



Kohlberg Capital Corporation Reports Second Quarter 2008 Financial Results

NEW YORK, Aug 6, 2008 (PrimeNewswire via COMTEX News Network) -- Kohlberg Capital Corporation (Nasdaq:KCAP) announced financial results for the second quarter ended June 30, 2008.

Financial Highlights

- * Net investment income for the six months ended June 30, 2008 of \$16.4 million, or \$0.86 per share. For the three months ended June 30, 2008, net investment income was \$7.7 million or \$0.38 per share.
- * For the six months ended June 30, 2008, paid dividends of \$0.82 per share, consisting of a \$0.41 per share dividend paid in each of the first and second quarters.
- * Net unrealized loss on investments of \$466,000, or \$0.02 per share, for the second quarter of 2008.
- * Net asset value per share of \$13.14 as of June 30, 2008 compared to \$13.29 as of March 31, 2008, as adjusted for the increased shares outstanding following the April 28 rights offering.
- * Issued 3.1 million shares in a rights offering, raising approximately \$26.9 million in net proceeds and increasing shares outstanding to 21,234,482.
- * At June 30, 2008, investment assets totaled \$506.4 million as compared to \$488.3 million at March 31, 2008.

"During the quarter we succeeded in increasing our asset base by deploying the equity we raised in investments with attractive spreads," said Dayl Pearson, president and chief executive officer. "Our portfolio companies continue to perform well considering the current economic environment, and credit quality remains strong. Consistent with our strategy of not relying on capital gains to support the dividend, we more than fully covered the dividend payout for the first half of the year with net investment income. In addition, KDA, with its stream of recurring management fees and undistributed income, continues to provide us with a stable foundation for a sustainable dividend. With access to capital and borrowing availability under our revolver, we have the resources to take advantage of investment opportunities that meet our risk return profile and continue to grow our asset base while maintaining a healthy and stable dividend."

Operating Results

For the second quarter ended June 30, 2008, Kohlberg Capital reported total investment income of \$12.3 million compared to \$8.6 million in the year ago period. Net investment income for the second quarter was \$7.7 million, or \$0.38 per share, compared to \$5.3 million, or \$0.29 per share, in the quarter ended June 30, 2007, reflecting the growth in the investment portfolio to \$506.4 million at June 30, 2008 from \$366.0 million at June 30, 2007 and increased dividends earned on CLO equity investments. Realized gains for the 2008 second quarter were \$104,000.

For the six months ended June 30, 2008, total investment income was \$26.6 million as compared to \$15.1 million in the year ago period. Net investment income was \$16.4 million, or \$0.86 per share, based on 19.2 million weighted average shares outstanding. The company paid dividends of \$0.82 per share for the six months ended June 30, 2008. For the same period last year, the company reported net investment income of \$10.1 million, or \$0.56 per share, and distributed dividends of \$0.64 per share.

Net unrealized losses for the three months ended June 30, 2008 totaled approximately \$466,000 reflecting approximately \$1.3

million in decreased trading value of the company's middle market corporate loan and equity securities and its CLO Fund securities offset in part by an \$824,000 increase in the market value of the company's investment in its wholly-owned asset management company, Katonah Debt Advisors. Fair value of securities continued to be negatively impacted by credit market conditions.

Investment Portfolio

Kohlberg Capital's portfolio fair value was \$506.4 million as of June 30, 2008. The following table shows the change in the company's portfolio by security type at June 30, 2008 as compared to the prior quarter ended March 31, 2008:

June 30, 2008 (unaudited)			
Security Type	Cost	Fair Value	% 1
Senior Secured Loan	\$223,245,488	\$216,214,013	42.7%
Junior Secured Loan	136,744,636	125,317,627	24.8
Mezzanine Investment	33,057,899	31,933,121	6.3
Senior Subordinated Bond	3,008,716	2,287,500	0.5
Senior Unsecured Bond	5,196,812	4,940,000	0.9
CLO Fund Securities	65,630,476	56,843,236	11.2
Equity Securities	5,096,298	3,605,297	0.7
Affiliate Asset Managers	35,394,198	65,210,050	12.9
Total	\$507,374,523	\$506,350,844	100.0%

March 31, 2008 (unaudited)			
Security Type	Cost	Fair Value	% 1
Senior Secured Loan	\$225,375,892	\$216,134,353	44.3%
Junior Secured Loan	120,416,250	110,598,378	22.6
Mezzanine Investment	32,693,197	32,488,031	6.7
Senior Subordinated Bond	3,008,972	2,041,890	0.4
Senior Unsecured Bond	2,000,000	2,000,000	0.4
CLO Fund Securities	65,245,123	57,409,236	11.8
Equity Securities	5,096,298	3,613,752	0.7
Affiliate Asset Managers	35,053,497	64,045,602	13.1
Total	\$488,889,229	\$488,331,242	100.0%

1 Represents percentage of total portfolio at fair value.

The company's loan, bond and equity portfolio (excluding its investment in CLO Fund Securities and Affiliate Asset Managers discussed further below), as of June 30, 2008 totaled \$384.3 million at fair value of which 89% are secured loans. The cost of such investments was \$406.3 million, representing a fair value discount to cost of 5.4% or approximately \$1.04 per outstanding share. As of June 30, 2008, the company had no exposure to mortgage securities, consumer borrowings or related asset backed securities. The weighted average yield on the company's loan and bond portfolio at June 30, 2008 was approximately 8.0%, an increase from an average yield of approximately 7.8% at March 31, 2008.

The portfolio of middle market corporate loan, bond and equity securities at quarter end, representing 76% of the total investment portfolio, was well-varied across 26 different industries and 89 different entities with an average balance of approximately \$4.3 million. As of June 30, 2008, all but two issuers or approximately 1.5% of total investments at fair value were current on their debt service obligations, one more than the first quarter ended March 31, 2008.

Investment in CLO Fund Securities

As of June 30, 2008, the company's investment at fair value in CLO Fund securities was approximately \$56.8 million. The underlying assets in each of the CLO Funds are generally diversified secured and unsecured corporate debt and do not include any asset backed securities, such as those secured by commercial or residential mortgages. As of June 30, 2008 all of the CLO Funds in which the company held investments were not in default, have maintained their original issue credit ratings on all of their rated classes of issued securities, and continue to make cash distributions to all holders of their securities. For the twelve months ended June 30, 2008, the seasoned CLO Fund securities generated an approximate annualized 34% cash return on investment and an approximate annualized 53% cash return on the current fair value of such CLO Fund securities.

Investment in Asset Manager Affiliate

At June 30, 2008, the company's investment at fair value in affiliate asset managers, including Katonah Debt Advisors, was approximately \$65.2 million, representing a \$1.2 million increase over the fair value at March 31, 2008. Katonah Debt Advisors' assets under management at June 30, 2008 totaled approximately \$2.3 billion, representing an approximate \$30.0 million increase compared to March 31, 2008.

Liquidity and Capital Resources

At June 30, 2008, Kohlberg Capital had cash and cash equivalents of \$14.3 million, total assets of \$532.9 million and stockholders' equity of \$279.0 million. The company's net asset value per common share was \$13.14. Debt outstanding under a \$275 million secured revolving credit facility was \$230 million, equal to a 221% asset coverage or a debt to equity ratio of 0.82. The \$275 million secured revolving credit facility matures on October 1, 2012, is not subject to margin calls or re-pricing during its term, and carries an interest rate spread on prevailing commercial paper rates plus 0.85%.

Valuation of Portfolio Investments

Kohlberg Capital's Board of Directors is ultimately and solely responsible for determining the fair value of portfolio investments on a quarterly basis in good faith. Duff & Phelps, LLC, an independent valuation firm, provided third party valuation consulting services to the company's Board of Directors which consisted of certain limited procedures that the company's Board of Directors identified and requested them to perform. For the preceding twelve months ended June 30, 2008, the company's Board of Directors asked Duff & Phelps, LLC to perform the limited procedures on 43 investments comprising approximately 52% of the total investments at fair value as of June 30, 2008, for which market quotations are not readily available. Upon completion of the limited procedures, Duff & Phelps, LLC concluded that the fair value of those investments subjected to the limited procedures did not appear to be unreasonable.

Dividend

Generally, Kohlberg Capital seeks to fund dividends to shareholders from current earnings, primarily from net interest and dividend income generated by its investment portfolio and Katonah Debt Advisors' current earnings without a return of capital or a high reliance on realized capital gains. Kohlberg Capital declared a regular quarterly dividend of \$0.41 per share for the quarter ended June 30, 2008. The record date for this dividend was July 9, 2008 and the dividend was paid on July 28, 2008. For the six months ended June 30, 2008, Kohlberg Capital's net investment income of \$0.86 per share covered its \$0.82 in dividends paid for the first and second quarters.

The company has adopted a dividend reinvestment plan ("DRIP") that provides for reinvestment of our dividends on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if we declare a cash dividend, our stockholders 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 DRIP.

Distributable Income

Generally, at least 90% of Kohlberg Capital's taxable income must be paid as a dividend to shareholders in order to maintain its status as a non-taxable, pass-through entity. Kohlberg Capital's distributable tax income is generally its GAAP net investment income plus realized gains or losses (as adjusted for tax differences). As a result, the amount of our declared dividends, as evaluated by management and approved by our board of directors, is based on our evaluation of both distributable income for tax purposes and GAAP net investment income plus realized gains or losses (which excludes unrealized gains and losses) and may result in a dividend amount that exceeds our distributable tax income but not our GAAP net investment income.

Conference Call and Webcast

Kohlberg Capital will hold a conference call on Thursday August 7, 2008 at 8:30 a.m. Eastern Standard Time to discuss its second quarter 2008 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 1-877-440-5807. A replay of the call will be available from 11:30 a.m. on August 7 until 11:59 p.m. Eastern time on August 14. The dial in number for the replay is 719-457-0820 and the conference ID is 4435612.

A live audio webcast of the conference call can be accessed via the Internet, on a listen-only basis on our company's website <http://www.kohlbergcapital.com> in the Investor Relations section under Events. Please allow extra time, prior to the call, to visit the site and test your connection or download the necessary software to listen to the Internet broadcast. The online archive of the webcast will be available after 7:00 p.m. Eastern time for approximately 90 days on our website in the Investor Relations section under Events.

About Kohlberg Capital Corporation (KCAP)

Kohlberg Capital Corporation is a publicly traded, internally managed business development company. Our middle market investment business originates, structures, finances and manages a portfolio of term loans, mezzanine investments and selected equity securities in middle market companies. Our wholly-owned portfolio company, Katonah Debt Advisors, manages CLO Funds that invest in broadly syndicated corporate term loans, high-yield bonds and other credit instruments.

Kohlberg Capital Corporation's filings with the Securities and Exchange Commission, earnings releases, press releases and other financial, operational and governance information are available on the company's website at <http://www.kohlbergcapital.com>.

The Kohlberg Capital logo is available at <http://www.primenewswire.com/newsroom/prs/?pkgid=3121>

Forward Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. The matters discussed in this press release, 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 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 press release should not be regarded as a representation by us that our plans or objectives will be achieved. 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.

KOHLBERG CAPITAL CORPORATION

BALANCE SHEETS

----- As of June 30, 2008 ----- (unaudited)	----- As of December 31, 2007 -----
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ASSETS

Investments at fair value:

Investments in debt securities (cost:

2008 - \$401,253,551; 2007 -

\$423,439,764)

\$ 380,692,261

\$ 410,954,082

Investments in CLO fund securities

managed by non-affiliates (cost:

2008 - \$15,491,101; 2007 -

\$15,385,580)

7,487,000

9,900,000

Investments in CLO fund securities managed by affiliate (cost: 2008 - \$50,139,375; 2007 - \$20,675,684)	49,356,236	21,120,000
Investments in equity securities (cost: 2008 - \$5,096,298; 2007 - \$5,043,950)	3,605,297	4,752,250
Investments in asset manager affiliates (cost: 2008 - \$35,394,198; 2007 - \$33,469,995)	65,210,050	58,585,360
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Total investments at fair value	506,350,844	505,311,692
Cash and cash equivalents	14,291,881	12,088,529
Restricted cash	5,753,303	7,114,364
Interest and dividends receivable	4,255,203	5,592,637
Due from affiliates	317,664	540,773
Other assets	1,906,606	2,493,964
	-----	-----
Total assets	\$ 532,875,501	\$ 533,141,959
	=====	=====
LIABILITIES		
Borrowings	230,000,000	255,000,000
Payable for open trades	11,232,952	5,905,000
Accounts payable and accrued expenses	3,813,765	6,141,892
Dividend payable	8,849,740	7,026,903
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Total liabilities	\$ 253,896,457	\$ 274,073,795
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STOCKHOLDERS' EQUITY		
Common stock, par value \$.01 per share, 100,000,000 common shares authorized; 21,334,732 and 21,234,482 common shares issued and outstanding at June 30, 2008 and 18,017,699 issued and outstanding at December 31, 2007	212,345	180,177
Capital in excess of par value	281,764,129	253,253,152
Distribution in excess of net investment income	(1,351,756)	(1,661,884)
Accumulated net realized losses	(621,993)	--
Net unrealized appreciation (depreciation) on investments	(1,023,681)	7,296,719
	-----	-----
Total stockholders' equity	278,979,044	259,068,164
	-----	-----
Total liabilities and stockholders' equity	\$ 532,875,501	\$ 533,141,959
	=====	=====
NET ASSET VALUE PER SHARE	\$ 13.14	\$ 14.38
	=====	=====

KOHLBERG CAPITAL CORPORATION
STATEMENTS OF OPERATIONS
(unaudited)

Three Months Ended Six Months Ended
June 30, June 30,

	2008	2007	2008	2007
Investment Income:				
Interest from investments in debt securities	\$ 7,464,325	\$ 6,638,283	\$17,164,160	\$11,082,284
Interest from cash and cash equivalents	56,969	146,952	143,572	284,095
Dividends from investments in CLO fund securities managed by non-affiliates	2,211,687	1,053,731	3,749,894	2,169,286
Dividends from investments in CLO fund securities managed by affiliate	2,404,109	607,065	3,927,192	1,256,739
Dividends from affiliate asset manager	--	--	350,000	--
Capital structuring service fees	128,434	132,333	1,263,548	320,527
Total investment income	12,265,524	8,578,364	26,598,366	15,112,931
Expenses:				
Interest and amortization of debt issuance costs	2,400,789	1,051,152	5,745,212	1,199,493
Compensation	1,531,876	916,523	2,708,715	1,734,186
Professional fees	303,426	955,342	920,074	1,378,728
Insurance	64,979	42,293	138,414	81,516
Administrative and other	305,794	320,423	651,021	619,705
Total expenses	4,606,864	3,285,733	10,163,436	5,013,628
Net Investment Income	7,658,660	5,292,631	16,434,930	10,099,303
Realized And Unrealized Gains (Losses) On Investments:				
Net realized gains (losses) from investment transactions	104,320	133,227	(621,993)	219,462
Net change in unrealized gains (losses) on debt				

securities	(329,631)	(698,098)	(8,075,608)	104,893
Net change in unrealized losses on equity securities	(8,456)	--	(1,199,302)	--
Net change in unrealized gains on affiliate asset manager investments	823,747	12,332,741	4,700,487	21,415,851
Net change in unrealized losses on CLO fund securities managed by non- affiliates	(374,142)	(220,000)	(2,518,521)	(1,050,000)
Net change in unrealized gains (losses) on CLO fund securities managed by affiliate	(577,213)	100,000	(1,227,456)	100,000
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Net realized and change in unrealized gains (losses) on investments	(361,375)	11,647,870	(8,942,393)	20,790,206
	-----	-----	-----	-----
Net Increase In Stockholders' Equity Resulting From Operations	\$ 7,297,285	\$16,940,501	\$ 7,492,537	\$30,889,509
	=====	=====	=====	=====
Earnings per Common Share-- Basic	\$ 0.36	\$ 0.94	\$ 0.39	\$ 1.72
Earnings per Common Share-- Diluted	\$ 0.36	\$ 0.94	\$ 0.39	\$ 1.71
Net Investment Income Per Common Share--Basic and Diluted	\$ 0.38	\$ 0.29	\$ 0.86	\$ 0.56
Net Investment Income and Net Realized Gains (Losses) Per Common Share-- Basic and Diluted	\$ 0.38	\$ 0.30	\$ 0.82	\$ 0.57
Weighted Average Shares of Common Stock Outstanding --Basic	20,302,781	17,960,502	19,188,862	17,953,457
Weighted Average Shares of Common Stock Outstanding --Diluted	20,322,611	18,072,364	19,198,777	18,014,173

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