$ 9.46    | \$ 11.53   | \$ 9.86    | \$ 4.19    | \$ 6.23    | \$ 7.42    | \$ 8.52    | \$ 9.96  | \$ 9.87  | \$ 11.50 | \$ 11.06 | \$ 10.12 | \$ 8.97  | \$ 7.30    | \$ 8.16    | \$ 9.82    |
| % of NAV/share   | 94.8%      | 76.8%      | 100.1%     | 106.8%     | 46.3%      | 67.4%      | 77.4%      | 89.2%      | 101.9%   | 100.4%   | 117.8%   | 115.0%   | 105.9%   | 91.3%    | 74.9%      | 85.2%      | 102.4%     |

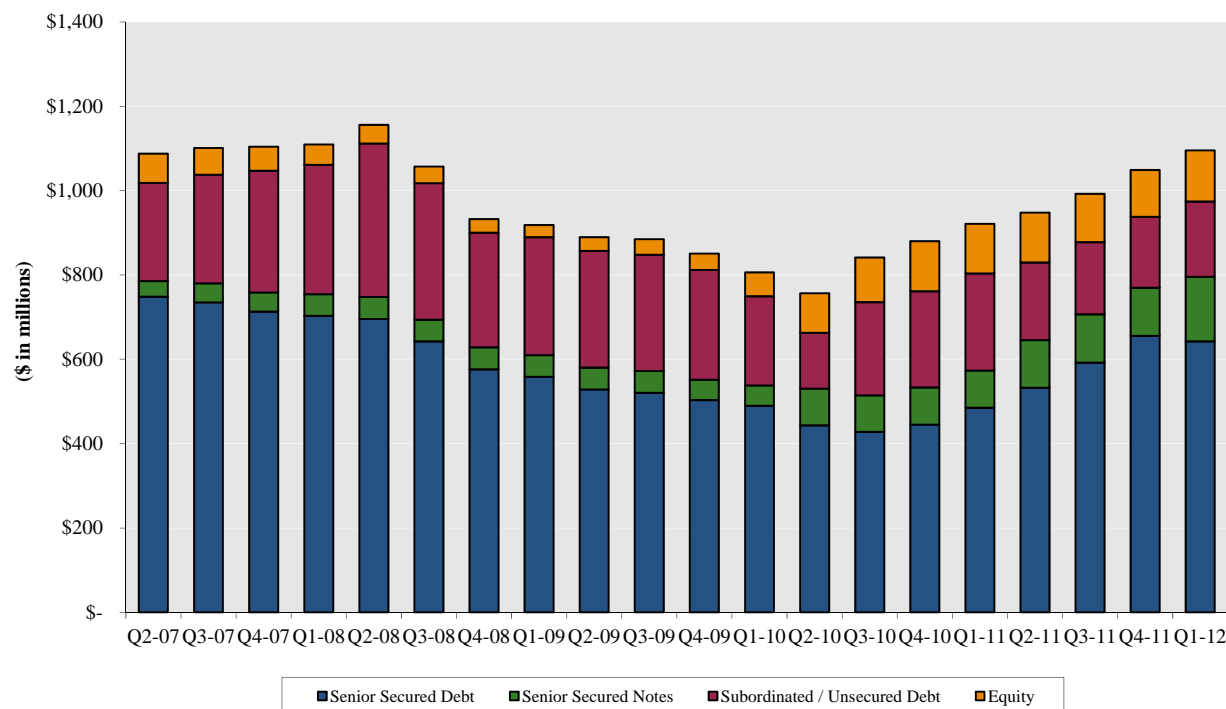
Please see Notes to the Investor Presentation on page 22

# Defensive Portfolio Composition

BKCC's senior debt focus and conservative investment composition have helped its portfolio performance during the current recession

- As of March 31, 2012, senior debt comprised 72.6% of the total portfolio at fair market value

Portfolio Composition by Investment Type<sup>(6)</sup>

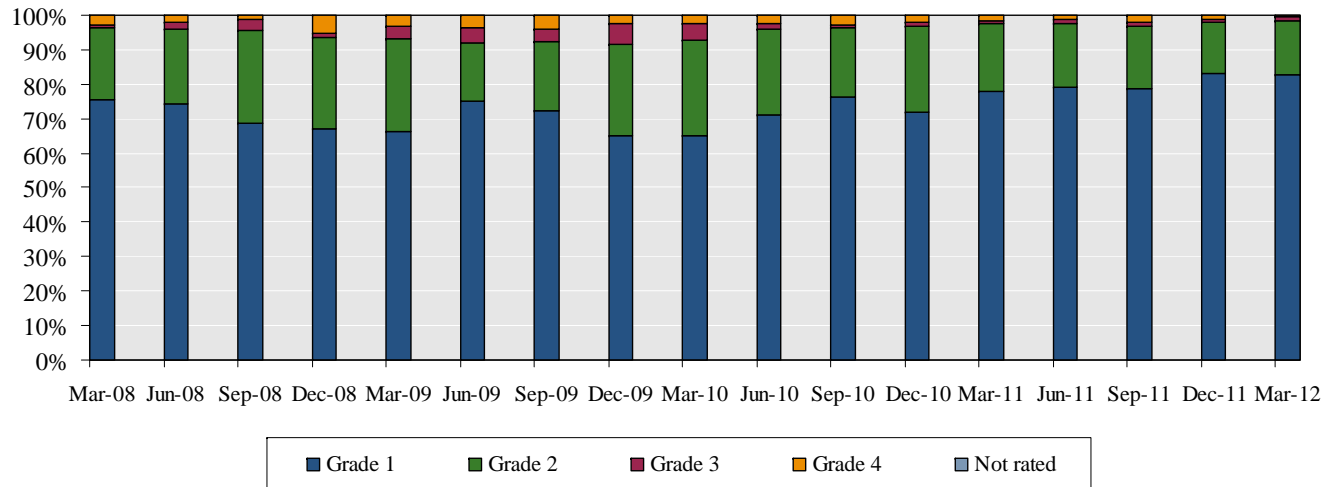


|                               | Q2-07            | Q3-07            | Q4-07            | Q1-08            | Q2-08            | Q3-08            | Q4-08           | Q1-09           | Q2-09           | Q3-09           | Q4-09           | Q1-10           | Q2-10           | Q3-10           | Q4-10           | Q1-11           | Q2-11           | Q3-11           | Q4-11            | Q1-12            |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| Senior Secured Debt           | \$ 748.1         | \$ 734.9         | \$ 713.2         | \$ 702.9         | \$ 695.4         | \$ 642.3         | \$ 576.0        | \$ 558.2        | \$ 528.1        | \$ 520.1        | \$ 503.2        | \$ 489.8        | \$ 443.4        | \$ 427.6        | \$ 444.8        | \$ 485.2        | \$ 532.6        | \$ 592.1        | \$ 655.6         | \$ 642.2         |
| Senior Secured Notes          | 37.4             | 45.0             | 44.8             | 51.4             | 52.5             | 51.5             | 52.3            | 51.3            | 52.3            | 51.7            | 48.4            | 48.3            | 86.9            | 86.5            | 88.3            | 88.1            | 112.6           | 114.6           | 113.9            | 153.3            |
| Subordinated / Unsecured Debt | 232.5            | 257.5            | 289.1            | 306.9            | 363.9            | 324.0            | 271.7           | 280.1           | 276.6           | 275.7           | 260.2           | 211.6           | 132.0           | 221.0           | 228.3           | 230.4           | 184.1           | 171.1           | 168.0            | 178.8            |
| Equity                        | 69.3             | 64.0             | 56.6             | 47.8             | 44.0             | 39.3             | 32.1            | 28.4            | 32.4            | 37.5            | 38.9            | 56.4            | 94.5            | 106.0           | 118.7           | 117.5           | 118.4           | 114.5           | 111.4            | 121.1            |
| <b>Total<sup>(5)</sup></b>    | <b>\$1,087.3</b> | <b>\$1,101.3</b> | <b>\$1,103.8</b> | <b>\$1,109.0</b> | <b>\$1,155.8</b> | <b>\$1,057.1</b> | <b>\$ 932.1</b> | <b>\$ 917.9</b> | <b>\$ 889.5</b> | <b>\$ 884.9</b> | <b>\$ 850.7</b> | <b>\$ 806.0</b> | <b>\$ 756.8</b> | <b>\$ 841.1</b> | <b>\$ 880.1</b> | <b>\$ 921.2</b> | <b>\$ 947.7</b> | <b>\$ 992.3</b> | <b>\$1,049.0</b> | <b>\$1,095.4</b> |
|                               | Q2-07            | Q3-07            | Q4-07            | Q1-08            | Q2-08            | Q3-08            | Q4-08           | Q1-09           | Q2-09           | Q3-09           | Q4-09           | Q1-10           | Q2-10           | Q3-10           | Q4-10           | Q1-11           | Q2-11           | Q3-11           | Q4-11            | Q1-12            |
| % Senior Debt                 | 72.2%            | 70.8%            | 68.7%            | 68.0%            | 64.7%            | 65.6%            | 67.4%           | 66.4%           | 65.3%           | 64.6%           | 64.8%           | 66.8%           | 70.1%           | 61.1%           | 60.6%           | 62.2%           | 68.1%           | 71.2%           | 73.4%            | 72.6%            |
| % Sub Debt                    | 21.4%            | 23.4%            | 26.2%            | 27.7%            | 31.5%            | 30.6%            | 29.1%           | 30.5%           | 31.1%           | 31.1%           | 30.6%           | 26.3%           | 17.4%           | 26.3%           | 25.9%           | 25.0%           | 19.4%           | 17.2%           | 16.0%            | 16.3%            |
| % Equity                      | 6.4%             | 5.8%             | 5.1%             | 4.3%             | 3.8%             | 3.7%             | 3.4%            | 3.1%            | 3.6%            | 4.2%            | 4.6%            | 7.0%            | 12.5%           | 12.6%           | 13.5%           | 12.8%           | 12.5%           | 11.5%           | 10.6%            | 11.1%            |

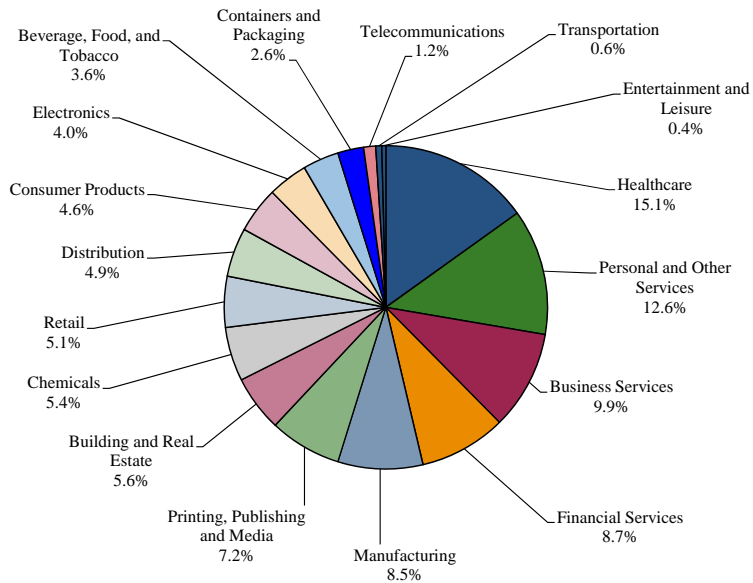
Please see Notes to the Investor Presentation on page 22

# Conservatively Positioned Portfolio

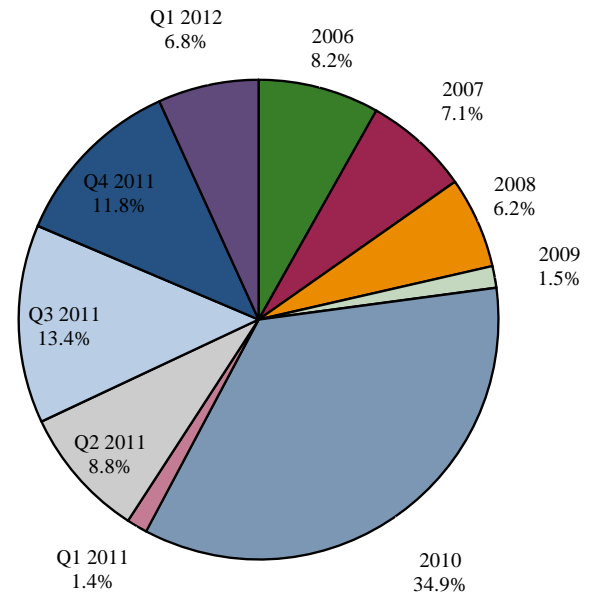
Portfolio Composition by Investment Rating at Fair Market Value<sup>(1)</sup>



Portfolio Composition by Industry at Fair Market Value<sup>(1)</sup>



Portfolio Composition by Vintage<sup>(1,10)</sup>



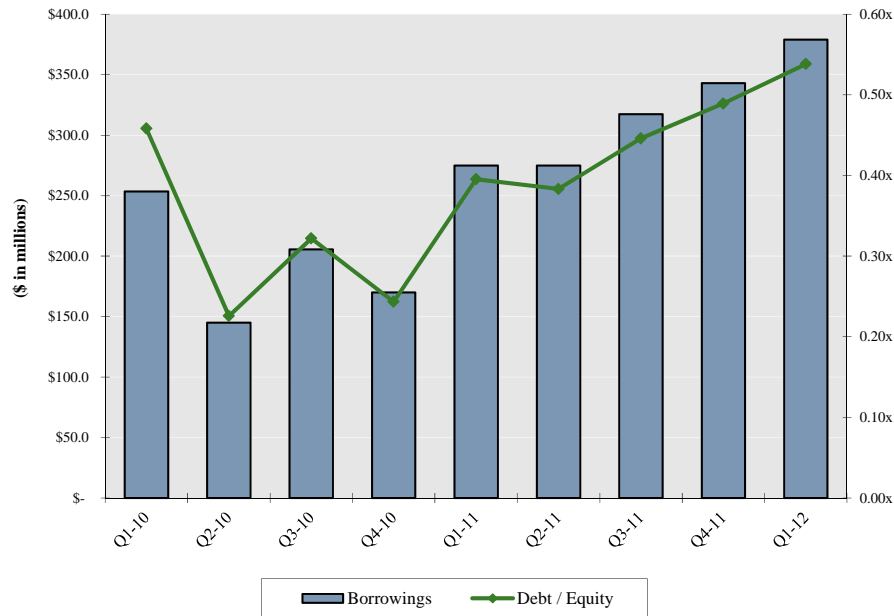
Please see Notes to the Investor Presentation on page 22

# Increased Liquidity and Investment Capacity

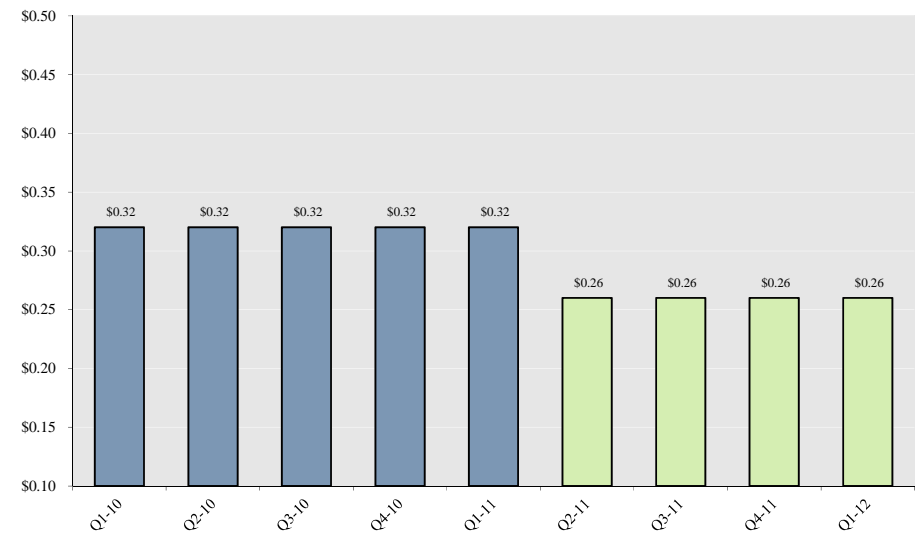
## BKCC continues to pursue a conservative strategy of capital preservation

- Conservative dividend distribution policy
- \$322.3 million in excess asset coverage (1:1 test) and subject to compliance with applicable covenants and borrowing base limitations, the remaining amount available under the Company's credit facility was \$171.1 as of March 31, 2012<sup>(11)</sup>

### Quarterly Borrowings



### Quarterly Dividends (\$ Per Share)



*BKCC has significant capacity to take advantage of new investment opportunities in today's market*



# Portfolio Summary

\$ in millions

For the quarters ending,

|  | Dec-07            | Mar-08            | Jun-08            | Sep-08            | Dec-08          | Mar-09          | Jun-09          | Sep-09          | Dec-09          | Mar-10          | Jun-10          | Sep-10          | Dec-10          | Mar-11          | Jun-11          | Sep-11          | Dec-11            | Mar-12            |
|--|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|-------------------|
| New Investments at Cost                                    | \$ 76.2           | \$ 94.6           | \$ 80.0           | \$ 8.7            | \$ 13.9         | \$ 15.3         | \$ 11.9         | \$ 11.0         | \$ 8.6          | \$ 16.4         | \$ 127.8        | \$ 177.4        | \$ 84.2         | \$ 39.6         | \$ 81.5         | \$ 139.4        | \$ 141.0          | \$ 73.4           |
| Senior Secured Loans                                       | 713.2             | 702.9             | 695.4             | 642.3             | 576.0           | 558.2           | 528.1           | 520.1           | 503.2           | 489.8           | 443.4           | 427.6           | 450.3           | 485.2           | 532.6           | 592.1           | 655.6             | 642.2             |
| Senior Secured Notes                                       | 44.8              | 51.4              | 52.5              | 51.5              | 52.3            | 51.3            | 52.3            | 51.7            | 48.4            | 48.3            | 86.9            | 86.5            | 88.3            | 88.1            | 112.6           | 114.6           | 113.9             | 153.3             |
| Subordinated / Unsecured Debt                              | 289.1             | 306.9             | 363.9             | 324.0             | 271.7           | 280.1           | 276.6           | 275.7           | 260.2           | 211.6           | 132.0           | 221.0           | 232.1           | 230.4           | 184.1           | 171.1           | 168.0             | 178.8             |
| Equity Warrants  | 1.1               | 1.2               | 1.3               | 1.1               | 0.0             | 0.0             | 0.1             | 0.2             | 1.0             | 3.8             | 4.6             | 5.2             | 5.6             | 4.6             | 4.5             | 5.0             | 6.3               | 8.3               |
| Preferred Equity   | 14.2              | 9.0               | 5.7               | 5.7               | 10.2            | 8.4             | 7.7             | 6.8             | 5.9             | 6.1             | 5.3             | 5.4             | 6.6             | 6.2             | 6.1             | 7.7             | -                 | -                 |
| Common Equity  | 12.3              | 11.6              | 11.2              | 10.6              | 9.3             | 9.2             | 16.2            | 18.0            | 18.9            | 24.5            | 62.7            | 71.7            | 83.2            | 81.1            | 78.2            | 71.5            | 66.0              | 71.8              |
| LP/LLC Interests   | 29.0              | 26.0              | 25.8              | 21.9              | 12.5            | 10.8            | 8.3             | 12.4            | 13.1            | 21.9            | 21.9            | 23.7            | 23.4            | 25.6            | 29.5            | 30.2            | 39.2              | 41.0              |
| <b>Total Invested Assets at FMV</b>                        | <b>\$ 1,103.8</b> | <b>\$ 1,109.0</b> | <b>\$ 1,155.8</b> | <b>\$ 1,057.1</b> | <b>\$ 932.1</b> | <b>\$ 917.9</b> | <b>\$ 889.5</b> | <b>\$ 884.9</b> | <b>\$ 850.7</b> | <b>\$ 806.0</b> | <b>\$ 756.8</b> | <b>\$ 841.1</b> | <b>\$ 889.5</b> | <b>\$ 921.2</b> | <b>\$ 947.6</b> | <b>\$ 992.3</b> | <b>\$ 1,049.0</b> | <b>\$ 1,095.4</b> |
| Weighted Average Yield <sup>(12)</sup>                     | 12.4%             | 11.3%             | 11.3%             | 11.9%             | 11.0%           | 10.4%           | 10.4%           | 10.9%           | 11.2%           | 11.6%           | 10.5%           | 10.5%           | 10.9%           | 11.4%           | 11.5%           | 11.9%           | 11.9%             | 11.6%             |
| 3-Month LIBOR  | 4.7%              | 2.7%              | 2.8%              | 3.9%              | 1.4%            | 1.2%            | 0.6%            | 0.3%            | 0.2%            | 0.3%            | 0.5%            | 0.3%            | 0.3%            | 0.3%            | 0.2%            | 0.4%            | 0.6%              | 0.5%              |
| Spread   | 7.7%              | 8.6%              | 8.5%              | 8.0%              | 9.6%            | 9.2%            | 9.8%            | 10.7%           | 11.0%           | 11.3%           | 10.0%           | 10.2%           | 10.6%           | 11.1%           | 11.3%           | 11.5%           | 11.3%             | 11.1%             |
| <b>Total Net Assets</b>                                    | <b>\$ 728.2</b>   | <b>\$ 671.1</b>   | <b>\$ 672.2</b>   | <b>\$ 641.2</b>   | <b>\$ 510.3</b> | <b>\$ 495.5</b> | <b>\$ 514.0</b> | <b>\$ 540.4</b> | <b>\$ 539.6</b> | <b>\$ 553.0</b> | <b>\$ 642.4</b> | <b>\$ 639.1</b> | <b>\$ 698.5</b> | <b>\$ 695.4</b> | <b>\$ 717.6</b> | <b>\$ 711.8</b> | <b>\$ 701.0</b>   | <b>\$ 704.0</b>   |
| <b>Total Net Assets and Liabilities</b>                    | <b>1,121.8</b>    | <b>1,125.0</b>    | <b>1,172.4</b>    | <b>1,142.1</b>    | <b>966.2</b>    | <b>935.5</b>    | <b>908.7</b>    | <b>905.8</b>    | <b>879.5</b>    | <b>838.5</b>    | <b>812.4</b>    | <b>917.5</b>    | <b>915.6</b>    | <b>1,009.4</b>  | <b>1,032.5</b>  | <b>1,060.5</b>  | <b>1,091.2</b>    | <b>1,127.9</b>    |
| <b>Borrowings<sup>(9)</sup></b>                            | <b>381.3</b>      | <b>444.9</b>      | <b>484.0</b>      | <b>491.0</b>      | <b>426.0</b>    | <b>421.5</b>    | <b>376.0</b>    | <b>347.5</b>    | <b>296.0</b>    | <b>253.5</b>    | <b>145.0</b>    | <b>205.5</b>    | <b>170.0</b>    | <b>275.0</b>    | <b>275.0</b>    | <b>317.5</b>    | <b>343.0</b>      | <b>378.9</b>      |
| Investment Income  | \$ 35.4           | \$ 35.7           | \$ 34.9           | \$ 37.4           | \$ 35.2         | \$ 31.8         | \$ 33.4         | \$ 29.4         | \$ 30.3         | \$ 27.8         | \$ 28.2         | \$ 24.8         | \$ 25.0         | \$ 25.2         | \$ 37.1         | \$ 33.2         | \$ 36.0           | \$ 33.2           |
| Interest Expense   | 5.8               | 5.2               | 4.3               | 4.3               | 4.8             | 1.8             | 1.7             | 1.5             | 1.4             | 1.1             | 1.7             | 1.7             | 1.7             | 3.6             | 4.1             | 4.2             | 4.7               | 4.7               |
| Other Expenses   | 1.8               | 1.7               | 1.7               | 1.7               | 1.1             | 1.5             | 1.6             | 1.5             | 2.5             | 1.6             | 1.9             | 2.2             | 2.1             | 2.2             | 2.4             | 3.0             | 2.9               | 1.9               |
| Management Fee   | 5.6               | 5.6               | 5.6               | 5.8               | 5.7             | 4.7             | 4.6             | 4.6             | 4.6             | 4.3             | 4.2             | 4.0             | 4.4             | 4.5             | 5.0             | 5.1             | 5.3               | 5.4               |
| Incentive Fee  | -                 | -                 | -                 | -                 | -               | -               | -               | -               | 16.8            | 0.5             | -               | -               | 14.6            | -               | -               | -               | 11.9              | 2.2               |
| <b>Net Investment Income</b>                               | <b>\$ 22.1</b>    | <b>\$ 23.2</b>    | <b>\$ 23.3</b>    | <b>\$ 25.6</b>    | <b>\$ 23.5</b>  | <b>\$ 23.8</b>  | <b>\$ 25.5</b>  | <b>\$ 21.8</b>  | <b>\$ 5.0</b>   | <b>\$ 20.3</b>  | <b>\$ 20.4</b>  | <b>\$ 16.8</b>  | <b>\$ 2.4</b>   | <b>14.9</b>     | <b>25.7</b>     | <b>21.0</b>     | <b>11.3</b>       | <b>19.0</b>       |
| Net Investment Income per share                            | \$ 0.43           | \$ 0.44           | \$ 0.44           | \$ 0.47           | \$ 0.42         | \$ 0.43         | \$ 0.46         | \$ 0.39         | \$ 0.09         | \$ 0.36         | \$ 0.36         | \$ 0.26         | \$ 0.03         | \$ 0.20         | \$ 0.35         | \$ 0.29         | \$ 0.15           | \$ 0.26           |
| Net Investment Income per share as adjusted <sup>(7)</sup> | \$ 0.36           |                   |                   |                   | \$ 0.34         | \$ 0.35         | \$ 0.37         | \$ 0.31         | \$ 0.31         | \$ 16.76        | \$ 0.28         | \$ 0.20         | \$ 0.21         | \$ 0.20         | \$ 0.29         | \$ 0.25         | \$ 0.27           | \$ 0.25           |
| Net Investment Income per share before incentive fees      | \$ 0.43           | \$ 0.44           | \$ 0.44           | \$ 0.47           | \$ 0.42         | \$ 0.43         | \$ 0.46         | \$ 0.39         | \$ 0.39         | \$ 0.37         | \$ 0.36         | \$ 0.26         | \$ 0.24         | \$ 0.20         | \$ 0.35         | \$ 0.29         | \$ 0.32           | \$ 0.29           |
| Earnings per share   | \$ (0.31)         | \$ (0.75)         | \$ 0.22           | \$ (0.34)         | \$ (1.88)       | \$ (0.07)       | \$ 0.43         | \$ 0.55         | \$ 0.29         | \$ 0.54         | \$ 0.39         | \$ 0.25         | \$ 0.03         | \$ 0.25         | \$ 0.53         | \$ 0.18         | \$ 0.10           | \$ 0.28           |
| Dividends per share  | \$ 0.43           | \$ 0.43           | \$ 0.43           | \$ 0.43           | \$ 0.43         | \$ 0.16         | \$ 0.16         | \$ 0.16         | \$ 0.32         | \$ 0.32         | \$ 0.32         | \$ 0.32         | \$ 0.32         | \$ 0.32         | \$ 0.26         | \$ 0.26         | \$ 0.26           | \$ 0.26           |
| Net Asset Value per share                                  | \$ 13.78          | \$ 12.60          | \$ 12.31          | \$ 11.52          | \$ 9.23         | \$ 9.04         | \$ 9.24         | \$ 9.59         | \$ 9.55         | \$ 9.77         | \$ 9.83         | \$ 9.76         | \$ 9.62         | \$ 9.56         | \$ 9.83         | \$ 9.75         | \$ 9.58           | \$ 9.59           |

Please see Notes to the Investor Presentation on page 22



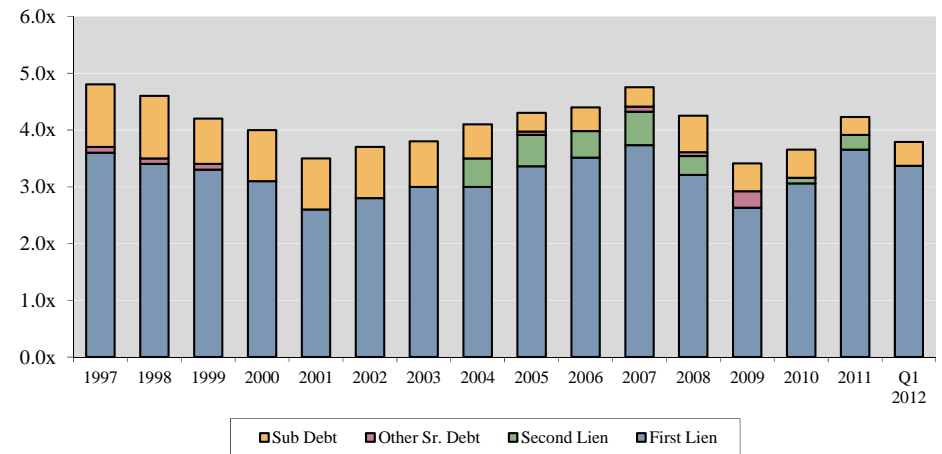
### **III. Current Market Environment**

# Leveraged Loan Investing Continues to Strengthen

**Average debt multiples for middle-market loans in Q1 2012 remained lower than highs seen during the pre-1999 and 2005-2007 time periods, but have rebounded since 2009**

- Total leverage for new transactions was 3.8x in Q1 2012, an increase from the 3.4x average in 2009 but below the 4.8x average in 2007 and the 4.2x average in 2011
- Senior lending leverage (first lien, second lien, and other senior debt) was 3.4x in Q1 2012, versus 4.4x in 2007, 3.4x from 2001 – 2009 and 3.9x in 2011

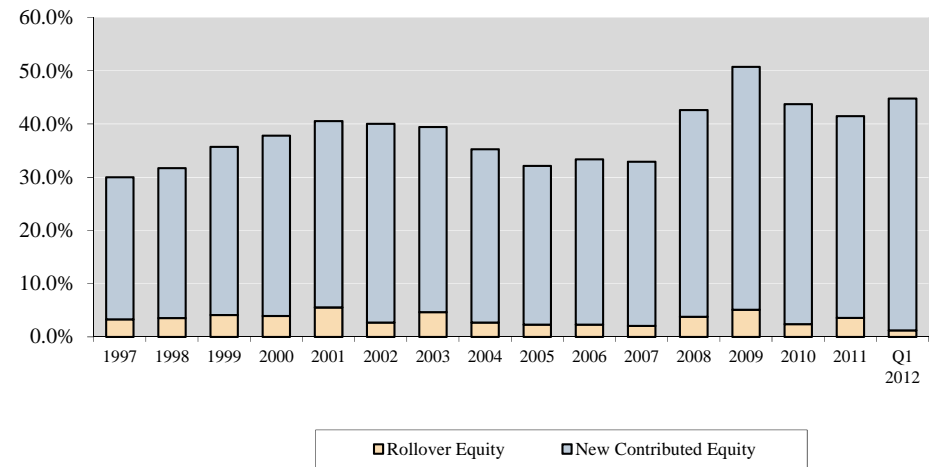
Average Debt Multiples of Middle-Market Loans



**Equity contribution levels to leveraged buyouts were above historical averages in Q1 2012**

- Total contributed equity to new LBO transactions in Q1 2012 represented 44.8% of capital versus an average of 39.3% over the past decade
  - Total contributed equity to LBO transactions peaked in 2009 at 50.8% of capital
- Equity contribution levels in Q1 2012 were approximately 12.0% higher than those required during the 2005-2007 period

Average Equity Contribution to Leveraged Buyouts

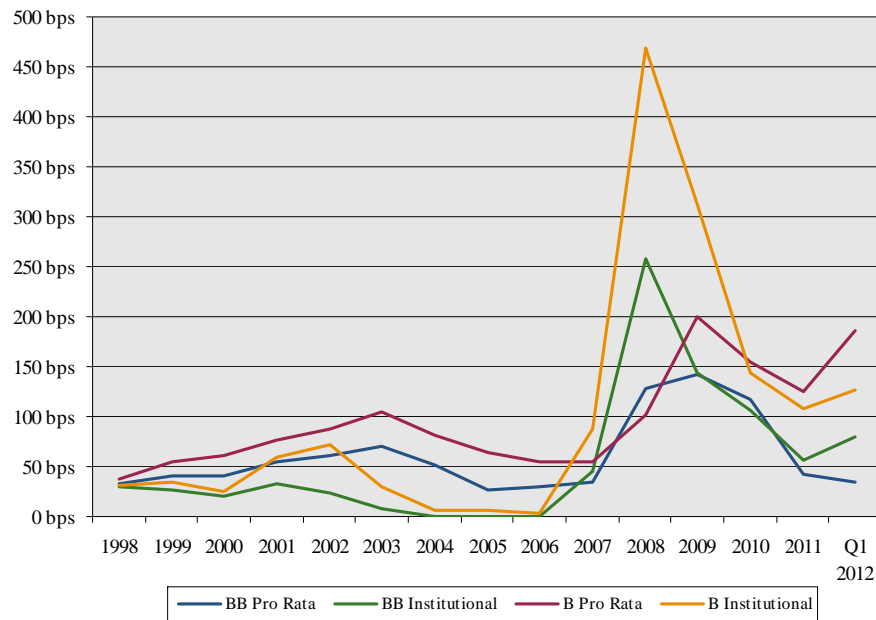


# Pricing on Leveraged Loans Has Stabilized

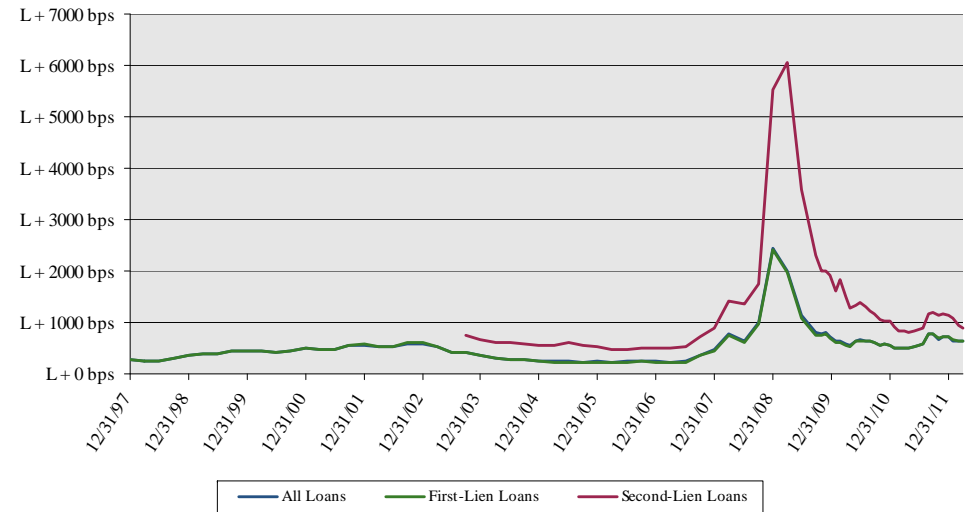
Pricing on leveraged loans across the capital structure has narrowed since March 2009, but remains higher than historical levels

- Leveraged loan spreads and average upfront fees have settled at levels greater than their 2005 – 2007 averages
- Current pricing remains robust at a level over 1.5x the 1997 – 2007 average
  - Institutional loan spreads for smaller companies, in particular, are over 1.7x their 1997 – 2007 average

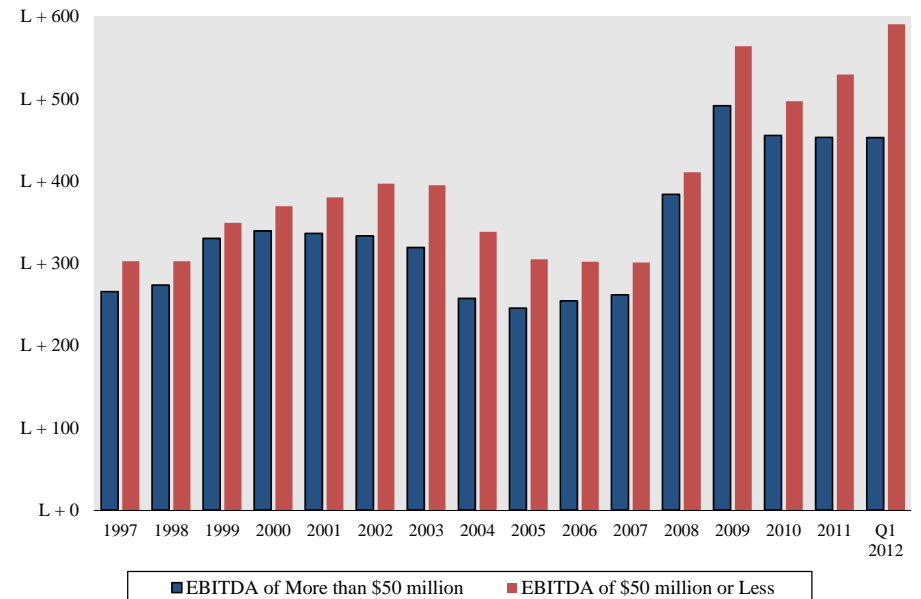
Average Upfront Fees on New Issue Leveraged Loans by Rating <sup>(13)</sup>



Average Discounted Spread of Leveraged Loans



Institutional Loan Spreads



Source: Standard & Poor's LCD Leveraged Lending Review Q1 2012

Please see Notes to the Investor Presentation on page 22

# The Middle Market Offers More Attractive Opportunities for Investors

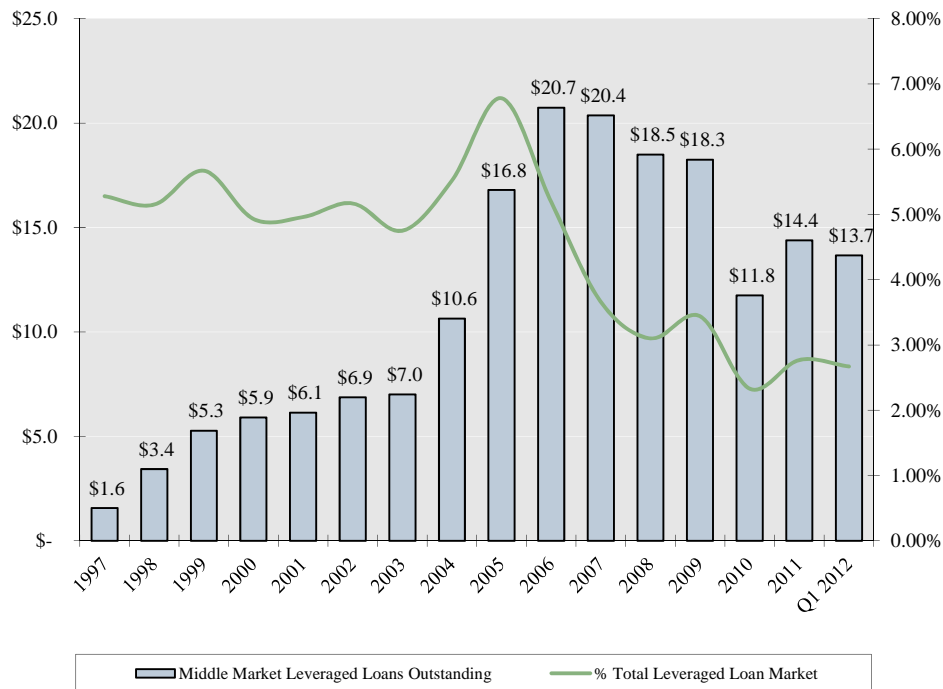
## General Characteristics

- ✓ Typically \$50 million to \$1 billion in revenues
- ✓ Fundamental credit analysis comparatively more important
- ✓ If rated, rating agencies likely assign lower rating
- ✓ Middle-market investments typically include inherent structural and credit protections
- ✓ High level of acquisition activity (realization opportunities)

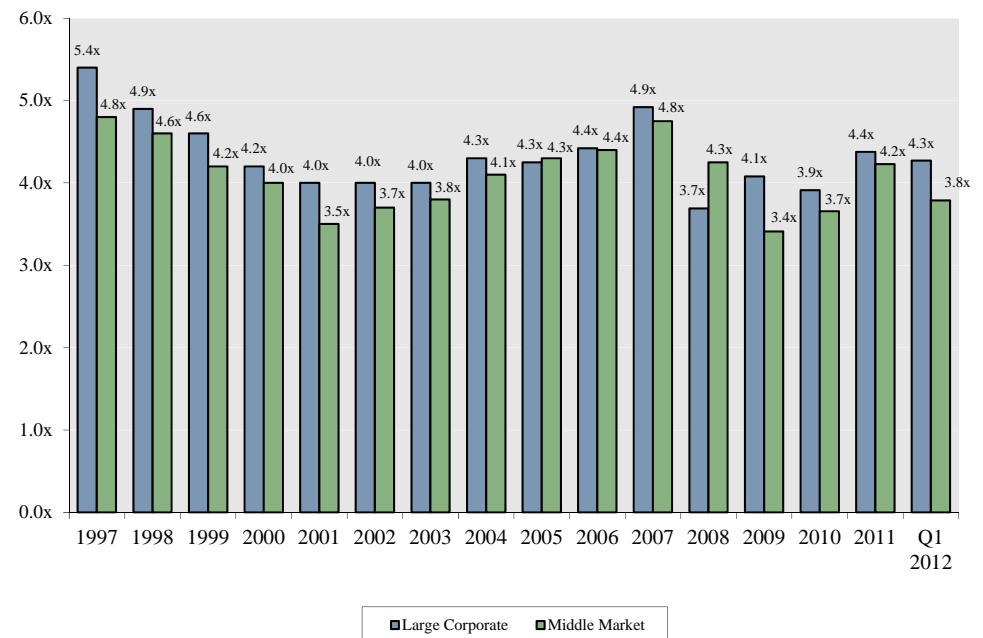
## Benefits

- ✓ Attractive yields
- ✓ Conservative capital structures
- ✓ Strong recovery rates
- ✓ Smaller investor groups and active lender involvement
- ✓ Involvement of equity sponsors
- ✓ Issuer diversification

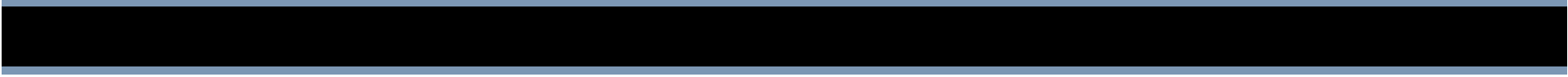
### Middle Market Leveraged Loans Overview



### Average Debt Multiples of LBO Loans



Source: Standard & Poor's LCD High End Middle Market Lending Review 1Q 2012



**IV. Notes to the Investor Presentation**

# Notes to the Investor Presentation

<sup>(1)</sup> As of March 31, 2012

<sup>(2)</sup> Dividend amount includes Q2 2012 dividend of \$0.26 declared on May 2, 2012 to be paid on July 3, 2012

<sup>(3)</sup> Income statement data per share utilizes basic and diluted weighted average shares outstanding during the relevant period

<sup>(4)</sup> Balance sheet per share data utilizes total shares outstanding at end of period

<sup>(5)</sup> Calculations for periods prior to Q1 2011 are net of unearned income, as represented in public filings

<sup>(6)</sup> Total investment portfolio excludes cash and cash equivalents and is gross of unearned income for periods prior to Q1 2011

<sup>(7)</sup> BKCC's "as adjusted" results are non-GAAP financial measures that reflect incentive management fees based on the formula BKCC utilizes for calculating the actual full year incentive fee, with the formula applied to quarterly results. The quarter's adjusted amount was calculated on a stand alone quarterly basis, and has been provided in order to show net investment income as if the quarterly incentive fees had been calculated on a quarterly basis. Please refer to BKCC's Quarterly Report on form 10-Q for the quarter ended March 31, 2012 for additional information on these non-GAAP financial measures

<sup>(8)</sup> Book debt adjusted for cash and cash equivalents

<sup>(9)</sup> Borrowings consists of debt, as listed in public filings

<sup>(10)</sup> Represents date of original investment or date of subsequent amendment if amendment resulted in a re-pricing of the original investment terms

<sup>(11)</sup> Asset coverage ratio was 284% as of March 31, 2012

<sup>(12)</sup> Yield on invested capital for all debt or income-producing securities on a cost basis

<sup>(13)</sup> Original issue discounts are included in upfront fees, beginning in 2011

Note: Schedules may diverge from public financials due to rounding