
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____
Commission file number 814-00712

BLACKROCK CAPITAL INVESTMENT CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-2725151
(I.R.S. Employer
Identification No.)

40 East 52nd Street, New York, NY
(Address of Principal Executive Offices)

10022
(Zip Code)

Registrant's Telephone Number, Including Area Code: 212-810-5800

Formerly known as BlackRock Kelso Capital Corporation

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-Accelerated filer (Do not check if a smaller reporting company)
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

The number of shares of the Registrant's common stock, \$.001 par value per share, outstanding at August 2, 2017 was 73,052,261

BLACKROCK CAPITAL INVESTMENT CORPORATION
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017

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In this Quarterly Report, “Company”, “we”, “us” and “our” refer to BlackRock Capital Investment Corporation unless the context states otherwise.

Item 1. Consolidated Financial Statements

BlackRock Capital Investment Corporation
Consolidated Statements of Assets and Liabilities
(Unaudited)

	June 30, 2017	December 31, 2016
Assets		
Investments at fair value:		
Non-controlled, non-affiliated investments (cost of \$459,980,587 and \$586,176,755)	\$ 440,116,069	\$ 512,308,390
Non-controlled, affiliated investments (cost of \$166,118,461 and \$112,640,458)	166,357,555	109,342,171
Controlled investments (cost of \$303,366,055 and \$322,768,014)	286,790,297	309,472,929
Total investments at fair value (cost of \$929,465,103 and \$1,021,585,227)	893,263,921	931,123,490
Cash and cash equivalents	15,700,798	10,707,834
Receivable for investments sold	1,789,143	449,578
Interest, dividends and fees receivable	10,244,804	10,750,723
Prepaid expenses and other assets	4,042,343	4,035,866
Total Assets	\$ 925,041,009	\$ 957,067,491
Liabilities		
Debt	\$ 295,488,873	\$ 335,667,906
Interest payable	2,795,387	3,041,680
Distributions payable	13,127,773	15,262,010
Base management fees payable	4,139,347	4,860,614
Accrued administrative services	327,361	—
Other accrued expenses and payables	1,649,050	1,914,912
Total Liabilities	317,527,791	360,747,122
Net Assets		
Common stock, par value \$.001 per share, 200,000,000 common shares authorized, 77,484,048 and 77,228,207 issued and 72,932,083 and 72,676,242 outstanding	77,483	77,228
Paid-in capital in excess of par	883,420,730	877,300,709
Undistributed / (Distributions in excess of) net investment income	(5,764,145)	(7,965,655)
Accumulated net realized loss	(196,135,641)	(144,527,577)
Net unrealized appreciation (depreciation)	(37,782,388)	(92,261,515)
Treasury stock at cost, 4,551,965 and 4,551,965 shares held	(36,302,821)	(36,302,821)
Total Net Assets	607,513,218	596,320,369
Total Liabilities and Net Assets	\$ 925,041,009	\$ 957,067,491
Net Asset Value Per Share	\$ 8.33	\$ 8.21

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Statements of Operations

(Unaudited)

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Investment Income:				
Interest income:				
Non-controlled, non-affiliated investments	\$ 13,762,656	\$ 21,740,253	\$ 26,524,373	\$ 43,479,695
Non-controlled, affiliated investments	3,441,137	1,246,674	7,102,818	2,631,941
Controlled investments	4,955,503	4,773,467	10,791,971	9,129,088
Total interest income	22,159,296	27,760,394	44,419,162	55,240,724
Fee income:				
Non-controlled, non-affiliated investments: prepayment fees	16,609	3,000,000	205,609	3,000,000
Non-controlled, non-affiliated investments: other	25,171	1,078,011	135,068	1,864,294
Non-controlled, affiliated investments	63,621	—	349,916	—
Controlled investments	—	44,422	25,000	69,422
Total fee income	105,401	4,122,433	715,593	4,933,716
Dividend income:				
Non-controlled, non-affiliated investments	—	196,119	470,724	398,202
Non-controlled, affiliated investments	277,119	541,186	466,145	1,082,374
Controlled investments	2,111,151	808,656	3,508,502	1,610,941
Total dividend income	2,388,270	1,545,961	4,445,371	3,091,517
Other income	590,429	—	590,429	—
Total investment income	25,243,396	33,428,788	50,170,555	63,265,957
Expenses:				
Base management fees	4,139,347	5,721,689	8,663,204	11,412,179
Interest and credit facility fees	5,261,085	4,154,021	9,248,165	8,810,020
Incentive management fees (See Note 3)	2,773,859	—	3,583,042	—
Professional fees	792,283	559,375	1,357,393	1,104,000
Administrative services	303,782	285,940	631,459	755,940
Director fees	145,249	188,000	317,749	361,500
Investment advisor expenses	87,501	87,500	175,001	175,000
Other	644,853	825,319	1,342,988	1,562,125
Total expenses, before incentive management fee waiver	14,147,959	11,821,844	25,319,001	24,180,764
Incentive management fee waiver (See Note 3)	(2,773,859)	—	(3,583,042)	—
Expenses, net of incentive management fee waiver	11,374,100	11,821,844	21,735,959	24,180,764
Net Investment Income	13,869,296	21,606,944	28,434,596	39,085,193
Realized and Unrealized Gain (Loss):				
Net realized gain (loss):				
Non-controlled, non-affiliated investments	8,362	(30,974,445)	(53,983,599)	(30,939,561)
Non-controlled, affiliated investments	—	—	—	—
Controlled investments	—	—	2,375,535	—
Net realized gain (loss)	8,362	(30,974,445)	(51,608,064)	(30,939,561)
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	(2,697,247)	4,972,791	54,003,848	(52,016,971)
Non-controlled, affiliated investments	6,225,975	(3,028,106)	3,537,381	3,210,820
Controlled investments	(576,287)	(2,123,389)	(3,280,674)	(7,503,552)
Foreign currency translation	145,276	(7,882)	218,571	435,215
Net change in unrealized appreciation (depreciation)	3,097,717	(186,586)	54,479,126	(55,874,488)
Net realized and unrealized gain (loss)	3,106,079	(31,161,031)	2,871,062	(86,814,049)
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ 16,975,375	\$ (9,554,087)	\$ 31,305,658	\$ (47,728,856)
Net Investment Income Per Share—basic	\$ 0.19	\$ 0.30	\$ 0.39	\$ 0.54
Earnings (Loss) Per Share—basic	\$ 0.23	\$ (0.13)	\$ 0.43	\$ (0.65)
Average Shares Outstanding—basic	72,929,346	72,700,685	72,867,332	72,903,681
Net Investment Income Per Share—diluted	\$ 0.19	\$ 0.28	\$ 0.38	\$ 0.52
Earnings (Loss) Per Share—diluted	\$ 0.22	\$ (0.13)	\$ 0.42	\$ (0.65)
Average Shares Outstanding—diluted	86,187,472	72,700,685	84,454,044	72,903,681
Distributions Declared Per Share	\$ 0.18	\$ 0.21	\$ 0.36	\$ 0.42

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Statements of Changes in Net Assets
(Unaudited)

	Six months ended	
	June 30, 2017	June 30, 2016
Net Increase (Decrease) in Net Assets Resulting from Operations:		
Net investment income (loss)	\$ 28,434,596	\$ 39,085,193
Net realized gain (loss)	(51,608,064)	(30,939,561)
Net change in unrealized appreciation (depreciation)	54,479,126	(55,874,488)
Net increase (decrease) in net assets resulting from operations	<u>31,305,658</u>	<u>(47,728,856)</u>
Distributions to Stockholders from:		
Net investment income	<u>(26,233,131)</u>	<u>(30,508,680)</u>
Capital Share Transactions:		
Reinvestment of distributions	1,782,691	2,020,562
Issuance of convertible notes	4,337,631	—
Purchases of treasury stock	—	(16,093,205)
Net increase (decrease) in net assets resulting from capital share transactions	<u>6,120,322</u>	<u>(14,072,643)</u>
Total Increase (Decrease) in Net Assets	<u>11,192,849</u>	<u>(92,310,179)</u>
Net assets at beginning of period	596,320,369	753,752,615
Net assets at end of period	<u>\$ 607,513,218</u>	<u>\$ 661,442,436</u>
Capital Share Activity:		
Shares issued from reinvestment of distributions	255,841	226,889
Shares from purchases of treasury stock	—	(1,904,064)
Net increase (decrease) in shares outstanding	<u>255,841</u>	<u>(1,677,175)</u>

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended	
	June 30, 2017	June 30, 2016
Operating Activities:		
Net increase (decrease) in net assets resulting from operations	\$ 31,305,658	\$ (47,728,856)
<i>Adjustments to reconcile net increase (decrease) in net assets resulting from operations:</i>		
PIK interest and dividends	(8,691,349)	(5,871,337)
Net amortization on investments	(1,428,522)	(2,589,214)
Amortization of debt issuance costs	967,138	839,161
Net change in unrealized (appreciation) depreciation on investments	(54,260,555)	56,309,703
Net change in unrealized (appreciation) depreciation on foreign currency translation	(218,571)	(435,215)
Net realized (gain) loss on investments	51,608,064	30,939,561
<i>Changes in operating assets:</i>		
Purchase of investments	(136,386,584)	(167,955,083)
Proceeds from disposition of investments	186,347,401	194,302,048
Change in receivable for investments sold	(449,878)	588,327
Change in interest, dividends and fees receivable	505,919	2,952,383
Change in prepaid expenses and other assets	(973,615)	(2,564,157)
<i>Changes in operating liabilities:</i>		
Change in interest payable	(246,292)	(4,722,077)
Change in base management fees payable	(721,267)	(264,767)
Change in accrued administrative services	327,361	536,023
Change in other accrued expenses and payables	(265,871)	322,326
Net cash provided by (used in) operating activities	<u>67,419,037</u>	<u>54,658,826</u>
Financing Activities:		
Distributions paid in cash	(26,584,676)	(28,840,325)
Proceeds from debt	255,182,615	322,323,250
Repayments of debt	(295,361,643)	(337,000,000)
Issuance of convertible notes	4,337,631	—
Purchases of treasury stock	—	(16,093,205)
Net cash provided by (used in) financing activities	<u>(62,426,073)</u>	<u>(59,610,280)</u>
Net increase (decrease) in cash and cash equivalents	4,992,964	(4,951,454)
Cash and cash equivalents, beginning of period	10,707,834	12,414,200
Cash and cash equivalents, end of period	<u>\$ 15,700,798</u>	<u>\$ 7,462,746</u>
Supplemental disclosure of cash flow information and non-cash financing activities:		
Cash paid during period for:		
Interest	\$ 7,835,059	\$ 12,172,989
Taxes	\$ 109,456	\$ 271,103
Distributions reinvested	\$ 1,782,691	\$ 2,020,562

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments
June 30, 2017
(Unaudited)

Portfolio Company	Industry	Interest Rate	Maturity	Principal Amount or Number of Shares/Units	Cost(a)	Fair Value(b)
Senior Secured Notes—10.6%						
Advanced Lighting Technologies, Inc., First Lien(d)(j)	<i>Capital Equipment</i>	<i>12.50% (5.25% Cash / 7.25% PIK)</i>	6/1/19	\$ 21,813,063	\$ 5,162,151	\$ 5,453,266
AGY Holding Corp., Second Lien(f)(j)	<i>Chemicals, Plastics, & Rubber</i>	<i>11.00%</i>	11/15/18	21,762,500	21,493,618	21,436,063
Wink Holdco, Inc., Second Lien(j)	<i>Insurance</i>	<i>11.30% (L + 1000, 1.00% Floor)</i>	9/30/22	37,500,000	36,894,346	37,500,000
Total Senior Secured Notes					<u>63,550,115</u>	<u>64,389,329</u>
Unsecured Debt—19.8%						
CB-HDT Holdings, Inc.(d)(g)(j)	<i>Aerospace & Defense</i>	<i>12.00% PIK</i>	12/15/19	4,743,794	4,743,794	4,743,794
Gordon Brothers Finance Company(g)(q)	<i>Finance</i>	<i>12.00% (L + 1100, 1.00% Floor)</i>	10/31/21	80,988,108	80,988,108	80,988,108
SVP Worldwide Ltd.(d)(h)(k)	<i>Consumer Goods: Durable</i>	<i>16.00% (2.50% Cash / 13.50% PIK)</i>	6/27/18	60,568,300	57,657,319	34,523,931
Total Unsecured Debt					<u>143,389,221</u>	<u>120,255,833</u>
Subordinated Debt—4.9%						
First Boston Construction Holdings, LLC(d)(g)(k)	<i>Finance</i>	<i>12.00%</i>	12/31/20	29,600,000	29,600,000	29,600,000
Total Subordinated Debt					<u>29,600,000</u>	<u>29,600,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
June 30, 2017
(Unaudited)

Portfolio Company	Industry(a)	Interest Rate	Maturity	Principal Amount or Number of Shares/Units	Cost(a)	Fair Value(b)
Senior Secured Loans—83.5%(e)						
AGY Holding Corp., First Lien(f)	<i>Chemicals, Plastics, & Rubber</i>	12.00%	9/15/18	\$ 24,021,390	\$ 24,021,390	\$ 24,021,390
Bankruptcy Management Solutions, Inc., Revolver	<i>Services: Business</i>	6.73% (L + 550)	3/31/22	1,000,000	1,000,000	1,000,000
Bankruptcy Management Solutions, Inc., First Lien	<i>Services: Business</i>	6.73% (L + 550)	3/31/22	16,957,500	16,957,500	16,957,500
GSE Environmental, Inc., First Lien	<i>Environmental Industries</i>	11.18% (L + 1000, 1.00% Floor)	8/11/21	36,536,471	36,536,471	36,536,471
JLL Pioneer Inc., Second Lien	<i>Construction & Building</i>	9.50% (L + 850, 1.00% Floor)	12/31/20	20,000,000	20,000,000	20,000,000
K2 Pure Solutions Nocal, L.P., First Lien	<i>Chemicals, Plastics, & Rubber</i>	10.23% (L + 900, 1.00% Floor)	2/19/21	13,000,000	12,893,083	13,000,000
Liberty Tire Recycling Holdco, LLC, First Lien	<i>Environmental Industries</i>	9.30% (L + 800, 1.00% Floor)	7/7/20	19,600,000	19,125,572	19,600,000
Loar Group Inc., Second Lien	<i>Aerospace & Defense</i>	10.33% (L + 925, 1.00% Floor)	7/12/22	15,000,000	14,766,784	15,000,000
MBS Group Holdings Inc., First Lien(d)(g)	<i>Services: Business</i>	9.00% PIK	6/30/20	40,910,000	40,910,000	40,000,000
Oxford Mining Company, LLC, First Lien(d)	<i>Metals & Mining</i>	12.75% (L + 850, 0.75% Floor Cash / 3.00% PIK)	12/31/18	26,236,222	26,236,222	25,711,497
Paragon Films, Inc., Second Lien	<i>Containers, Packaging, & Glass</i>	11.22% (L + 1000, 1.00% Floor)	6/9/23	20,000,000	20,000,000	20,000,000
Pomeroy Group LLC, Second Lien	<i>Services: Business</i>	11.64% (L + 1000, 1.00% Floor)	11/30/22	27,500,000	27,093,435	27,500,000
Pre-Paid Legal Services, Inc., Second Lien	<i>Services: Consumer</i>	10.25% (L + 900, 1.25% Floor)	7/1/20	32,000,000	31,839,193	32,000,000
Recorded Books Inc., Second Lien	<i>Media: Advertising, Printing & Publishing</i>	9.50% (L + 850, 1.00% Floor)	7/31/22	32,500,000	32,500,000	32,500,000

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
June 30, 2017
(Unaudited)

Portfolio Company	Industry(a)	Interest Rate	Maturity	Principal Amount or Number of Shares/Units	Cost(a)	Fair Value(b)
Red Apple Stores Inc., Second Lien(g)(h)(k)	Retail	10.00%	7/24/20	\$ 23,050,000	\$ 23,050,000	\$ 13,599,500
SOURCEHOV, LLC, First Lien	Services: Business	8.05% (L + 675, 1.00% Floor)	10/31/19	4,468,750	4,406,306	4,468,750
SOURCEHOV, LLC, Second Lien	Services: Business	11.80% (L + 1050, 1.00% Floor)	4/30/20	5,000,000	4,895,392	5,000,000
Sur La Table, Inc., First Lien	Retail	12.00%	7/28/20	30,000,000	30,000,000	30,000,000
Tri-Anim Health Services, Inc., et al., Second Lien	Healthcare & Pharmaceuticals	10.73% (L + 950, 1.00% Floor)	7/28/22	25,000,000	24,609,383	25,000,000
U.S. Well Services, LLC, Revolver(f)	Energy: Oil & Gas	7.23% (L + 600, 1.00% Floor)	2/2/22	5,697,845	5,697,845	5,697,845
U.S. Well Services, LLC, First Lien(d)(f)	Energy: Oil & Gas	12.23% (L + 1100, 1.00% Floor PIK)	2/2/22	30,852,635	30,852,635	30,852,635
Vertellus Holdings LLC, First Lien(f)	Chemicals, Plastics, & Rubber	10.23% (L + 900, 1.00% Floor)	4/30/18	22,461,298	22,461,298	22,236,685
Vertellus Holdings LLC, Second Lien(f)	Chemicals, Plastics, & Rubber	13.23% (L + 1200, 1.00% Floor)	10/29/21	15,109,890	15,109,890	14,656,593
Water Pik, Inc., Second Lien	Consumer Goods: Durable	10.05% (L + 875, 1.00% Floor)	1/8/21	32,221,376	31,826,116	32,221,376
Total Senior Secured Loans					<u>516,788,515</u>	<u>507,560,242</u>
Preferred Stock—9.3%						
Advanced Lighting Technologies, Inc.(c)(j)	Capital Equipment			931	—	—
Advantage Insurance Inc.(f)(j)	Insurance	8.00% PIK		750,000	9,962,731	8,550,000
CB-HDT Holdings, Inc., Series L(c)(g)	Aerospace & Defense			1,500,000	15,000,000	15,000,000
Gordon Brothers Finance Company(g)(q)	Finance	13.50%		20,497	20,497,135	20,497,135
KAGY Holding Company, Inc. (AGY Holding Corp.)(f)	Chemicals, Plastics, & Rubber	20.00% PIK		22,960	8,176,821	12,437,279
Red Apple Stores Inc.(c)(g)(h)(k)	Retail			6,806,383	—	—
Total Preferred Stock					<u>53,636,687</u>	<u>56,484,414</u>

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
June 30, 2017
(Unaudited)

Portfolio Company	Industry(a)	Interest Rate	Maturity	Principal Amount or Number of Shares/Units	Cost(a)	Fair Value(b)
Common Stock—3.0%(c)						
CB-HDT Holdings, Inc., Series A(g)	<i>Aerospace & Defense</i>			744,723	\$ 7,447,230	\$ 7,864,288
Gordon Brothers Finance Company(g)(q)	<i>Finance</i>			10,598	10,598,300	10,598,300
KAGY Holding Company, Inc. (AGY Holding Corp.)(f)	<i>Chemicals, Plastics, & Rubber</i>			3,131,292	—	—
MBS Group Holdings Inc.(g)(p)	<i>Services: Business</i>			8,500	1,000	—
Red Apple Stores Inc.(g)(h)(i)(k)	<i>Retail</i>			8,756,859	6,737,869	—
Total Common Stock					<u>24,784,399</u>	<u>18,462,588</u>
Limited Partnership/Limited Liability Company Interests—15.9%						
BCIC Senior Loan Partners, LLC(g)(j)(k)(r)	<i>Finance</i>			56,392,619	56,392,619	56,392,619
ECI Cayman Holdings, LP(c)(h)(j)(k)	<i>High Tech Industries</i>			3,189	1,299,542	2,420,569
ETX Energy, LLC(c)(f)(o)	<i>Energy: Oil & Gas</i>			51,119	—	—
ETX Energy Management Company, LLC(c)(f)	<i>Energy: Oil & Gas</i>			53,815	—	—
First Boston Construction Holdings, LLC(c)(g)(k)	<i>Finance</i>			7,400,000	7,400,000	7,506,553
Higginbotham Investment Holdings, LLC(c)	<i>Insurance</i>			1,163	239,245	1,773,575
Loar Group LLC(c)	<i>Aerospace & Defense</i>			1,500,000	1,500,000	1,943,647
Marsico Holdings, LLC(c)(j)	<i>Finance</i>			91,445	1,848,077	5,487
U.S. Well Services, LLC, Class A(c)(f)(j)(l)	<i>Energy: Oil & Gas</i>			19,582,356	11,980,712	15,580,606
U.S. Well Services, LLC, Class B(c)(f)(j)(l)	<i>Energy: Oil & Gas</i>			7,157,374	4,378,964	1,097,250
U.S. Well Services, LLC, Class D(c)(f)(j)(l)	<i>Energy: Oil & Gas</i>			8,085	4,947	—
V Global Holdings LLC(c)(f)(n)	<i>Chemicals, Plastics, & Rubber</i>			12,087,912	11,977,610	9,791,209
Westward Dough Holdings, LLC, Class D(c)(m)	<i>Beverage, Food, & Tobacco</i>			114,706	—	—
Total Limited Partnership/Limited Liability Company Interests					<u>97,021,716</u>	<u>96,511,515</u>

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
June 30, 2017
(Unaudited)

Portfolio Company	Industry(a)	Interest Rate	Maturity	Principal Amount or Number of Shares/Units	Cost(a)	Fair Value(b)
Equity Warrants/Options—0.0%(c)						
Facet Investment, Inc.	Healthcare & Pharmaceuticals		expire 1/18/21	1,978	\$ 250,000	\$ —
Marsico Parent Superholdco, LLC(j)	Finance		expire 12/14/19	455	444,450	—
Total Equity Warrants/Options					<u>694,450</u>	<u>—</u>
TOTAL INVESTMENTS—147.0%					<u>\$ 929,465,103</u>	<u>893,263,921</u>
OTHER ASSETS & LIABILITIES (NET)—(47.0)%						<u>(285,750,703)</u>
NET ASSETS—100.0%						<u>\$ 607,513,218</u>

- (a) Represents amortized cost for fixed income securities and cost for preferred and common stock, limited partnership/limited liability company interests and equity warrants/options.
- (b) Fair value is determined by or under the direction of the Company's Board of Directors. See Note 2 for further details.
- (c) Non-income producing equity securities at June 30, 2017.
- (d) Interest may be paid in cash or payment-in-kind ("PIK"), or a combination thereof which is generally at the option of the borrower. PIK earned is included in the cost basis of the security. PIK represented approximately 14.1% of interest income earned for the six months ended June 30, 2017. In accordance with the Company's policy, PIK may be recorded on an effective yield basis.
- (e) Approximately 79% of the senior secured loans in the Company's portfolio bear interest at a floating rate that may be determined by reference to the London Interbank Offered Rate (LIBOR) or other base rate (commonly the Federal Funds Rate or the Prime Rate), at the borrower's option. In addition, 96% of such senior secured loans have floors of 0.75% to 1.25%. The borrower under a senior secured loan generally has the option to select from interest reset periods of one, two, three or six months and may alter that selection at the end of any reset period. The stated interest rate represents the weighted average interest rate at June 30, 2017 of all contracts within the specified loan facility.
- (f) Transaction and other information for "non-controlled, affiliated" investments under the Investment Company Act of 1940, whereby the Company owns 5% or more (but not more than 25%) of the portfolio company's outstanding voting securities.
- (g) Transaction and other information for "controlled" investments under the Investment Company Act of 1940, whereby the Company owns more than 25% of the portfolio company's outstanding voting securities.
- (h) Non-U.S. company or principal place of business outside the U.S.
- (i) Original purchase denominated in Canadian dollars.
- (j) Security is exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. In the aggregate, these securities represent 25.2% of the Company's net assets at June 30, 2017.
- (k) Investments that the Company has determined are not "qualifying assets" under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act may be subject to change. The Company monitors the status of these assets on an ongoing basis.
- (l) The Company is the sole stockholder of BKC ASW Blocker, Inc., a consolidated subsidiary, which is the beneficiary of less than 5% of the voting securities of U.S. Well Services, LLC and thus a non-controlled, non-affiliated investment.
- (m) The Company is the sole stockholder of BKC ASW Blocker, Inc., a consolidated subsidiary, which is the beneficiary of less than 5% of the voting securities of Westward Dough Holdings, LLC and thus a non-controlled, non-affiliated investment.
- (n) The Company is the sole stockholder of BKC ASW Blocker, Inc., a consolidated subsidiary, which is the beneficiary of 5% or more (but not more than 25%) of the voting securities of V Global Holdings LLC and thus a non-controlled, affiliated investment.
- (o) The Company is the sole stockholder of BKC ASW Blocker, Inc., a consolidated subsidiary, which is the beneficiary of 5% or more (but not more than 25%) of the voting securities of ETX Energy, LLC and thus a non-controlled, affiliated investment.
- (p) The Company is the sole stockholder of BCIC-MBS, LLC, a consolidated subsidiary, which is the beneficiary of more than 25% of the voting securities of MBS Group Holdings Inc. and thus a controlled investment.

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
June 30, 2017
(Unaudited)

(q) This investment is deemed significant under Regulation S-X Rule 4-08(g). Gordon Brothers Finance Company commenced operations on October 31, 2014. The summarized financial information of Gordon Brothers Finance Company for the three and six months ended June 30, 2017 and 2016 is shown below:

(\$ in millions)	<u>June 30, 2017</u>		<u>December 31, 2016</u>	
Total assets	\$ 432.7		\$ 414.2	
Total senior debt	\$ 281.6		\$ 248.9	
	<u>Three months ended</u>	<u>Three months ended</u>	<u>Six months ended</u>	<u>Six months ended</u>
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Total revenue	\$ 10.9	\$ 6.6	\$ 21.3	\$ 12.6
Net change in owners' equity resulting from operations	\$ (3.9)	\$ (3.7)	\$ (4.5)	\$ (5.5)
Net change in owners' equity resulting from operations, excluding origination costs, realized & unrealized on foreign currency, unrealized-available for sale assets & provision for loan loss	\$ (2.6)	\$ (1.9)	\$ (2.9)	\$ (2.9)
Provision for loan loss reserves	\$ 0.3	\$ 0.3	\$ 0.5	\$ 0.5

Note: Balance sheet amounts are as of period end

(r) This investment is deemed significant under Regulation S-X Rule 4-08(g). BCIC Senior Loan Partners, LLC was formed on June 23, 2016. See Note 5 for summarized financial information of BCIC Senior Loan Partners, LLC for the three and six months ended June 30, 2017.

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
June 30, 2017
(Unaudited)

Non-controlled, Affiliated Investments	Fair Value at December 31, 2016	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)	Fair Value at June 30, 2017	Six Months Ended June 30, 2017				
						Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income	
Advantage Insurance Inc.										
Preferred Stock	\$ 8,130,000	\$ 380,153	\$ —	\$ 39,847	\$ 8,550,000	\$ —	\$ —	\$ —	\$ —	\$ 380,152
AGY Holding Corp.:										
Senior Secured Note	21,109,625	96,754	—	229,684	21,436,063	—	1,293,692	—	—	—
Senior Secured Loan	24,021,390	—	—	—	24,021,390	—	1,449,291	—	—	—
KAGY Holding Company, Inc. (AGY Holding Corp.):										
Preferred Stock	6,422,056	85,993	—	5,929,230	12,437,279	—	—	—	—	85,993
Common Stock	—	—	—	—	—	—	—	—	—	—
ETX Energy, LLC										
Limited Liability Co. Interest	—	—	—	—	—	—	—	—	—	—
ETX Energy Management Company, LLC										
Limited Liability Co. Interest	—	—	—	—	—	—	—	—	—	—
U.S. Well Services, LLC:										
Revolver	—	5,697,845	—	—	5,697,845†	—	126,016	349,916	—	—
Senior Secured Loan	—	30,852,635	—	—	30,852,635†	—	2,115,110	—	—	—
Limited Liability Co. Interest, Class A	—	11,980,712	—	3,599,894	15,580,606†	—	—	—	—	—
Limited Liability Co. Interest, Class B	—	4,378,964	—	(3,281,714)	1,097,250†	—	—	—	—	—
Limited Liability Co. Interest, Class D	—	4,947	—	(4,947)	— †	—	—	—	—	—
Vertellus Holdings LLC:										
Senior Secured Loan, First Lien	22,461,298	—	—	(224,613)	22,236,685	—	1,130,384	—	—	—
Senior Secured Loan, Second Lien	15,109,890	—	—	(453,297)	14,656,593	—	988,325	—	—	—
V Global Holdings LLC										
Limited Liability Co. Interest	12,087,912	—	—	(2,296,703)	9,791,209	—	—	—	—	—
Totals	\$109,342,171	\$53,478,003	\$ —	\$ 3,537,381	\$166,357,555	\$ —	\$7,102,818	349,916	\$466,145	

- * Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.
- ** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.
- † Investment moved into the non-controlled, affiliated category from the non-controlled, non-affiliated category during the period.

The aggregate fair value of non-controlled, affiliated investments at June 30, 2017 represents 27.4% of the Company's net assets.

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
June 30, 2017
(Unaudited)

Controlled Investments	Fair Value at December 31, 2016	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)	Fair Value at June 30, 2017	Six Months Ended June 30, 2017				
						Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income	
Bankruptcy Management Solutions, Inc.:										
Senior Secured Loan, First Lien, A	\$ 736,685	\$ 3,806	\$ (736,685)	\$ (3,806)	\$ — †	\$ —	\$ 12,002	\$ 25,000	\$ —	\$ —
Senior Secured Loan, First Lien, B	11,271,747	623,357	(11,271,747)	(623,357)	— †	—	818,420	—	—	—
Common Stock	19,586,856	—	(16,654,505)	(2,932,351)	— †	3,369,690	—	—	—	—
Warrants	117,358	—	(1,186,138)	1,068,780	— †	(994,155)	—	—	—	—
BCIC Senior Loan Partners, LLC										
Limited Liability Co. Interest	41,675,575	13,866,523	—	850,521	56,392,619	—	—	—	—	1,604,307
CB-HDT Holdings, Inc.:										
Unsecured Debt	4,477,360	266,434	—	—	4,743,794	—	266,434	—	—	—
Preferred Stock	15,000,000	—	—	—	15,000,000	—	—	—	—	—
Common Stock	7,447,230	—	—	417,058	7,864,288	—	—	—	—	—
First Boston Construction Holdings, LLC:										
Subordinated Debt	28,800,000	800,000	—	—	29,600,000	—	1,737,867	—	—	—
Limited Liability Co. Interest	7,544,001	200,000	—	(237,448)	7,506,553	—	—	—	—	512,952
Gordon Brothers Finance Company:										
Unsecured Debt	87,429,682	10,147,684	(16,589,258)	—	80,988,108	—	4,998,407	—	—	—
Preferred Stock	20,497,135	—	—	—	20,497,135	—	—	—	—	1,391,243
Common Stock	10,598,300	—	—	—	10,598,300	—	—	—	—	—
MBS Group Holdings Inc.:										
Senior Secured Loan	40,000,000	910,000	—	(910,000)	40,000,000	—	1,810,000	—	—	—
Common Stock	—	—	—	—	—	—	—	—	—	—
Red Apple Stores Inc.:										
Senior Secured Loan	14,291,000	—	—	(691,500)	13,599,500	—	1,148,841	—	—	—
Preferred Stock	—	—	—	—	—	—	—	—	—	—
Common Stock	—	218,571	—	(218,571)	—	—	—	—	—	—
Totals	\$ 309,472,929	\$ 27,036,375	\$ (46,438,333)	\$ (3,280,674)	\$ 286,790,297	\$ 2,375,535	\$ 10,791,971	\$ 25,000	\$ 3,508,502	

* Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

† Investment no longer held as of June 30, 2017.

The aggregate fair value of controlled investments at June 30, 2017 represents 47.2% of the Company's net assets.

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments
December 31, 2016

Portfolio Company	Industry(a)	Interest Rate	Maturity	Principal Amount or Number of Shares/Units	Cost(b)	Fair Value(c)
Senior Secured Notes—10.7%						
Advanced Lighting Technologies, Inc., First Lien(e)(k)	Capital Equipment	10.50%	6/1/19	\$ 20,000,000	\$ 18,682,622	\$ 5,000,000
AGY Holding Corp., Second Lien(g)(k)	Chemicals, Plastics, & Rubber	11.00%	11/15/18	21,762,500	21,396,864	21,109,625
Wink Holdco, Inc., Second Lien(k)	Insurance	11.00% (L + 1000, 1.00% Floor)	9/30/22	37,500,000	36,837,191	37,500,000
Total Senior Secured Notes					<u>76,916,677</u>	<u>63,609,625</u>
Unsecured Debt—21.3%						
CB-HDT Holdings, Inc.(h)(k)(q)	Aerospace & Defense	12.00% PIK	12/15/19	4,477,360	4,477,360	4,477,360
Gordon Brothers Finance Company(h)(r)	Finance	12.00% (L + 1100, 1.00% Floor)	10/31/21	87,429,682	87,429,682	87,429,682
SVP Worldwide Ltd.(i)(l)(q)	Consumer Goods: Durable	16.00% (2.50% Cash / 13.50% PIK)	6/27/18	56,657,424	55,262,989	35,410,890
Total Unsecured Debt					<u>147,170,031</u>	<u>127,317,932</u>
Subordinated Debt—4.8%						
First Boston Construction Holdings, LLC(h)(l)(q)	Finance	12.00%	12/31/20	28,800,000	28,800,000	28,800,000
Total Subordinated Debt					<u>28,800,000</u>	<u>28,800,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
December 31, 2016

Portfolio Company	Industry(a)	Interest Rate	Maturity	Principal Amount or Number of Shares/Units	Cost(b)	Fair Value(c)
Senior Secured Loans—92.0%(f)						
Accriva Diagnostics, Inc., First Lien	<i>Healthcare & Pharmaceuticals</i>	12.25%	1/17/19	\$ 18,900,000	\$ 18,900,000	\$ 18,900,000
AGY Holding Corp., First Lien(g)	<i>Chemicals, Plastics, & Rubber</i>	12.00%	9/15/18	24,021,390	24,021,390	24,021,390
Bankruptcy Management Solutions, Inc., Term Loan A, First Lien(h)	<i>Services: Business</i>	4.50% (L + 350, 1.00% Floor)	6/27/17	736,685	732,879	736,685
Bankruptcy Management Solutions, Inc., Term Loan B, First Lien(h)	<i>Services: Business</i>	7.00% (L + 600, 1.00% Floor)	6/27/18	11,271,747	10,648,390	11,271,747
GSE Environmental, Inc., First Lien	<i>Environmental Industries</i>	11.00% (L + 1000, 1.00% Floor)	8/11/21	36,566,118	36,566,118	36,566,118
JLL Pioneer Inc., Second Lien	<i>Construction & Building</i>	9.50% (L + 850, 1.00% Floor)	12/31/20	20,000,000	20,000,000	20,000,000
K2 Pure Solutions Nocal, L.P., First Lien	<i>Chemicals, Plastics, & Rubber</i>	10.00% (L + 900, 1.00% Floor)	2/19/21	13,000,000	12,878,533	13,000,000
Liberty Tire Recycling Holdco, LLC, First Lien	<i>Environmental Industries</i>	9.00% (L + 800, 1.00% Floor)	7/7/20	19,700,000	19,144,826	19,700,000
Loar Group Inc., Second Lien	<i>Aerospace & Defense</i>	10.25% (L + 925, 1.00% Floor)	7/12/22	15,000,000	14,743,818	15,000,000
MBS Group Holdings Inc., First Lien(h)	<i>Services: Business</i>	9.00%	6/30/20	40,000,000	40,000,000	40,000,000
Oxford Mining Company, LLC, First Lien(q)	<i>Metals & Mining</i>	12.45% (L + 850, 0.75% Floor Cash / 3.00% PIK)	12/31/18	25,946,053	25,946,053	25,686,593
Paragon Films, Inc., Second Lien	<i>Containers, Packaging, & Glass</i>	11.00% (L + 1000, 1.00% Floor)	6/9/23	20,000,000	20,000,000	20,000,000
Pomeroy Group LLC, Second Lien	<i>Services: Business</i>	11.64% (L + 1000, 1.00% Floor)	11/30/22	27,500,000	27,056,251	27,500,000
Pre-Paid Legal Services, Inc., Second Lien	<i>Services: Consumer</i>	10.25% (L + 900, 1.25% Floor)	7/1/20	32,000,000	31,812,661	32,000,000

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
December 31, 2016

Portfolio Company	Industry(a)	Interest Rate	Maturity	Principal Amount or Number of Shares/Units	Cost(b)	Fair Value(c)
Recorded Books Inc., Second Lien	Media: Advertising, Printing & Publishing	9.50% (L + 850, 1.00% Floor)	7/31/22	\$ 32,500,000	\$ 32,500,000	\$ 32,500,000
Red Apple Stores Inc., Second Lien(h)(i)(l)	Retail	10.00%	7/24/20	23,050,000	23,050,000	14,291,000
Shoreline Energy LLC, Second Lien(e)(q)(s)	Energy: Oil & Gas	16.00% (Base + 825, 2.25% Floor Cash / 2.00% PIK)	3/30/19	28,240,003	27,236,933	—
SOURCEHOV, LLC, First Lien	Services: Business	7.75% (L + 675, 1.00% Floor)	10/31/19	4,593,750	4,515,865	4,065,468
SOURCEHOV, LLC, Second Lien	Services: Business	11.50% (L + 1050, 1.00% Floor)	4/30/20	5,000,000	4,877,098	3,250,000
Sur La Table, Inc., First Lien	Retail	12.00%	7/28/20	30,000,000	30,000,000	30,000,000
Tri-Anim Health Services, Inc., et al., Second Lien	Healthcare & Pharmaceuticals	10.50% (L + 950, 1.00% Floor)	7/28/22	25,000,000	24,571,248	25,000,000
U.S. Anesthesia Partners, Inc., Second Lien	Healthcare & Pharmaceuticals	10.25% (L + 925, 1.00% Floor)	9/24/20	20,000,000	19,685,726	20,000,000
U.S. Well Services, LLC, First Lien(q)(s)	Energy: Oil & Gas	14.11% (L + 1150, 0.50% Floor PIK)	5/2/19	50,083,741	50,083,741	43,572,855
Vertellus Holdings LLC, First Lien(g)	Chemicals, Plastics, & Rubber	10.00% (L + 900, 1.00% Floor)	4/30/18	22,461,298	22,461,298	22,461,298
Vertellus Holdings LLC, Second Lien(g)	Chemicals, Plastics, & Rubber	13.00% (L + 1200, 1.00% Floor)	10/29/21	15,109,890	15,109,890	15,109,890
Water Pik, Inc., Second Lien	Consumer Goods: Durable	9.75% (L + 875, 1.00% Floor)	1/8/21	33,882,271	33,407,686	33,882,271
Total Senior Secured Loans					<u>589,950,404</u>	<u>548,515,315</u>
Preferred Stock—9.7%						
Advantage Insurance Inc.(g)(k)	Insurance	8.00% PIK		750,000	9,582,578	8,130,000
CB-HDT Holdings, Inc., Series L(d)(h)	Aerospace & Defense			1,500,000	15,000,000	15,000,000
Gordon Brothers Finance Company(h)(r)	Finance	13.50%		20,497	20,497,135	20,497,135

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
December 31, 2016

Portfolio Company	Industry(a)	Interest Rate	Maturity	Principal Amount or Number of Shares/Units	Cost(b)	Fair Value(c)
KAGY Holding Company, Inc. (AGY Holding Corp.)(g)	Chemicals, Plastics, & Rubber	20.00% PIK		22,960	\$ 8,090,828	\$ 6,422,056
Red Apple Stores Inc.(d)(h)(i)(l)	Retail			6,806,383	—	—
USI Senior Holdings, Inc. (United Subcontractors)(d)	Construction & Building			260,798	5,374,318	7,823,936
Total Preferred Stock					<u>58,544,859</u>	<u>57,873,127</u>
Common Stock—6.3%(d)						
Bankruptcy Management Solutions, Inc.(h)	Services: Business			370,122	16,654,505	19,586,856
CB-HDT Holdings, Inc., Series A(h)	Aerospace & Defense			744,723	7,447,230	7,447,230
Gordon Brothers Finance Company(h)(r)	Finance			10,598	10,598,300	10,598,300
KAGY Holding Company, Inc. (AGY Holding Corp.)(g)	Chemicals, Plastics, & Rubber			3,131,292	—	—
MBS Group Holdings Inc.(h)(p)	Services: Business			8,500	1,000	—
Red Apple Stores Inc.(h)(i)(j)(l)	Retail			8,756,859	6,519,298	—
Total Common Stock					<u>41,220,333</u>	<u>37,632,386</u>
Limited Partnership/Limited Liability Company Interests—11.3%						
BCIC Senior Loan Partners, LLC(h)(k)(l)	Finance			42,526,097	42,526,097	41,675,575
ECI Cayman Holdings, LP(d)(i)(k)(l)	High Tech Industries			3,189	2,238,811	2,842,546
ETX Energy, LLC(d)(g)	Energy: Oil & Gas			51,119	—	—
ETX Energy Management Company, LLC(d)(g)	Energy: Oil & Gas			53,815	—	—
First Boston Construction Holdings, LLC(d)(h)(l)	Finance			7,200,000	7,200,000	7,544,001
Higginbotham Investment Holdings, LLC(d)	Insurance			1,163	239,245	1,418,348
Loar Group LLC(d)	Aerospace & Defense			1,500,000	1,500,000	1,683,878
Marsico Holdings, LLC(d)(k)	Finance			91,445	1,848,077	5,487
U.S. Well Services, LLC(k)(m)	Energy: Oil & Gas	8.00% PIK		8,085	9,572,495	—
V Global Holdings LLC(d)(g)(o)	Chemicals, Plastics, & Rubber			12,087,912	11,977,610	12,087,912

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
December 31, 2016

Portfolio Company	Industry(a)	Interest Rate	Maturity	Principal Amount or Number of Shares/Units	Cost(b)	Fair Value(c)
Westward Dough Holdings, LLC, Class D(d)(n)	Beverage, Food, & Tobacco			114,706	\$ —	\$ —
Total Limited Partnership/Limited Liability Company Interests					<u>77,102,335</u>	<u>67,257,747</u>
Equity Warrants/Options—0.0%(d)						
Bankruptcy Management Solutions, Inc., Tranche A(h)	Services: Business		expire 6/27/18	28,464	375,040	117,358
Bankruptcy Management Solutions, Inc., Tranche B(h)	Services: Business		expire 6/27/19	30,654	342,295	—
Bankruptcy Management Solutions, Inc., Tranche C(h)	Services: Business		expire 6/27/20	45,981	468,803	—
Facet Investment, Inc.	Healthcare & Pharmaceuticals		expire 1/18/21	1,978	250,000	—
Marsico Parent Superholdco, LLC(k)	Finance		expire 12/14/19	455	444,450	—
Total Equity Warrants/ Options					<u>1,880,588</u>	<u>117,358</u>
TOTAL INVESTMENTS—156.1%					<u>\$1,021,585,227</u>	<u>931,123,490</u>
OTHER ASSETS & LIABILITIES (NET)—(56.1)%						<u>(334,803,121)</u>
NET ASSETS—100.0%						<u>\$ 596,320,369</u>

- (a) Unaudited.
- (b) Represents amortized cost for fixed income securities and cost for preferred and common stock, limited partnership/limited liability company interests and equity warrants/options.
- (c) Fair value is determined by or under the direction of the Company's Board of Directors. See Note 2 for further details.
- (d) Non-income producing equity securities at December 31, 2016.
- (e) Non-accrual status at December 31, 2016 and therefore non-income producing. At December 31, 2016, the aggregate fair value and amortized cost of the Company's debt investments on non-accrual status represents 0.7% and 5.4%, respectively.
- (f) Approximately 77% of the senior secured loans in the Company's portfolio bear interest at a floating rate that may be determined by reference to the London Interbank Offered Rate (LIBOR) or other base rate (commonly the Federal Funds Rate or the Prime Rate), at the borrower's option. In addition, 100% of such senior secured loans have floors of 0.50% to 2.25%. The borrower under a senior secured loan generally has the option to select from interest reset periods of one, two, three or six months and may alter that selection at the end of any reset period. The stated interest rate represents the weighted average interest rate at December 31, 2016 of all contracts within the specified loan facility.
- (g) Transaction and other information for "non-controlled, affiliated" investments under the Investment Company Act of 1940, whereby the Company owns 5% or more (but not more than 25%) of the portfolio company's outstanding voting securities.
- (h) Transaction and other information for "controlled" investments under the Investment Company Act of 1940, whereby the Company owns more than 25% of the portfolio company's outstanding voting securities.
- (i) Non-U.S. company or principal place of business outside the U.S.
- (j) Original purchase denominated in Canadian dollars.
- (k) Security is exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. In the aggregate, these securities represent 20.2% of the Company's net assets at December 31, 2016.

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
December 31, 2016

- (l) Investments that the Company has determined are not “qualifying assets” under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act may be subject to change. The Company monitors the status of these assets on an ongoing basis.
- (m) The Company is the sole stockholder of BKC ASW Blocker, Inc., a consolidated subsidiary, which is the beneficiary of less than 5% of the voting securities of U.S. Well Services, LLC and thus a non-controlled, non-affiliated investment.
- (n) The Company is the sole stockholder of BKC ASW Blocker, Inc., a consolidated subsidiary, which is the beneficiary of less than 5% of the voting securities of Westward Dough Holdings, LLC and thus a non-controlled, non-affiliated investment.
- (o) The Company is the sole stockholder of BKC ASW Blocker, Inc., a consolidated subsidiary, which is the beneficiary of 5% or more (but not more than 25%) of the voting securities of V Global Holdings LLC and thus a non-controlled, affiliated investment.
- (p) The Company is the sole stockholder of BCIC-MBS, LLC, a consolidated subsidiary, which is the beneficiary of more than 25% of the voting securities of MBS Group Holdings Inc. and thus a controlled investment.
- (q) Interest may be paid in cash or payment-in-kind (“PIK”), or a combination thereof which is generally at the option of the borrower. PIK earned is included in the cost basis of the security. PIK represented approximately 8.6% of interest income earned for the year ended December 31, 2016. In accordance with the Company’s policy, PIK may be recorded on an effective yield basis.

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
December 31, 2016

Non-controlled, Affiliated Investments	Fair Value at December 31, 2015	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)	Fair Value at December 31, 2016	For the Year Ended December 31, 2016				
						Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income	
Advantage Insurance Inc.										
Preferred Stock	\$ 8,872,757	\$ 709,821	\$ —	\$(1,452,578)	\$ 8,130,000	\$ —	\$ —	\$ —	\$ —	\$ 709,821
AGY Holding Corp.:										
Senior Secured Note	21,327,250	334,527	—	(552,152)	21,109,625	—	2,728,403	—	—	—
Senior Secured Loan	19,763,384	4,258,006	—	—	24,021,390	—	2,492,602	—	—	—
KAGY Holding Company, Inc. (AGY Holding Corp.):										
Preferred Stock	9,376,565	1,159,948	—	(4,114,457)	6,422,056	—	—	—	—	1,159,948
Common Stock	—	—	—	—	—	—	—	—	—	—
ETX Energy, LLC										
Limited Liability Co. Interest	—	—	—	—	— †	—	—	—	—	—
ETX Energy Management Company, LLC										
Limited Liability Co. Interest	—	—	—	—	— †	—	—	—	—	—
USI Senior Holdings, Inc.										
Preferred Stock	7,823,940	—	(7,823,940)	—	— ††	—	—	—	—	—
Vertellus Holdings LLC:										
Senior Secured Loan, First Lien	—	22,461,298	—	—	22,461,298†	—	386,833	—	—	—
Senior Secured Loan, Second Lien	—	15,109,890	—	—	15,109,890†	—	338,294	—	—	—
V Global Holdings LLC										
Limited Liability Co. Interest	—	11,977,610	—	110,302	12,087,912†	—	—	—	—	—
Totals	\$67,163,896	\$56,011,100	\$(7,823,940)	\$(6,008,885)	\$109,342,171	\$ —	\$5,946,132	\$ —	\$ —	\$1,869,769

- * Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.
- ** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.
- † Investment moved into the non-controlled, affiliated category from the non-controlled, non-affiliated category.
- †† Investment moved out of the non-controlled, affiliated category into the non-controlled, non-affiliated category.

The aggregate fair value of non-controlled, affiliated investments at December 31, 2016 represents 18.3% of the Company's net assets.

- (r) This investment is deemed significant under Regulation S-X Rule 4-08(g). Gordon Brothers Finance Company commenced operations on October 31, 2014. The summarized financial information of Gordon Brothers Finance Company for the years ending December 31, 2016 and 2015 is shown below:

(\$ in millions)	Year ended	Year ended
	December 31, 2016	December 31, 2015
Total assets	\$ 414.2	\$ 270.5
Total senior debt	\$ 248.9	\$ 135.5
Total revenue	\$ 31.4	\$ 28.7
Net change in owners' equity resulting from operations	\$ (7.5)	\$ (4.8)
Net change in owners' equity resulting from operations, excluding origination costs, realized & unrealized on foreign currency, unrealized-available for sale assets & provision for loan loss	\$ (4.7)	\$ 0.4
Provision for loan loss reserves	\$ 0.5	\$ 0.0

Note: Balance sheet amounts are as of period end

- (s) All-in rate includes 2.00% default interest

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Consolidated Schedules of Investments—(Continued)
December 31, 2016

Controlled Investments	Fair Value at December 31, 2015	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)	Fair Value at December 31, 2016	For the Year Ended December 31, 2016				
						Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income	
Bankruptcy Management Solutions, Inc.:										
Senior Secured Loan, First Lien, A	\$ 1,168,176	\$ 16,028	\$ (455,331)	\$ 7,812	\$ 736,685	\$ —	\$ 55,254	\$100,000	\$ —	
Senior Secured Loan, First Lien, B	10,289,082	450,000	(289,018)	821,683	11,271,747	—	1,264,867	—	—	
Common Stock	32,087,254	—	—	(12,500,398)	19,586,856	—	—	—	—	
Warrants	2,474,818	—	—	(2,357,460)	117,358	—	—	—	—	
BCIC Senior Loan Partners, LLC										
Limited Liability Co. Interest	—	42,526,097	—	(850,522)	41,675,575	—	—	29,268	83,230	
CB-HDT Holdings, Inc.:										
Unsecured Debt	—	4,477,360	—	—	4,477,360	—	24,885	—	—	
Preferred Stock	—	15,000,000	—	—	15,000,000†	—	—	—	—	
Common Stock	—	7,500,000	(52,770)	—	7,447,230††	(52,770)	—	—	—	
First Boston Construction Holdings, LLC:										
Subordinated Debt	17,500,000	11,300,000	—	—	28,800,000	—	2,920,400	—	—	
Limited Liability Co. Interest	4,375,000	2,825,000	—	344,001	7,544,001	—	—	—	291,667	
Gordon Brothers Finance Company:										
Unsecured Debt	64,739,544	34,690,877	(12,000,739)	—	87,429,682	—	9,577,284	162,372	—	
Preferred Stock	17,460,098	3,037,037	—	—	20,497,135	—	—	—	2,569,439	
Common Stock	10,598,300	—	—	—	10,598,300	—	—	—	—	
MBS Group Holdings Inc.:										
Senior Secured Loan	40,000,000	—	—	—	40,000,000	—	3,660,000	—	—	
Common Stock	3,933,465	—	—	(3,933,465)	—	—	—	—	—	
Red Apple Stores Inc.:										
Senior Secured Loan	18,440,000	—	—	(4,149,000)	14,291,000	—	2,292,112	—	—	
Preferred Stock	—	621,649	(1,479,254)	857,605	— †	(1,479,254)	—	—	621,648	
Preferred Stock	—	—	—	—	—	—	—	—	—	
Common Stock	—	443,097	(235,122)	(207,975)	—	—	—	—	—	
Totals	\$223,065,737	\$122,887,145	\$(14,512,234)	\$(21,967,719)	\$309,472,929	\$(1,532,024)	\$19,794,802	\$291,640	\$3,565,984	

- * Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.
- ** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.
- † Investment no longer held as of December 31, 2016.
- †† Investment moved into the controlled category from the non-controlled, non-affiliated category.

The aggregate fair value of controlled investments at December 31, 2016 represents 51.9% of the Company's net assets.

The accompanying notes are an integral part of these consolidated financial statements.

BlackRock Capital Investment Corporation
Notes to Consolidated Financial Statements (Unaudited)

1. Organization

BlackRock Capital Investment Corporation (together with its subsidiaries, the “Company”), was organized as a Delaware corporation on April 13, 2005 and was initially funded on July 25, 2005. The Company has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). In addition, for tax purposes the Company has qualified and has elected to be treated as a regulated investment company (“RIC”) under the Internal Revenue Code of 1986 (the “Code”).

The Company’s investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company invests primarily in middle-market companies in the form of senior and junior secured and unsecured debt securities and loans, each of which may include an equity component, and by making direct preferred, common and other equity investments in such companies.

2. Significant accounting policies

Unaudited Interim Consolidated Financial Statements

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company is an investment company following the accounting and reporting guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 946, *Financial Services-Investment Company* (“ASC 946”).

Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with GAAP, is not required for interim reporting purposes and has been condensed or omitted herein. These consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes related thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the Securities and Exchange Commission (“SEC”) on March 8, 2017.

The interim financial information at June 30, 2017 and for the three and six months ended June 30, 2017 and 2016 is unaudited. However, in the opinion of management, the interim information includes all normal recurring adjustments necessary for the fair presentation of the Company’s results for the periods presented. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Basis of Presentation

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of income and expenses during the reported period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ and such differences could be material.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, which were established to hold certain investments of the Company. The Company owns 100% of each subsidiary and, as such, the subsidiaries are consolidated into the Company’s consolidated financial statements. The subsidiaries hold investments which are treated as pass through entities for tax purposes. By investing through these 100% owned subsidiaries, the Company is able to benefit from corporate tax treatment for these entities and thereby create a tax structure that is more advantageous with respect to the RIC status of the Company. Transactions between the Company and subsidiaries, to the extent they occur, are eliminated in consolidation.

Expenses are recorded on an accrual basis.

Investments

Security transactions are accounted for on the trade date unless there are substantial conditions to the purchase. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost of the investment. Unrealized gains or losses primarily reflect the change in investment values, including the reversal of previously recorded unrealized gains or losses when gains or losses are realized. Realized gains or losses on the disposition of investments are calculated using the specific identification method.

Investments for which market quotations are readily available are valued at such market quotations unless they are deemed not to represent fair value. The Company obtains market quotations, when available, from an independent pricing service or one or more broker-dealers or market makers and utilizes the average of the range of bid and ask quotations. Debt and equity securities for which market quotations are not readily available or for which market quotations are deemed not to represent fair value are valued at fair value as determined in good faith by or under the direction of the Company's Board of Directors.

Because the Company expects that there will not be a readily available market for substantially all of the investments in its portfolio, the Company expects to value substantially all of its portfolio investments at fair value as determined in good faith by or under the direction of the Board of Directors using a consistently applied valuation process in accordance with a documented valuation policy that has been reviewed and approved by the Board of Directors. Due to the inherent uncertainty and subjectivity of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may differ significantly from the values that would have been used had a readily available market value existed for such investments and may differ materially from the values that the Company may ultimately realize.

In addition, changes in the market environment and other events may have differing impacts on the market quotations used to value some of the Company's investments than on the fair values of the Company's investments for which market quotations are not readily available. Market quotations may be deemed not to represent fair value in certain circumstances where BlackRock Advisors, LLC, the Company's investment advisor (the "Advisor"), believes that facts and circumstances applicable to an issuer, a seller or purchaser or the market for a particular security cause current market quotations to not reflect the fair value of the security. Examples of these events could include cases where a security trades infrequently causing a quoted purchase or sale price to become stale, where there is a "forced" sale by a distressed seller, where market quotations vary substantially among market makers, or where there is a wide bid-ask spread or significant increase in the bid-ask spread.

With respect to the Company's investments for which market quotations are not readily available or for which market quotations are deemed not to represent fair value, the Board of Directors has approved a multi-step valuation process applied each quarter, as described below:

- (i) The quarterly valuation process begins with each portfolio company or investment being initially evaluated and rated by the investment professionals of the Advisor responsible for the portfolio investment;
- (ii) The investment professionals provide recent portfolio company financial statements and other reporting materials to independent valuation firms engaged by the Board of Directors, such firms conduct independent appraisals each quarter and their preliminary valuation conclusions are documented and discussed with senior management of the Advisor;
- (iii) The Audit Committee of the Board of Directors reviews the preliminary valuations prepared by the independent valuation firms; and
- (iv) The Board of Directors discusses valuations and determines the fair value of each investment in the portfolio in good faith based on the input of the Advisor, the respective independent valuation firms and the Audit Committee.

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Those investments for which market quotations are not readily available or for which market quotations are deemed not to represent fair value are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that the Company may take into account in determining the fair value of its investments include, as relevant and among other factors: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, (e.g. non-performance risk), its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, the Company's principal market (as the reporting entity) and enterprise values.

Until the end of the second calendar quarter following its acquisition, each unquoted investment in a new portfolio company generally is held at amortized cost, which the Advisor believes approximates fair value under the circumstances. As of that date, an independent valuation firm conducts an initial independent appraisal of the investment.

ASC 820-10, *Fair Value Measurements and Disclosures* ("ASC 820-10"), issued by the FASB, defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. See Note 10 for further details.

Cash and Cash Equivalents

Cash equivalents include short-term liquid overnight investments with original maturities of three months or less and may not be insured by the FDIC or may exceed federally insured limits.

Revenue recognition

Interest income is recorded on an accrual basis and includes amortization of discounts and accretion of premiums. Discounts and premiums to par value on securities purchased are amortized/accreted into interest income over the life of the respective security. Discounts and premiums are determined based on the cash flows expected to be received for a particular investment upon maturity.

Dividend income is recorded on the ex-dividend date and is adjusted to the extent that the Company expects to collect such amounts. For loans and securities with payment-in-kind ("PIK") income, which represents contractual interest or dividends accrued and added to the principal balance and generally due at maturity, such income is accrued only to the extent that the Advisor believes that the PIK income is likely to be collected. To maintain the Company's status as a RIC, this non-cash source of income must be paid out to stockholders in the form of distributions, even though the Company has not yet collected the cash.

Fee income, such as structuring fees, origination, closing, commitment and other upfront fees are generally non-recurring and are recognized as revenue when earned. In instances where the Company does not perform significant services in connection with the related investment, fees paid to the Company may be deferred and amortized over the estimated life of the investment. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, structuring, closing, commitment and other upfront fees are recorded as income.

U.S. Federal income taxes

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to continue to qualify for the tax treatment applicable to RICs.

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In order to qualify for favorable tax treatment as a RIC, the Company is required to distribute annually to its stockholders at least 90% of its investment company taxable income, as defined by the Code. To avoid federal excise taxes, we must distribute annually at least 98% of our ordinary income and 98.2% of net capital gains from the current year and any undistributed ordinary income and net capital gains from the preceding years. The Company, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay regular federal income taxes or a 4% excise tax on this income. If the Company chooses to do so, all other things being equal, this would increase expenses and reduce the amount available to be distributed to stockholders. The Company will accrue excise tax on estimated undistributed taxable income as required.

Distributions from net investment income and distributions from net realized capital gains are determined in accordance with U.S. federal income tax regulations, which may differ from those amounts determined in accordance with GAAP. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, they are charged or credited to paid-in-capital or accumulated net realized gain (loss), as appropriate, in the period that the differences arise. Temporary and permanent differences are primarily attributable to differences in the tax treatment of certain loans and the tax characterization of income and non-deductible expenses. These differences are generally determined in conjunction with the preparation of the Company's annual RIC tax return.

Book and tax basis differences relating to stockholder distributions and other permanent book and tax differences are reclassified among the Company's capital accounts. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from GAAP.

The final tax characterization of distributions is determined after the fiscal year and is reported on Form 1099 and in the Company's annual report to shareholders. Distributions can be characterized as ordinary income, capital gains and/or return of capital. To the extent that distributions exceed the Company's current and accumulated earnings and profits, the excess may be treated as a non-taxable return of capital. Distributions that exceed a Company's taxable income but do not exceed the Company's current and accumulated earnings and profits, may be classified as ordinary income which is taxable to shareholders.

ASC 740-10, *Income Taxes* ("ASC 740-10") clarifies the accounting for income taxes by prescribing the minimum recognition threshold an uncertain tax position is required to meet before tax benefits associated with such uncertain tax position are recognized in the consolidated financial statements. Based on its analysis of its tax position, the Company has concluded that it does not have any uncertain tax positions that met the recognition or measurement criteria of ASC 740-10.

The Company files U.S. federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on the Company's U.S. federal income tax returns remains open for each of the four years ended December 31, 2016. The statute of limitations on the Company's state and local tax returns may remain open for an additional year depending upon the jurisdiction.

At December 31, 2016, the Company had a net capital loss carryforward of \$123,978,507, which can be used to offset future capital gains. If not utilized against future gains, \$32,937,589 of this amount is due to expire on December 31, 2018.

Distributions to Common Stockholders

Distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a distribution is determined by the Board of Directors. Net realized capital gains, if any, generally are distributed at least annually, although the Company may decide to retain such capital gains for investment.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of distributions on behalf of stockholders, unless a stockholder elects to receive cash. As a result, if the Board of Directors authorizes, and the Company declares, a cash distribution, then stockholders who have not "opted out" of the dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of Common Stock, rather than receiving the cash distributions.

Foreign Currency

Foreign currency amounts are translated into United States dollars on the following basis:

- (i) market value of investment securities, other assets and liabilities—at the spot exchange rate on the last business day of the period; and
- (ii) purchases and sales of investment securities, income and expenses—at the rates of exchange prevailing on the respective dates of such transactions, income or expenses.

Although net assets and fair values are presented based on the applicable foreign exchange rates described above, the Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in fair values of investments held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Investments denominated in foreign currencies and foreign currency transactions may involve certain considerations and risks not typically associated with those of domestic origin, including unanticipated movements in the value of the foreign currency relative to the U.S. dollar.

Debt Issuance Costs

Debt issuance costs are amortized over the term of the related debt using the straight line method, which approximates the effective interest rate method.

Equity Offering Expenses

The Company records registration expenses related to its shelf registration statement and related SEC filings as prepaid assets. These expenses are charged as a reduction of capital upon utilization, in accordance with ASC 946.

Non-Accrual Loans

Loans or debt securities are placed on non-accrual status, as a general matter, when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. Accrued interest generally is reversed when a loan or debt security is placed on non-accrual status. Interest payments received on non-accrual loans or debt securities may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans and debt securities are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. The Company may make exceptions to this treatment if the loan has sufficient collateral value and is in the process of collection.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2014-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is currently evaluating the effect on its consolidated financial statements.

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In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”), which amends and clarifies the current guidance to reduce diversity in practice of the classification of certain cash receipts and payments in the statement of cash flows. The Company is currently evaluating the impact of adopting ASU 2016-15, which is effective for the Company on January 1, 2018 with early adoption permitted. The Company must apply the guidance retrospectively to all periods presented. The Company is currently evaluating the effect on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs* (“ASU 2017-08”). The amendments in this update require premiums on purchased callable debt securities to be amortized to the security’s earliest call date. Prior to this ASU, premiums and discounts on purchased callable debt securities were generally required to be amortized to the security’s maturity date. The amendments do not require an accounting change for securities held at a discount. The amendments are effective on January 1, 2019, with early adoption permitted. The amendments must be applied using a modified retrospective approach with a cumulative-effect adjustment through retained earnings as of the beginning of the fiscal year upon adoption. The Company is currently evaluating the effect on its consolidated financial statements, however, we do not expect ASU 2017-08 to have a material impact on the consolidated financial statements.

3. Agreements and related party transactions

Investment management agreement

At a Special Meeting of the Company’s Stockholders, held on February 18, 2015, the Company’s stockholders approved a new investment management agreement (“Management Agreement”) between the Company and BlackRock Advisors, LLC to permit the Advisor to serve as the Company’s investment adviser following the completion of the sale of certain assets related to managing the Company from the Company’s previous investment adviser, 52nd Street Capital Advisors LLC, formerly BlackRock Kelso Capital Advisors LLC (the “Previous Advisor,” “BKCA” or “52nd Street”), to the Advisor (the “Transaction”). The Transaction was completed on March 6, 2015 and, pursuant to the new investment management agreement, dated as of March 6, 2015, the Company’s investment activities are currently managed by the Advisor. Prior to the consummation of the Transaction, the Company had entered into an investment management agreement with the Company’s previous adviser, which is referred to as the “Previous Agreement”. The Company’s current investment management agreement had the same management and incentive fee terms as the Previous Agreement until March 6, 2017 and thereafter has different management and incentive fees terms.

Base Management Fee

Under the current investment management agreement, the Advisor, subject to the overall supervision of the Board of Directors, manages the day-to-day operations and provides the Company with investment advisory services. For providing these services, the Advisor received, until March 6, 2017, a base management fee at an annual rate of 2.0% of total assets, including any assets acquired with the proceeds of leverage, payable quarterly in arrears. After March 6, 2017, the Advisor receives a base management fee at an annual rate of 1.75% of total assets (excluding cash), including any assets acquired with the proceeds of leverage, payable quarterly in arrears based on the asset valuation as of the end of the prior quarter, and prorated for any period of less than a quarter.

The investment management agreement became effective on March 6, 2015. Unless earlier terminated, the investment management agreement will remain in effect for a period of two years from the date it first became effective and will remain in effect from year-to-year thereafter if approved annually by the Board of Directors or by the affirmative vote of the holders of a majority of outstanding voting securities, including, in either case, approval by a majority of the directors who are not interested persons.

For the three and six months ended June 30, 2017, the Advisor earned \$4,139,347 and \$8,663,204, respectively, in base management fees under the investment management agreement. For the three and six

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months ended June 30, 2016, the Advisor earned \$5,721,689 and \$11,412,179, respectively, in base management fees under the investment management agreement.

Incentive Management Fee Until March 6, 2017

The current investment management agreement provides that the Advisor or its affiliates may be entitled to an incentive management fee (the "Incentive Fee") as described below under certain circumstances until March 6, 2017. The Incentive Fee was calculated in the same manner as the Incentive Fee in the previous investment management agreement. The determination of the Incentive Fee, as described in more detail below, will result in the Advisor or its affiliates receiving no Incentive Fee payments if returns to stockholders do not meet an 8.0% annualized rate of return during the applicable fee measurement period, and will result in the Advisor or its affiliates receiving less than the full amount of the Incentive Fee percentage until returns to stockholders exceed an approximate 13.3% annualized rate of return during such period. Annualized rate of return in this context is computed by reference to net asset value and does not take into account changes in the market price of the common stock.

The Advisor will be entitled to receive the Incentive Fee if the performance exceeds a "hurdle rate" during different measurement periods: trailing four quarters' periods (which apply only to the portion of the Incentive Fee based on income) and annual periods (which apply only to the portion of the Incentive Fee based on capital gains). The "trailing four quarters' periods" for purposes of determining the income portion of the Incentive Fee payable for the three months ended June 30, 2017 and 2016 was determined by reference to the four quarter periods ended on June 30, 2017 and 2016, respectively, however, the periods utilized different incentive management fee calculations, both of which are described in more detail below. The term "annual period" means the period beginning on July 1 of each calendar year and ending on June 30 of the next calendar year.

The hurdle rate for each measurement period is 2.0% multiplied by net asset values at the beginning of each calendar quarter during the measurement period, calculated after giving effect to any distributions that occurred during the measurement period. A portion of the Incentive Fee is based on income and a portion is based on capital gains. Each portion of the Incentive Fee is described below.

Quarterly Incentive Fee Based on Income Until March 6, 2017

For each trailing four quarters' period, the Company will pay the Advisor an Incentive Fee based on the amount by which (A) aggregate distributions and amounts distributable out of taxable net income (excluding any capital gain and loss), during the period less the amount, if any, by which net unrealized capital depreciation exceeds net realized capital gains / losses during the period, is in excess of (B) the hurdle rate for the period. The amount of the excess of (A) over (B) described in this paragraph for each period is referred to as the excess income amount.

It should be noted that net realized capital gains / losses during the period are calculated as the proceeds received upon disposition less the fair market value as of the beginning of the measurement period. Since this calculation is not cumulative, but rather performed on a trailing four quarters period, fluctuations in fair market values are captured in net unrealized appreciation and depreciation of prior measurement periods.

The portion of the Incentive Fee based on income for each period will equal 50% of the period's excess income amount, until the cumulative Incentive Fee payments for the period equal 20% of the period's income amount distributed or distributable to stockholders as described in clause (A) of the preceding paragraph. Thereafter, the portion of the Incentive Fee based on income for the period will equal 20% of the period's amount distributed or distributable to stockholders.

For the three months ended June 30, 2016, the Advisor earned zero in Incentive Fees based on income from the Company.

Annual Incentive Fee Based on Capital Gains Until March 6, 2017

The portion of the Incentive Fee based on capital gains is calculated and paid on an annual basis beginning on July 1 of each annual period and ending on June 30 of the next calendar year. The portion of Incentive Fee based on capital gains is calculated in the same manner as such portion of the Incentive Fee in the prior investment management agreement. For each annual period, the Company pays the Advisor an Incentive Fee on capital gains based on the amount by which (A) net realized capital gains, if any, exceeds gross unrealized capital depreciation, if any, occurring during the period in excess of (B) the amount, if any, by which the period's hurdle rate exceeds the amount of income used in the determination of the Incentive Fee based on income for the period. The amount of the excess of (A) over (B) described in this paragraph is referred to as the excess gain amount.

It should be noted that net realized capital gains during the period are calculated as the proceeds received upon disposition in excess of the lower of each security's amortized cost or the fair market value as of the beginning of the measurement period. Since this calculation is not cumulative, but rather performed on an annual period commencing each July 1, any unrealized depreciation on a security, if any, will be captured in the gross unrealized depreciation of a prior period.

The portion of the Incentive Fee based on capital gains for each period will equal 50% of the period's excess gain amount, until such payments equal 20% of the period's capital gain amount distributed or distributable to stockholders. Thereafter, the portion of the Incentive Fee based on capital gains for the period equals an amount such that the portion of the Incentive Fee payments to the Advisor based on capital gains for the period equals 20% of the period's capital gain amount distributed or distributable to stockholders. The result of this formula is that, if the portion of the Incentive Fee based on income for the period exceeds the period's hurdle, then the portion of the Incentive Fee based on capital gains will be capped at 20% of the capital gain amount.

In calculating whether the portion of the Incentive Fee based on capital gains is payable with respect to any period, we account for assets on a security-by-security basis. In addition, the Company uses the "period-to-period" method pursuant to which the portion of the Incentive Fee based on capital gains for any period is based on realized capital gains for the period reduced by realized capital losses and gross unrealized capital depreciation for the period. Based on current interpretations of Section 205(b)(3) of the Investment Advisers Act of 1940 by the SEC and its staff, the calculation of unrealized depreciation for each portfolio security over a period is based on the fair value of the security at the end of the period compared to the fair value at the beginning of the period. Incentive Fees earned in any of the periods described above are not subject to modification or repayment based upon performance in a subsequent period.

The Company is required under GAAP to accrue a hypothetical capital gains Incentive Fee based upon net realized capital gains and unrealized capital appreciation and depreciation on investments held at the end of each period. The accrual of this hypothetical capital gains incentive fee assumes all unrealized capital appreciation and depreciation is realized in order to reflect a hypothetical capital gains Incentive Fee that would be payable at each measurement date. If such amount is positive at the end of the period, then we record a capital gains incentive fee equal to 20% of such amount, less the amount of capital gains related Incentive Fees already accrued in prior periods. If the resulting amount is negative, the accrual for GAAP in a given period may result in the reduction of an expense. There can be no assurance that such unrealized capital appreciation will be realized in the future. However, it should be noted that a fee so calculated and accrued would not be payable under the Advisers Act or the investment management agreement. Amounts actually paid will be consistent with the Advisers Act which specifically excludes consideration of unrealized capital appreciation.

The capital gains Incentive Fee due to the Advisor as calculated under the investment management agreement as described above, at June 30, 2017 and 2016 was zero. In accordance with GAAP, the hypothetical liquidation for the three months ended June 30, 2017 and 2016, resulted in a capital gains incentive fee accrual/(reversal) of zero. The total cumulative accrued balances at June 30, 2017 and 2016 were zero.

Quarterly Incentive Fee Based on Income After March 6, 2017

After March 6, 2017, the investment management agreement provides that the Advisor or its affiliates may be entitled to an incentive management fee under certain circumstances. The Incentive Fee has two parts. The first portion is based on income other than capital gains and is calculated separately for each calendar quarter and will be paid on a quarterly basis. The Company will pay the Advisor the portion of the Incentive Fee based on income for each period as follows:

- (i) No Incentive Fee based on income other than capital gains for any calendar quarter in which the Pre-Incentive Fee Net Investment Income does not exceed 1.75% (7.00% annualized) of net assets attributable to common stock at the beginning of such quarter.
- (ii) 100% of the Pre-Incentive Fee Net Investment Income in any calendar quarter with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, for such calendar quarter, that exceeds 1.75% (7.00% annualized) of net assets attributable to common stock at the beginning of such quarter but is less than 2.1875% (8.75% annualized).
- (iii) 20% of the Pre-Incentive Fee Net Investment Income, if any, for any calendar quarter that exceeds 2.1875% (8.75% annualized) of net assets attributable to common stock at the beginning of such quarter.

The calculations described above will be appropriately prorated for any period of less than a quarter and adjusted for the net proceeds from any common stock issuances and the cost of any common stock repurchases during such quarter.

The payment of any such Incentive Fee based on income otherwise earned by the Advisor will be deferred if, for the most recent four full calendar quarter period ending on or prior to the date such payment is to be made, the Annualized Rate of Return is less than 7.0% of net assets attributable to common stock at the beginning of such four quarter period as adjusted for the net proceeds from any common stock issuances and the cost of any common stock repurchases during such four full calendar quarter period, with any deferred Incentive Fees to be carried over for payment in subsequent quarterly calculation periods to the extent such payment can then be made in accordance with the investment management agreement.

For the three months ended June 30, 2017, the Advisor earned \$2,773,859 in Incentive Fees based on income from the Company. For the period after March 6, 2017 to June 30, 2017, the Advisor earned \$3,583,042 in Incentive Fees based on income from the Company.

On March 7, 2017, the Company's investment advisor, in consultation with the Company's Board of Directors, agreed to waive incentive fees based on income after March 6, 2017 to December 31, 2018 or approximately 21 months. The start date of the fee waiver coincides with the change to the fee calculation mentioned above. The waivers for incentive fees based on income for the three months ended June 30, 2017 and the period after March 6, 2017 to June 30, 2017 are also \$2,773,859 and \$3,583,042, respectively, resulting in zero net Incentive Fees based on income earned by the Company.

Annual Incentive Fee Based on Capital Gains After March 6, 2017

The second portion of the Incentive Fee is based on capital gains and is calculated separately for each Annual Period. The Advisor will be entitled to receive an Incentive Fee based on capital gains for each Annual Period in an amount equal to 20% of the amount by which (1) net realized capital gains occurring during the period, if any, exceeds (2) gross unrealized capital depreciation, if any, occurring during the period. In calculating the portion of the Incentive Fee based on capital gains payable for any period, investments are accounted for on a security-by-security basis. In addition, the portion of the Incentive Fee based on capital gains is determined using the "period-to-period" method pursuant to which the portion of the Incentive Fee based on capital gains for any period will be based on realized capital gains for the period reduced by realized capital losses for the period and unrealized capital depreciation for the period.

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For purposes of calculating the Incentive Fee, (i) “Annual Period” means the period beginning on July 1 of each calendar year, including the calendar year prior to the year in which the investment management agreement became effective, and ending on June 30 of the next calendar year; (ii) “Annualized Rate of Return” is computed by reference to the sum of (i) the aggregate distributions to common stockholders for the period in question and (ii) the change in net assets attributable to common stock (before taking into account any Incentive Fees otherwise payable during such period); (iii) “net assets attributable to common stock” means total assets less indebtedness and preferred stock; and (iv) “Pre-Incentive Fee Net Investment Income” means net investment income (as determined in accordance with United States generally accepted accounting principles) accrued by the Company during the calendar quarter excluding any accruals for or payments in respect of the Incentive Fee.

Advisor Reimbursements

The investment management agreement provides that the Company will reimburse the Advisor for costs and expenses incurred by the Advisor for administrative or operating services, office space rental, office equipment and utilities allocable to the Advisor under the investment management agreement, as well as any costs and expenses incurred by the Advisor relating to any non-investment advisory, administrative or operating services provided by the Advisor to us. For the three and six months ended June 30, 2017, the Company incurred \$87,501 and \$175,001, respectively, for such investment advisor expenses under the Management Agreement. For the three and six months ended June 30, 2016, the Company incurred \$87,500 and \$175,000, respectively, for such investment advisor expenses under the Management Agreement.

From time to time, the Advisor may pay amounts owed by the Company to third party providers of goods or services. The Company will subsequently reimburse the Advisor for such amounts paid on its behalf. Reimbursements to the Advisor for such purposes during the three and six months ended June 30, 2017 were zero and zero, respectively. Reimbursements to the Advisor for such purposes during the three and six months ended June 30, 2016 were zero and \$5,921 respectively.

No person who is an officer, director or employee of the Advisor and who serves as a director of the Company receives any compensation from the Company for such services. Directors who are not affiliated with the Advisor receive compensation for their services and reimbursement of expenses incurred to attend meetings.

Administration

The Company also has entered into an administration agreement with BlackRock Financial Management, Inc. (the “Administrator”) under which the Administrator provides certain administrative services to the Company. For providing these services, facilities and personnel, the Company reimburses the Administrator for the Company’s allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement, including rent and the Company’s allocable portion of the cost of certain of the Company’s officers and their respective staffs. For the three and six months ended June 30, 2017, the Company incurred \$303,782 and \$631,459, respectively, for administrative services expenses payable to the Administrator under the administration agreement. For the three and six months ended June 30, 2016, the Company incurred \$285,940 and \$755,940, respectively, for administrative services expenses payable to the Administrator under the administration agreement.

Advisor Stock Transactions

Effective upon completion of the Transaction, BlackRock Advisors, LLC assumed the role as investment adviser to the Company. BlackRock Advisors, LLC does not own any shares of the Company at June 30, 2017 and December 31, 2016.

At June 30, 2017 and December 31, 2016, other entities affiliated with the Administrator and Advisor beneficially owned approximately 471,000 and 490,000 shares, respectively, of the Company’s common stock, representing approximately 0.6% and 0.7%, respectively, of the total shares outstanding. An entity affiliated with the Administrator had ownership and financial interests in the Previous Advisor.

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4. Earnings (Loss) per share

The following information sets forth the computation of basic and diluted net increase (decrease) in net assets from operations per share (earnings (loss) per share) for the three and six months ended June 30, 2017 and 2016.

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Earnings (Loss) per share – basic:				
Net increase (decrease) in net assets resulting from operations	\$ 16,975,375	\$ (9,554,087)	\$ 31,305,658	\$ (47,728,856)
Weighted-average shares outstanding – basic	72,929,346	72,700,685	72,867,332	72,903,681
Earnings (Loss) per share – basic:	\$ 0.23	\$ (0.13)	\$ 0.43	\$ (0.65)
Earnings (Loss) per share – diluted:				
Net increase (decrease) in net assets resulting from operations, before adjustments	\$ 16,975,375	\$ (9,554,087)	\$ 31,305,658	\$ (47,728,856)
Adjustments for interest on unsecured convertible senior notes	2,246,666	—	4,078,409	—
Net increase (decrease) in net assets resulting from operations, as adjusted	\$ 19,222,041	\$ (9,554,087)	\$ 35,384,067	\$ (47,728,856)
Weighted-average shares outstanding – diluted(1)	86,187,472	72,700,685	84,454,044	72,903,681
Earnings (Loss) per share – diluted:	\$ 0.22	\$ (0.13)	\$ 0.42	\$ (0.65)

(1) Due to a net decrease in net assets from operations for the 2016 periods, zero incremental shares are included because the effect would be antidilutive.

5. Investments

Purchases of investments, including PIK, for the three and six months ended June 30, 2017 totaled \$22,750,749 and \$145,077,933, respectively. Purchases of investments, including PIK, for the three and six months ended June 30, 2016 totaled \$76,302,523 and \$173,826,420, respectively. Proceeds from sales, repayments and other exits of investments for the three and six months ended June 30, 2017 totaled \$71,978,563 and \$186,347,401, respectively. Proceeds from sales, repayments and other exits of investments for the three and six months ended June 30, 2016 totaled \$161,396,378 and \$194,302,048, respectively.

At June 30, 2017, investments consisted of the following:

	Cost	Fair Value
Senior secured notes	\$ 63,550,115	\$ 64,389,329
Unsecured debt	143,389,221	120,255,833
Subordinated debt	29,600,000	29,600,000
Senior secured loans:		
First lien	271,098,322	270,082,773
Second/other priority lien	245,690,193	237,477,469
Total senior secured loans	516,788,515	507,560,242
Preferred stock	53,636,687	56,484,414
Common stock	24,784,399	18,462,588
Limited partnership/limited liability company interests	97,021,716	96,511,515
Equity warrants/options	694,450	—
Total investments	\$929,465,103	\$893,263,921

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At December 31, 2016, investments consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Senior secured notes	\$ 76,916,677	\$ 63,609,625
Unsecured debt	147,170,031	127,317,932
Subordinated debt	28,800,000	28,800,000
Senior secured loans:		
First lien	295,899,093	289,982,154
Second/other priority lien	294,051,311	258,533,161
Total senior secured loans	589,950,404	548,515,315
Preferred stock	58,544,859	57,873,127
Common stock	41,220,333	37,632,386
Limited partnership/limited liability company interests	77,102,335	67,257,747
Equity warrants/options	1,880,588	117,358
Total investments	<u>\$1,021,585,227</u>	<u>\$931,123,490</u>

Industry Composition

The industry composition of the portfolio at fair value at June 30, 2017 and December 31, 2016 was as follows:

<u>Industry</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Finance	23.0%	21.1%
Chemicals, Plastics, & Rubber	13.2	12.3
Services: Business	10.6	11.4
Consumer Goods: Durable	7.5	7.4
Environmental Industries	6.3	6.0
Energy: Oil & Gas	6.0	4.7
Insurance	5.3	5.1
Aerospace & Defense	5.0	4.7
Retail	4.9	4.8
Media: Advertising, Printing & Publishing	3.6	3.5
Services: Consumer	3.6	3.4
Metals & Mining	2.9	2.8
Healthcare & Pharmaceuticals	2.8	6.9
Construction & Building	2.2	3.0
Containers, Packaging, & Glass	2.2	2.1
Capital Equipment	0.6	0.5
High Tech Industries	0.3	0.3
Total	<u>100.0%</u>	<u>100.0%</u>

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The geographic composition of the portfolio at fair value at June 30, 2017 was United States 94.3%, Bermuda 3.9%, Canada 1.5% and the Cayman Islands 0.3%, and at December 31, 2016 was United States 94.4%, Bermuda 3.8%, Canada 1.5% and the Cayman Islands 0.3%. The geographic composition is determined by several factors including the location of the corporate headquarters of the portfolio company.

Market and Credit Risk

In the normal course of business, the Company invests in securities and enters into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer of a security to meet all its obligations (issuer credit risk). The value of securities held by the Company may decline in response to certain events, including those directly involving the issuers whose securities are owned by the Company; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency and interest rate and price fluctuations. Similar to issuer credit risk, the Company may be exposed to counterparty credit risk, or the risk that an entity with which the Company has unsettled or open transactions may fail to or be unable to perform on its commitments. The Company manages counterparty risk by entering into transactions only with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Company to market, issuer and counterparty credit risks, consist principally of investments in portfolio companies. The extent of the Company's exposure to market, issuer and counterparty credit risks with respect to these financial assets is generally approximated by their value recorded in the consolidated statements of assets and liabilities. The Company is also exposed to credit risk related to maintaining all of its cash at a major financial institution.

The Company has investments in lower rated and comparable quality unrated senior and junior secured, unsecured and subordinated debt securities and loans, which are subject to a greater degree of credit risk than more highly rated investments. The risk of loss due to default by the issuer is significantly greater for holders of such securities and loans, particularly in cases where the investment is unsecured or subordinated to other creditors of the issuer.

BCIC Senior Loan Partners, LLC

On June 23, 2016, the Company and Windward Investments LLC ("Windward") entered into an agreement to create BCIC Senior Loan Partners, LLC ("Senior Loan Partners"), a joint venture. Senior Loan Partners is structured as an unconsolidated Delaware limited liability company, and is expected to make loans to and other investments in portfolio companies. All portfolio and other material decisions regarding Senior Loan Partners must be submitted to its board of directors, which is comprised of four members, two of whom were selected by the Company and two of whom were selected by Windward, and must be approved by at least one member appointed by the Company and one appointed by Windward. In addition, certain matters may be approved by Senior Loan Partners' investment committee, which is comprised of one member appointed by the Company and one member appointed by Windward.

The Company does not consolidate its non-controlling interests in Senior Loan Partners because the entity is not considered a substantially wholly owned investment company subsidiary, as provided under ASC 946. Senior Loan Partners is a joint venture for which shared power exists relating to the decisions that most significantly impact the economic performance of the entity.

The Company and Windward have committed to provide an aggregate of \$100.0 million of equity to Senior Loan Partners, with the Company providing \$85.0 million and Windward providing \$15.0 million. As of June 30, 2017, Senior Loan Partners had called and received \$66.1 million of combined equity capital, of which the Company funded \$56.2 million and Windward funded \$9.9 million. As of June 30, 2017, Senior Loan Partners had received \$0.2 million and \$1.3 million of contributions in advance from the Company and Windward, respectively, which is recorded as a liability in Senior Loan Partners' Consolidated Statements of Assets and Liabilities, as shown in the selected balance sheet information below. As a result, remaining

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commitments from the Company and Windward as of June 30, 2017 were \$28.6 million and \$3.8 million, respectively. Capital contributions have been used to make investments and to fund certain start-up expenses of Senior Loan Partners.

On June 24, 2016, Senior Loan Partners as Seller and Collateral Manager, and BCIC Senior Loan Funding, LLC (“Senior Loan Funding”), a newly formed Delaware limited liability company consolidated by Senior Loan Partners, as Borrower, entered into a \$200.0 million Loan and Security Agreement (the “LSA” or the “Senior Facility”) with Citibank, N.A. (“Citi”) acting as Administrative Agent and The Bank of New York Mellon Trust Company (“BoNY”) as Collateral Agent. The Senior Facility is scheduled to mature on June 24, 2021. Senior Loan Partners and Senior Loan Funding, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including collateral maintenance, reporting requirements, usual and customary events of default and other customary requirements for similar facilities. Senior Loan Partners and Senior Loan Funding were not in default with any covenants or requirements thereunder as of June 30, 2017.

As of June 30, 2017, \$106.6 million was drawn on the Senior Facility, and subject to compliance with applicable covenants and borrowing base limitations, the remaining amount available was \$93.4 million. The average outstanding debt balance during the three and six months ended June 30, 2017 was \$79.7 million and \$49.4 million, respectively. The maximum amount borrowed during the three and six months ended June 30, 2017 was \$106.6 million and \$106.6 million, respectively. During the three and six months ended June 30, 2017, \$0.7 million and \$1.4 million, respectively, of interest expense and other debt related expenses were incurred under the Senior Facility.

As of June 30, 2017, Senior Loan Partners had total investments at fair value of \$169.3 million, comprised of senior secured first lien loans, delayed draw term loans and two undrawn revolving loans to a total of 17 borrowers. As of June 30, 2017, none of these loans were on non-accrual status. Proceeds from investment sales, prepayments or exits for the three and six months ended June 30, 2017 were \$0.5 million and \$1.3 million, respectively. Additionally, Senior Loan Partners had unfunded commitments to three borrowers totaling \$6.7 million. The aggregate fair value of the unfunded commitments at June 30, 2017 was \$6.7 million. The weighted average yield of the portfolio at its current cost basis as of June 30, 2017 was 6.53%. Below is a summary of Senior Loan Partners’ portfolio as of June 30, 2017:

Portfolio Company	Industry	Interest Rate(1)	Maturity	Principal Amount	Cost	Fair Value(2)
Senior Secured Term & Delayed Draw Loans						
Alaska Communications Systems Holdings, Inc., Term Loan A-1, First Lien	Telecommunications	6.23% (L + 500, 1.00% Floor)	3/13/22	\$ 3,000,000	\$ 3,000,000	\$ 2,962,500
Alaska Communications Systems Holdings, Inc., Term Loan A-2, First Lien	Telecommunications	8.23% (L + 700, 1.00% Floor)	3/13/23	5,000,000	5,000,000	4,912,500
AP Exhaust Acquisition, LLC, First Lien	Automotive	6.00% (L + 500, 1.00% Floor)	5/10/24	13,750,000	13,480,485	13,480,485
AP Gaming I, LLC, First Lien	Hotel, Gaming, & Leisure	6.58% (L + 550, 1.00% Floor)	2/15/24	10,000,000	9,975,185	9,975,185
AP Plastics Group, LLC, Term Loan B, First Lien	Chemicals, Plastics, & Rubber	7.32% (L + 625, 1.00% Floor)	8/1/22	10,517,105	10,430,099	10,517,105
Digital Room LLC, First Lien	Media: Advertising, Printing & Publishing	7.23% (L + 600, 1.00% Floor)	11/21/22	9,750,000	9,570,009	9,652,500

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Portfolio Company	Industry	Interest Rate(1)	Maturity	Principal Amount	Cost	Fair Value(2)
Dunn Paper, Inc., First Lien		5.79%				
	Containers, Packaging & Glass	(L + 475, 1.00% Floor)	8/26/22	\$ 8,334,783	\$ 8,255,923	\$ 8,334,783
Edgewood Partners Insurance Center, First Lien		6.23%				
	Insurance	(L + 500, 1.00% Floor)	3/16/23	10,000,000	9,975,597	9,975,597
ENC Holding Corporation, First Lien		7.73%				
	Transportation: Cargo	(L + 650, 1.00% Floor)	2/8/23	9,975,000	9,880,489	9,875,250
Entertainment Partners, LLC, First Lien		6.81%				
	Media: Diversified & Production	(L + 575, 1.00% Floor)	5/8/23	11,500,000	11,500,000	11,500,000
Highline Aftermarket Acquisition, LLC, First Lien		5.56%				
	Automotive	(L + 425, 1.00% Floor)	3/24/24	9,975,000	9,926,656	9,926,656
MHE Intermediate Holdings, LLC, Delayed Draw		6.30%				
	Services: Business	(L + 500, 1.00% Floor)	3/10/24	488,092	483,365	483,211
MHE Intermediate Holdings, LLC, First Lien		6.30%				
	Services: Business	(L + 500, 1.00% Floor)	3/10/24	6,365,121	6,303,938	6,301,470
National Spine and Pain Centers, LLC, First Lien		5.56%				
	Healthcare & Pharmaceuticals	(L + 450, 1.00% Floor)	6/2/24	10,000,000	9,950,431	9,950,431
NSM Sub Holdings Corp., Delayed Draw		6.23%				
	Healthcare & Pharmaceuticals	(L + 500, 1.00% Floor)	10/3/22	623,229	623,229	623,229
NSM Sub Holdings Corp., First Lien		6.29%				
	Healthcare & Pharmaceuticals	(L + 500, 1.00% Floor)	10/3/22	7,300,315	7,236,074	7,300,315
O2 Partners, LLC, First Lien		6.23%				
	Consumer Goods: Non-Durable	(L + 500, 1.00% Floor)	10/7/22	9,925,000	9,836,859	9,925,000
Pasternack Enterprises, Inc., First Lien		6.23%				
	Wholesale	(L + 500, 1.00% Floor)	5/27/22	11,411,177	11,370,558	11,382,650
Pretium Packaging, LLC, First Lien		6.93%				
	Containers, Packaging & Glass	(L + 575, 1.00% Floor)	11/14/22	12,500,000	12,379,776	12,379,776
Q Holding Company, Term Loan B, First Lien		6.30%				
	Chemicals, Plastics, & Rubber	(L + 500, 1.00% Floor)	12/18/21	9,923,664	9,833,199	9,824,427
Total Senior Secured Term & Delayed Draw Loans					\$ 169,011,872	\$ 169,283,070

(1) 100% of the senior secured loans in BCIC Senior Loan Partners' portfolio bear interest at a floating rate that may be determined by reference to the London Interbank Offered Rate (LIBOR) or other base rate (commonly the Federal Funds Rate or the Prime Rate), at the borrower's option. In addition, 100% of such senior secured loans have floors of 1.00%. The borrower under a senior secured loan generally has the option to select from interest reset periods of one, two, three or six months and may alter that selection at the end of any reset period. The stated interest rate represents the weighted average interest rate at June 30, 2017 of all contracts within the specified loan facility.

(2) Represents fair value in accordance with ASC Topic 820. The determination of such fair value is not included in our board of directors' valuation process described elsewhere herein.

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Below is certain summarized financial information for Senior Loan Partners as of June 30, 2017 and December 31, 2016, respectively, and for the three and six months then ended:

Selected Balance Sheet Information

	June 30, 2017	December 31, 2016
(\$'s in thousands)		
Investments, at fair value (cost \$169,012 and \$53,099)	\$ 169,283	\$ 53,162
Cash and cash equivalents	2,928	2,029
Other assets	2,693	2,408
Total assets	<u>\$ 174,904</u>	<u>\$ 57,599</u>
Debt	106,610	7,020
Interest and credit facility fees payable	271	85
Contributions received in advance	1,500	1,195
Distribution payable	682	—
Other accrued expenses and payables	243	149
Total liabilities	<u>\$ 109,306</u>	<u>\$ 8,449</u>
Members' equity	65,598	49,150
Total liabilities and members' equity	<u>\$ 174,904</u>	<u>\$ 57,599</u>

Selected Statement of Operations Information

	Three months ended June 30, 2017	Six months ended June 30, 2017
(\$'s in thousands)		
Interest income	\$ 2,243	\$ 3,357
Fee income	300	425
Total investment income	<u>\$ 2,543</u>	<u>\$ 3,782</u>
Interest and credit facility fees	732	1,449
Other fees and expenses	132	294
Total expenses	<u>\$ 864</u>	<u>\$ 1,743</u>
Net investment income (loss)	1,678	2,038
Unrealized appreciation (depreciation)	(44)	271
Net increase (decrease) in members' capital	<u>\$ 1,634</u>	<u>\$ 2,310</u>

Amounts may not foot due to rounding

For the three and six months ended June 30, 2017, the Company's share of investment income from Senior Loan Partners was \$1.4 million and \$0.2 million, respectively, which amounts are included in dividend income from controlled investments on the Company's Consolidated Statements of Operations. As of June 30, 2017 and December 31, 2016, \$0.6 million and zero, respectively, was included in interest, dividends and fees receivable on the Company's Consolidated Statements of Assets and Liabilities.

6. Derivatives

Foreign Currency

The Company may enter into forward foreign currency contracts from time to time to facilitate settlement of purchases and sales of investments denominated in foreign currencies or to help mitigate the impact that an adverse change in foreign exchange rates would have on the value of the Company's investments denominated in foreign currencies. A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date (usually the security transaction settlement date) at a negotiated forward rate. These contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Realized gains or losses are recognized when contracts are settled. The Company's forward foreign currency contracts generally have terms of approximately three months. The volume of open contracts at the end of each reporting period is reflective of the typical volume of transactions during each calendar quarter. Risks may arise as a result of the potential inability of the counterparties to meet the terms of their contracts. The Company attempts to limit this risk by dealing with only creditworthy counterparties. There were no open forward foreign currency contracts at June 30, 2017 and December 31, 2016.

Warrants and Options

The Company holds warrants and options in certain portfolio companies in an effort to achieve additional investment return. In purchasing warrants and options, the Company bears the risk of an unfavorable change in the value of the underlying equity interest. The aggregate fair value of warrants and options as of June 30, 2017 and December 31, 2016 represents zero and 0.02%, respectively, of the Company's net assets.

The Company may enter into other derivative instruments and incur other exposures with other counterparties in the future. The derivative instruments held as of June 30, 2017 and December 31, 2016 reflect the volume of derivative activity throughout the periods presented.

7. Debt

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, calculated pursuant to the 1940 Act, is at least 200% after such borrowing. As of June 30, 2017, the Company's asset coverage was 300%.

On February 19, 2016, the Company entered into an Amended and Restated Senior Secured Revolving Credit Facility (the "Credit Facility") which has an initial aggregate principal amount of up to \$440,000,000, a stated commitment termination date of February 19, 2020, and a stated maturity date of February 19, 2021. The interest rate applicable to Eurocurrency borrowings thereunder is generally LIBOR plus an applicable margin of either 1.75% or 2.00% based on a pricing grid using the borrowing base as a multiple of the combined debt amount. The interest rate applicable to ABR borrowings thereunder is generally the prime rate in effect plus an applicable margin of either 0.75% or 1.00% based on a pricing grid using the borrowing base as a multiple of the combined debt amount. The Credit Facility's commitment may increase in size, under certain circumstances, up to a total of \$750,000,000. From the commitment termination date to the stated maturity date, the Company is required to repay outstanding principal amounts under the Credit Facility on a monthly basis in an amount equal to 1/12th of the outstanding amount at the commitment termination date. On June 5, 2017, the Company entered into a Second Amendment to the Second Amended and Restated Senior Secured Revolving Credit Facility which extends the maturity date on the Credit Facility from February 19, 2021 to June 5, 2022.

On February 19, 2016, the Company entered into an Amended and Restated Senior Secured Term Loan Credit Agreement (the "Term Loan") which has a principal amount of \$15,000,000. The Term Loan has a stated maturity date of March 27, 2019. The interest rate applicable to borrowings thereunder is generally LIBOR plus an applicable margin of 3.25%. On June 22, 2017, the Company repaid the aggregate \$15,000,000 principal amount of the Term Loan, plus accrued and unpaid interest, as well as a \$192,005 make-whole premium, using proceeds from the Credit Facility.

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On January 18, 2011, the Company closed a private placement issuance of \$158,000,000 in aggregate principal amount of five-year, senior secured notes with a fixed interest rate of 6.50% and a maturity date of January 18, 2016 and \$17,000,000 in aggregate principal amount of seven-year, senior secured notes with a fixed interest rate of 6.60% and a maturity date of January 18, 2018 (collectively, the “Senior Secured Notes”). The \$158,000,000 five-year, senior secured notes matured on January 18, 2016 and were repaid using proceeds from the Company’s Credit Facility. On April 17, 2017, the Company redeemed the \$17,000,000 aggregate principal amount of 6.60% senior secured notes due 2018, using proceeds from the Credit Facility. The notes were prepaid at 100% of the principal amount, plus accrued and unpaid interest through the prepayment date, as well as \$651,472 make-whole premium.

The Senior Secured Notes were sold to certain institutional accredited investors pursuant to an exemption from registration under the Securities Act of 1933, as amended. Interest on the Senior Secured Notes is due semi-annually on January 18 and July 18, commencing on July 18, 2011.

On February 19, 2013, the Company closed a private offering of \$100,000,000 in aggregate principal amount of 5.50% unsecured convertible senior notes due 2018 (the “Convertible Notes”). The initial purchasers of the Convertible Notes fully exercised their overallocation option and purchased an additional \$15,000,000 in aggregate principal amount of the Convertible Notes. The closing of the overallocation option took place on March 4, 2013. With the exercise of the overallocation option, a total of \$115,000,000 in aggregate principal amount of the Convertible Notes was sold. Net proceeds to the Company from the offering, including the exercise of the overallocation option, were approximately \$111,300,000. The Convertible Notes were only offered to qualified institutional buyers as defined in the Securities Act of 1933, as amended (the “Securities Act”) pursuant to Rule 144A under the Securities Act.

The Convertible Notes are unsecured and bear interest at a rate of 5.50% per year, payable semi-annually in arrears. In certain circumstances and during certain periods, the Convertible Notes are convertible into cash, shares of BlackRock Capital Investment Corporation’s common stock or a combination of cash and shares of the Company’s common stock, at the Company’s election, at an initial conversion rate of 86.0585 shares of common stock per \$1,000 principal amount of the Convertible Notes, which is equivalent to an initial conversion price of approximately \$11.62 per share of the Company’s common stock, subject to defined anti-dilution adjustments. The Company does not have the right to redeem the Convertible Notes prior to maturity. The Convertible Notes mature on February 15, 2018, unless repurchased or converted in accordance with their terms prior to such date.

On June 13, 2017, the Company issued \$143,750,000 in aggregate principal amount (\$125,000,000 of the initial offering and \$18,750,000 of the underwriters’ exercise of the overallocation option) of 5.00% Convertible Notes due 2022 (the “2022 Convertible Notes”) under an indenture, dated as of June 13, 2017. Net proceeds to the Company from the offering, including the exercise of the overallocation option, were approximately \$139,800,000. The 2022 Convertible Notes will mature on June 15, 2022, unless previously converted, repurchased or redeemed in accordance with their terms. The interest rate on the notes is 5.00% per year, payable semiannually in arrears on June 15 and December 15 of each year, commencing on December 15, 2017. Holders may convert their notes at their option prior to the close of business on the business day immediately preceding December 15, 2021, in integral multiples of \$1,000 principal amount, only under certain circumstances. Upon conversion of a note, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election at an initial conversion rate of 118.2173 shares of common stock per \$1,000 principal amount of notes, which is equivalent to an initial conversion price of approximately \$8.46 per share of the Company’s common stock. On or after December 23, 2021, the Company may redeem the 2022 Convertible Notes for cash, in whole or from time to time in part, at its option in accordance with their terms.

The 2022 Convertible Notes are accounted for in accordance with ASC 470-20, *Debt – Debt with Conversion and Other Options* (“ASC 470-20”). The Company has determined that the embedded conversion options in the 2022 Convertible Notes are not required to be separately accounted for as a derivative under U.S. GAAP. In accounting for the 2022 Convertible Notes, at the time of issuance the Company estimated separate

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debt and equity components, and an original issue discount equal to the equity component was recorded in additional paid in capital in the accompanying Consolidated Balance Sheet.

The Company's outstanding debt as of June 30, 2017 and December 31, 2016 was as follows:

	As of					
	June 30, 2017			December 31, 2016		
	Total Aggregate Principal Amount Available(1)	Principal Amount Outstanding	Carrying Value	Total Aggregate Principal Amount Available(1)	Principal Amount Outstanding	Carrying Value
Credit Facility	\$440,000,000(2)	\$ 46,000,000	\$ 46,000,000	\$440,000,000(2)	\$190,000,000	\$ 190,000,000
Senior Secured Notes	—	—	— (5)	17,000,000	17,000,000	16,973,708(5)
Convertible Notes	115,000,000	115,000,000	114,359,852(3)	115,000,000	115,000,000	113,856,080(4)
2022 Convertible Notes	143,750,000	143,750,000	135,129,021(7)	—	—	—
Term Loan	—	—	— (6)	15,000,000	15,000,000	14,838,118(6)
	<u>\$698,750,000</u>	<u>\$304,750,000</u>	<u>\$ 295,488,873</u>	<u>\$587,000,000</u>	<u>\$337,000,000</u>	<u>\$ 335,667,906</u>

- (1) Subject to borrowing base and leverage restrictions.
- (2) Provides for a feature that allows the Company, under certain circumstances, up to a total of \$750,000,000.
- (3) Represents the aggregate principal amount outstanding of the Convertible Notes less an unaccreted discount initially recorded upon issuance and unamortized debt issuance costs of \$155,474 and \$484,674, respectively, as of June 30, 2017.
- (4) Represents the aggregate principal amount outstanding of the Convertible Notes less an unaccreted discount initially recorded upon issuance and unamortized debt issuance costs of \$277,828 and \$866,092, respectively, as of December 31, 2016.
- (5) Represents the aggregate principal amount outstanding of the Senior Secured Notes less unamortized debt issuance costs of \$26,292 at December 31, 2016. No longer outstanding at June 30, 2017.
- (6) Represents the aggregate principal amount outstanding of the Term Loan less unamortized debt issuance costs of \$161,882 at December 31, 2016. No longer outstanding at June 30, 2017.
- (7) Represents the aggregate principal amount outstanding of the 2022 Convertible Notes less an unaccreted discount initially recorded upon issuance and unamortized debt issuance costs of \$4,302,284 and \$4,318,695, respectively, as of June 30, 2017.

At June 30, 2017, the Company had \$46,000,000 drawn on the Credit Facility versus \$190,000,000 at December 31, 2016. Subject to compliance with applicable covenants and borrowing base limitations, the remaining amount available under the Credit Facility was \$394,000,000 at June 30, 2017 and \$250,000,000 at December 31, 2016. The Company's average outstanding debt balance during the three and six months ended June 30, 2017 was \$334,668,593 and \$329,257,489, respectively, and during the three and six months ended June 30, 2016 was \$408,391,544 and \$399,816,998, respectively. The maximum amounts borrowed during the three and six months ended June 30, 2017 were \$412,247,365 and \$412,247,365, respectively, and during the three and six months ended June 30, 2016 were \$452,539,653 and \$452,539,653, respectively.

Amortization of \$575,102 and \$967,138 related to debt issuance costs are included in interest expense within the consolidated statements of operations for the three and six months ended June 30, 2017. Amortization of \$406,646 and \$839,161 related to debt issuance costs are included in interest expense within the consolidated statements of operations for the three and six months ended June 30, 2016.

The weighted average annual interest cost for the three and six months ended June 30, 2017 was 6.01% and 5.36%, respectively, exclusive of commitment fees of \$250,031 and \$497,063, respectively. The weighted average annual interest cost for the three and six months ended June 30, 2016 was 3.91% and 4.23%,

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respectively, exclusive of commitment fees of \$168,896 and \$359,167, respectively. With respect to any unused portion of the commitments under the Credit Facility, the Company incurs an annual commitment fee of 0.375%.

Under the Credit Facility, the Company is required to comply with various affirmative and restrictive covenants, reporting requirements and other customary requirements for similar debt facilities, including, without limitation, covenants related to: (a) limitations on the incurrence of additional indebtedness and liens, (b) limitations on certain investments, (c) limitations on distributions and certain other restricted payments, (d) certain restrictions on subsidiaries and fundamental changes thereto, (e) maintaining a certain minimum shareholders' equity, (f) maintaining an asset coverage ratio of not less than 2.0:1.0, (g) limitations on certain transactions with affiliates, (h) limitations on pledging certain unencumbered assets, and (i) limitations on the creation or existence of agreements that prohibit liens on certain properties of the Company and certain of its subsidiaries. These covenants are subject to important limitations and exceptions that are described in the governing documents. Further, amounts available to borrow under the Credit Facility (and the incurrence of certain other permitted debt) are also subject to compliance with a borrowing base that applies different advance rates to different types of assets in the Company's portfolio that are pledged as collateral. The Credit Facility is secured by a lien on substantially all of the assets of the Company and its subsidiaries.

The Convertible Notes and 2022 Convertible Notes contain certain covenants, including covenants requiring the Company to reserve shares of common stock for the purpose of satisfying all obligations to issue the underlying securities upon conversion of the securities and to furnish to holders of the securities upon request, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

At June 30, 2017, the Company was in compliance with all covenants required under the Credit Facility, Convertible Notes and 2022 Convertible Notes.

8. Capital stock

During April 2016, the Board of Directors approved an increase to the remaining amount of shares authorized to be repurchased to a total of 2,500,000 shares, and an extension to the plan until the earlier of June 30, 2017 or such time that all of the authorized shares have been repurchased. During May 2017, the Board of Directors approved an increase to the remaining amount of shares authorized to be repurchased, effective July 1, 2017, to a total of 2,500,000 shares, and an extension to the plan until the earlier of June 30, 2018 or such time that all of the authorized shares have been repurchased. During the three and six months ended June 30, 2016, the Company purchased a total of 541,851 and 1,904,064 shares, respectively, of its common stock on the open market for \$4,083,719 and \$16,093,205, respectively, including brokerage commissions. No such shares were purchased for the three and six months ended June 30, 2017. Since inception of the repurchase plan through June 30, 2017, the Company has purchased 4,551,965 shares of its common stock on the open market for \$36,302,821, including brokerage commissions. At June 30, 2017, the total number of remaining shares authorized for repurchase was 1,958,149. The Company currently holds the shares it repurchased in treasury.

9. Guarantees, commitments and contingencies

In the normal course of business, the Company may enter into guarantees on behalf of portfolio companies. Under these arrangements, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. There were no such guarantees outstanding at June 30, 2017 and December 31, 2016. In addition, from time to time, the Company may provide for a commitment to a portfolio company for investment in an existing or new security. At June 30, 2017 and December 31, 2016, the Company was obligated to existing portfolio companies for unfunded commitments of \$35.2 million and \$43.5 million, respectively. Of the \$35.2 million and \$43.5 million total unfunded commitments at June 30, 2017 and December 31, 2016, respectively, \$28.6 million and \$42.5 million was on our aggregate \$85.0 million equity commitment to BCIC Senior Loan Partners, LLC (See Note 5). The aggregate fair value of unfunded commitments at June 30, 2017 and December 31, 2016 was \$35.2 million and \$42.6 million, respectively. We maintain sufficient cash on hand and available borrowings to fund such unfunded commitments should the need arise.

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In the normal course of business, the Company enters into contractual agreements that provide general indemnifications against losses, costs, claims and liabilities arising from the performance of individual obligations under such agreements. The Company has had no prior claims or payments pursuant to such agreements. The Company's individual maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on management's experience, the Company expects the risk of loss to be remote.

From time to time, we and the Advisor may be a party to certain legal proceedings incidental to the normal course of our business, including the enforcement of our rights under contracts with our portfolio companies. Further, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While we cannot predict the outcome of these legal proceedings with certainty, we do not expect that these proceedings will have a material effect on our consolidated financial statements.

10. Fair value of financial instruments

Fair Value Measurements and Disclosure

ASC 820-10 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. ASC 820-10 defines fair value as the price that the Company would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. ASC 820-10 emphasizes that valuation techniques maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Valuations based on unadjusted quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs into the determination of fair value may require significant management judgment or estimation.

Transfers between levels, if any, represent the value as of the beginning of the period of any investment where a change in the pricing level occurred from the beginning to the end of the period.

The Company's valuation policy and fair value disclosures are consistent with ASC 820-10. The Company evaluates the source of inputs, including any markets in which its investments are trading, in determining fair value and categorizes each investment within the fair value hierarchy pursuant to ASC 820-10.

Under the 1940 Act, the Company is required to separately identify non-controlled investments where it owns 5% or more of a portfolio company's outstanding voting securities as investments in "affiliated" companies. In addition, under the 1940 Act, the Company is required to separately identify investments where it owns more than 25% of a portfolio company's outstanding voting securities as investments in "controlled" companies. Detailed information with respect to the Company's non-controlled non-affiliated, non-controlled affiliated and controlled investments is contained in the accompanying consolidated schedules of investments and consolidated financial statements. The information in the tables below is presented on an aggregate portfolio basis, without segregating the non-controlled non-affiliated, non-controlled affiliated and controlled investment categories.

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The carrying values of the Company's financial instruments approximate fair value. The carrying values of receivables, other assets, accounts payable and accrued expenses approximate fair value due to their short maturities. The fair value of the Company's Credit Facility, Senior Secured Notes, Convertible Notes, 2022 Convertible Notes and Term Loan is derived by taking the average of the high and low quotes as obtained from a broker. The fair value of the Credit Facility, Senior Secured Notes, Convertible Notes, 2022 Convertible Notes and Term Loan would be classified as Level 2 with respect to the fair value hierarchy.

The carrying and fair values of the Company's outstanding debt as of June 30, 2017 and December 31, 2016 were as follows:

	June 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Credit Facility	\$ 46,000,000	\$ 43,470,000	\$ 190,000,000	\$ 179,550,000
Senior Secured Notes	—	—	16,973,708	17,752,420
Convertible Notes	114,359,852	117,428,528	113,856,080	118,163,837
2022 Convertible Notes	135,129,021	142,846,754	—	—
Term Loan	—	—	14,838,118	15,093,750
Total	<u>\$ 295,488,873</u>	<u>\$ 303,745,282</u>	<u>\$ 335,667,906</u>	<u>\$ 330,560,007</u>

The following tables summarize the fair values of the Company's investments and cash and cash equivalents based on the inputs used at June 30, 2017 and December 31, 2016 in determining such fair values:

	Fair Value at June 30, 2017	Fair Value Inputs at June 30, 2017		
		Price Quotations (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior secured notes	\$ 64,389,329	\$ —	\$ —	\$ 64,389,329
Unsecured debt	120,255,833	—	—	120,255,833
Subordinated debt	29,600,000	—	—	29,600,000
Senior secured loans	507,560,242	—	—	507,560,242
Preferred stock	56,484,414	—	—	56,484,414
Common stock	18,462,588	—	—	18,462,588
Limited partnership/limited liability company interests	96,511,515	—	—	96,511,515
Equity warrants/options	—	—	—	—
Total investments	893,263,921	—	—	893,263,921
Cash and cash equivalents	15,700,798	15,700,798	—	—
Total	<u>\$908,964,719</u>	<u>\$15,700,798</u>	<u>\$ —</u>	<u>\$ 893,263,921</u>

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	Fair Value at December 31, 2016	Fair Value Inputs at December 31, 2016		
		Price Quotations (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior secured notes	\$ 63,609,625	\$ —	\$ —	\$ 63,609,625
Unsecured debt	127,317,932	—	—	127,317,932
Subordinated debt	28,800,000	—	—	28,800,000
Senior secured loans	548,515,315	—	—	548,515,315
Preferred stock	57,873,127	—	—	57,873,127
Common stock	37,632,386	—	—	37,632,386
Limited partnership/limited liability company interests	67,257,747	—	—	67,257,747
Equity warrants/options	117,358	—	—	117,358
Total investments	931,123,490	—	—	931,123,490
Cash and cash equivalents	10,707,834	10,707,834	—	—
Total	\$941,831,324	\$10,707,834	\$ —	\$ 931,123,490

The valuation techniques used at June 30, 2017 and December 31, 2016 in determining the fair values of the Company's investments for which significant unobservable inputs were used were the market approach, income approach or both using third party valuation firms or broker quotes for identical or similar assets. The total fair market value using the market or income approach or both using third party valuation firms was \$893,263,921 and \$931,123,490 as of June 30, 2017 and December 31, 2016, respectively. Any remaining balance was determined using broker quotes for identical or similar assets.

The following is a reconciliation for the three months ended June 30, 2017 of investments for which Level 3 inputs were used in determining fair value:

	Fair Value at March 31, 2017	Amortization of Premium/ Discount - Net	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation or Depreciation	Purchases	Sales or Repayments	Net Transfers in and/or out of Level 3	Fair Value at June 30, 2017
Senior secured notes	\$ 65,033,438	\$ 77,379	\$ —	\$ (883,639)	\$ 162,151	\$ —	\$ —	\$ 64,389,329
Unsecured debt	127,754,735	—	—	(1,817,049)	7,377,776	(13,059,629)	—	120,255,833
Subordinated debt	28,800,000	—	—	—	800,000	—	—	29,600,000
Senior secured loans	564,090,631	471,190	—	(1,295,898)	3,213,253	(58,918,934)	—	507,560,242
Preferred stock	52,459,434	—	—	3,747,862	277,118	—	—	56,484,414
Common stock	18,614,930	—	—	(297,618)	145,276	—	—	18,462,588
Limited partnership/LLC Interest	82,092,281	—	—	3,498,783	10,920,451	—	—	96,511,515
Equity warrants/options	—	—	—	—	—	—	—	—
Total investments	\$938,845,449	\$ 548,569	\$ —	\$ 2,952,441	\$22,896,025	\$ (71,978,563)	\$ —	\$893,263,921

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The following is a reconciliation for the six months ended June 30, 2017 of investments for which Level 3 inputs were used in determining fair value:

	Fair Value at December 31, 2016	Amortization of Premium/ Discount - Net	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation or Depreciation	Purchases	Sales or Repayments	Net Transfers in and/or out of Level 3	Fair Value at June 30, 2017
Senior secured notes	\$ 63,609,625	\$ 153,909	\$(13,682,622)	\$ 14,146,266	\$ 5,162,151	\$ (5,000,000)	\$ —	\$ 64,389,329
Unsecured debt	127,317,932	—	—	(3,281,289)	12,808,448	(16,589,258)	—	120,255,833
Subordinated debt	28,800,000	—	—	—	800,000	—	—	29,600,000
Senior secured loans	548,515,315	1,274,613	(34,071,371)	32,206,815	95,344,104	(135,709,234)	—	507,560,242
Preferred stock	57,873,127	—	2,449,618	3,519,460	466,145	(7,823,936)	—	56,484,414
Common stock	37,632,386	—	3,369,690	(2,733,864)	218,571	(20,024,195)	—	18,462,588
Limited partnership/LLC Interest	67,257,747	—	(9,638,439)	9,334,387	30,497,089	(939,269)	—	96,511,515
Equity warrants/options	117,358	—	(994,155)	1,068,780	—	(191,983)	—	—
Total investments	\$ 931,123,490	\$ 1,428,522	\$(52,567,279)	\$ 54,260,555	\$145,296,508	\$(186,277,875)	\$ —	\$893,263,921

The following is a reconciliation for the three months ended June 30, 2016 of investments for which Level 3 inputs were used in determining fair value:

	Fair Value at March 31, 2016	Amortization of Premium/ Discount - Net	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation or Depreciation	Purchases	Sales or Repayments	Net Transfers in and/or out of Level 3	Fair Value at June 30, 2016
Senior secured notes	\$ 104,407,930	\$ 138,557	\$ —	\$ (1,133,862)	\$ —	\$ (1,050,000)	\$ —	\$ 102,362,625
Unsecured debt	137,619,123	1	—	(6,260,313)	14,806,639	(29,882,962)	—	116,282,488
Subordinated debt	19,848,119	—	—	—	6,160,000	—	—	26,008,119
Senior secured loans	742,739,952	1,682,460	(30,844,001)	15,430,294	28,358,832	(128,447,614)	—	628,919,923
Preferred stock	50,718,415	(1)	241,027	(3,185,857)	16,402,184	(241,027)	—	63,934,741
Common stock	41,998,485	(1)	(744,450)	132,923	7,500,000	(21,500)	—	48,865,457
Limited partnership/LLC Interest	27,469,567	—	(75,907)	(4,602,762)	3,074,868	(1,307,271)	—	24,558,495
Equity warrants/options	1,555,539	—	448,886	(559,127)	—	(453,886)	—	991,412
Total investments	\$1,126,357,130	\$ 1,821,016	\$(30,974,445)	\$ (178,704)	\$76,302,523	\$(161,404,260)	\$ —	\$1,011,923,260

The following is a reconciliation for the six months ended June 30, 2016 of investments for which Level 3 inputs were used in determining fair value:

	Fair Value at December 31, 2015	Amortization of Premium/ Discount - Net	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation or Depreciation	Purchases	Sales or Repayments	Net Transfers in and/or out of Level 3	Fair Value at June 30, 2016
Senior secured notes	\$ 69,875,250	\$ 388,851	\$ —	\$ (3,601,476)	\$ 36,750,000	\$ (1,050,000)	\$ —	\$ 102,362,625
Unsecured debt	126,476,842	—	—	(11,108,961)	30,797,569	(29,882,962)	—	116,282,488
Subordinated debt	42,608,119	—	—	—	8,400,000	(25,000,000)	—	26,008,119
Senior secured loans	756,394,823	2,200,365	(30,844,001)	(30,404,934)	67,892,070	(136,318,400)	—	628,919,923
Preferred stock	43,533,360	(1)	241,027	3,251,551	17,149,831	(241,027)	—	63,934,741
Common stock	46,629,914	(1)	(744,450)	(4,941,603)	7,943,097	(21,500)	—	48,865,457
Limited partnership/ LLC Interest	28,553,438	—	(41,023)	(7,948,715)	5,336,950	(1,342,155)	—	24,558,495
Equity warrants/options	2,924,818	—	448,886	(1,928,406)	—	(453,886)	—	991,412
Total investments	\$1,116,996,564	\$ 2,589,214	\$(30,939,561)	\$ (56,682,544)	\$174,269,517	\$(194,309,930)	\$ —	\$1,011,923,260

There were no transfers between Levels during the three and six months ended June 30, 2017 and 2016. All realized and unrealized gains and losses are included in earnings (changes in net assets) and are reported as separate line items within the Company's consolidated statements of operations.

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Net change in unrealized appreciation (depreciation) for the six months ended June 30, 2017 and 2016 on investments still held by the Company at the respective period ends, for which Level 3 inputs were used in determining fair value was \$2,512,245 and (\$62,007,486), respectively.

The significant unobservable inputs used in the market approach of fair value measurement of the Company's investments are the market multiples of earnings before income tax, depreciation and amortization ("EBITDA") of the comparable guideline public companies. The independent valuation firms select a population of public companies for each investment with similar operations and attributes of the subject company. Using these guideline public companies' data, a range of multiples of enterprise value to EBITDA is calculated. The independent valuation firms select percentages from the range of multiples for purposes of determining the subject company's estimated enterprise value based on said multiple and generally the latest twelve months EBITDA of the subject company (or other meaningful measure). Significant increases or decreases in the multiple will result in an increase or decrease in enterprise value, resulting in an increase or decrease in the fair value estimate of the investment.

The significant unobservable input used in the income approach of fair value measurement of the Company's investments is the discount rate or market yield used to discount the estimated future cash flows expected to be received from the underlying investment, which include both future principal and interest payments. Significant increases or decreases in the discount rate or market yield would result in a decrease or increase in the fair value measurement. Included in the consideration and selection of discount rates or market yields are the following factors: risk of default, rating of the investment and comparable company investments, and call provisions.

The ranges of significant unobservable inputs used in the fair value measurement of the Company's Level 3 investments as of June 30, 2017 were as follows:

	<u>Low</u>	<u>High</u>	<u>Weighted Average</u>
EBITDA Multiples:			
Senior secured notes	4.00x	5.00x	4.64x
Unsecured debt	6.56x	7.50x	7.03x
Subordinated debt	n/a	n/a	n/a
Senior secured loans	6.65x	8.34x	7.50x
Preferred stock	7.00x	7.73x	7.36x
Common stock	7.00x	7.50x	7.25x
Limited partnerships/LLC interest	7.18x	8.20x	7.68x
Equity warrants/options	n/a	n/a	n/a
Market Yields:			
Senior secured notes	10.18%	11.23%	10.96%
Unsecured debt	n/a	n/a	n/a
Subordinated debt	n/a	n/a	n/a
Senior secured loans	10.28%	11.12%	10.78%
Preferred stock	n/a	n/a	n/a
Common stock	n/a	n/a	n/a
Limited partnerships/LLC interest	n/a	n/a	n/a
Equity warrants/options	n/a	n/a	n/a

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	<u>Low</u>	<u>High</u>	<u>Weighted Average</u>
Book Value:			
Senior secured notes	n/a	n/a	n/a
Unsecured debt	1.05x	1.15x	1.10x
Subordinated debt	0.95x	1.05x	1.00x
Senior secured loans	n/a	n/a	n/a
Preferred stock	1.09x	1.21x	1.15x
Common stock	1.05x	1.15x	1.10x
Limited partnerships/LLC interests	0.95x	1.05x	1.00x
Equity warrants/options	n/a	n/a	n/a

Net Asset Value:			
Senior secured notes	n/a	n/a	n/a
Unsecured debt	n/a	n/a	n/a
Subordinated debt	n/a	n/a	n/a
Senior secured loans	n/a	n/a	n/a
Preferred stock	n/a	n/a	n/a
Common stock	n/a	n/a	n/a
Limited partnerships/LLC interests	0.90x	1.10x	1.00x
Equity warrants/options	n/a	n/a	n/a

The ranges of significant unobservable inputs used in the fair value measurement of the Company's Level 3 investments as of December 31, 2016 were as follows:

	<u>Low</u>	<u>High</u>	<u>Weighted Average</u>
EBITDA Multiples:			
Senior secured notes	4.00x	5.00x	4.38x
Unsecured debt	6.75x	7.75x	7.25x
Subordinated debt	n/a	n/a	n/a
Senior secured loans	6.16x	7.41x	6.82x
Preferred stock	7.00x	7.65x	7.32x
Common stock	9.17x	10.04x	9.88x
Limited partnerships/LLC interests	8.04x	8.91x	8.27x
Equity warrants/options	10.00x	11.00x	10.88x

Market Yields:			
Senior secured notes	11.20%	11.88%	11.65%
Unsecured debt	24.25%	24.75%	24.50%
Subordinated debt	n/a	n/a	n/a
Senior secured loans	10.41%	11.24%	10.81%
Preferred stock	n/a	n/a	n/a
Common stock	n/a	n/a	n/a
Limited partnerships/LLC interests	n/a	n/a	n/a
Equity warrants/options	n/a	n/a	n/a

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	<u>Low</u>	<u>High</u>	<u>Weighted Average</u>
Book Value:			
Senior secured notes	n/a	n/a	n/a
Unsecured debt	1.03x	1.13x	1.08x
Subordinated debt	0.95x	1.05x	1.00x
Senior secured loans	n/a	n/a	n/a
Preferred stock	1.06x	1.17x	1.12x
Common stock	1.03x	1.13x	1.08x
Limited partnerships/LLC interests	0.95x	1.05x	1.00x
Equity warrants/options	n/a	n/a	n/a
Net Asset Value:			
Senior secured notes	n/a	n/a	n/a
Unsecured debt	n/a	n/a	n/a
Subordinated debt	n/a	n/a	n/a
Senior secured loans	n/a	n/a	n/a
Preferred stock	n/a	n/a	n/a
Common stock	n/a	n/a	n/a
Limited partnerships/LLC interests	0.90x	1.10x	1.00x
Equity warrants/options	n/a	n/a	n/a

11. Financial highlights

The following per share data and ratios have been derived from information provided in the consolidated financial statements. The following is a schedule of financial highlights for a common share outstanding during the six months ended June 30, 2017 and 2016:

	<u>Six months ended June 30, 2017</u>	<u>Six months ended June 30, 2016</u>
Per Share Data:		
Net asset value, beginning of period	\$ 8.21	\$ 10.17
Net investment income	0.39	0.54
Net realized and unrealized gain (loss)	0.04	(1.19)
Total from investment operations	0.43	(0.65)
Distributions to stockholders from net investment income	(0.36)	(0.42)
Purchases of treasury stock at prices below net asset value	—	0.04
Issuance of convertible notes	0.06	—
Issuance/reinvestment of stock at prices (below) above net asset value	(0.00)	(0.00)
Net increase (decrease) in net assets	0.13	(1.04)
Net asset value, end of period	<u>\$ 8.33</u>	<u>\$ 9.13</u>
Market price, end of period	<u>\$ 7.49</u>	<u>\$ 7.78</u>
Total return(1)(2)	13.72%	(13.29)%

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	Six months ended June 30, 2017	Six months ended June 30, 2016
Ratios / Supplemental Data:		
Ratio of operating expenses to average net assets(3)(4)	5.41%	4.35%
Ratio of interest and other debt related expenses to average net assets(3)	3.11%	2.49%
Ratio of total expenses to average net assets(3)(5)	8.52%	6.84%
Ratio of net investment income to average net assets(3)	9.57%	11.06%
Net assets, end of period	\$607,513,218	\$661,442,436
Average debt outstanding	\$329,257,489	\$399,816,998
Weighted average shares outstanding	72,867,332	72,903,681
Average debt per share(6)	\$ 4.52	\$ 5.48
Portfolio turnover(2)	16%	16%

Figures may not foot due to rounding

(1) Total return is based on the change in market price per share during the respective periods. Total return calculations take into account distributions, if any, reinvested in accordance with the Company's dividend reinvestment plan and do not reflect brokerage commissions.

(2) Not annualized.

(3) Annualized.

(4) Ratio excluding incentive fees based on income for the six months ended June 30, 2017 and 2016 is 4.20% and 4.35%, respectively.

(5) Ratio excluding incentive fees based on income for the six months ended June 30, 2017 and 2016 is 7.32% and 6.84%, respectively.

(6) Average debt per share is calculated as average debt outstanding divided by the weighted average shares outstanding during the applicable period.

12. Subsequent events

On August 1, 2017, the Company's Board of Directors declared a distribution of \$0.18 per share, payable on October 2, 2017 to stockholders of record at the close of business on September 18, 2017.

The Company has reviewed subsequent events occurring through the date that these consolidated financial statements were available to be issued, and determined that no subsequent events occurred requiring accrual or disclosure, except as disclosed above and elsewhere in these notes to consolidated financial statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The information contained in this section should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report.

This report, and other statements that we may make, may contain forward-looking statements with respect to future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as “trend,” “opportunity,” “pipeline,” “believe,” “comfortable,” “expect,” “anticipate,” “current,” “intention,” “estimate,” “position,” “assume,” “potential,” “outlook,” “continue,” “remain,” “maintain,” “sustain,” “seek,” “achieve” and similar expressions, or future or conditional verbs such as “will,” “would,” “should,” “could,” “may” or similar expressions.

Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and we assume no duty to and do not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to factors previously identified elsewhere in the reports BlackRock Capital Investment Corporation has filed with the Securities and Exchange Commission (the “SEC”), the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital, including our ability to obtain continued financing on favorable terms;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the impact of increased competition;
- the ability of the Advisor to locate suitable investments for us and to monitor and administer our investments;
- changes in law and policy accompanying the new administration and uncertainty pending any such changes;
- increased geopolitical unrest, terrorist attacks or acts of war, which may adversely affect the general economy, domestic and local financial and capital markets, or the specific industries of our portfolio companies;
- changes and volatility in political, economic or industry conditions, the interest rate environment, foreign exchange rates or financial and capital markets;
- the unfavorable resolution of legal proceedings; and
- the impact of changes to tax legislation and, generally, our tax position.

Overview

We were incorporated in Delaware on April 13, 2005 and commenced operations with private funding on July 25, 2005, and completed our initial public offering on July 2, 2007. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in middle-market companies in the form of senior and junior secured and unsecured debt securities and loans, each of which may include an equity component, and by making direct preferred, common and other equity investments in such companies.

We are externally managed and have elected to be regulated as a BDC under the 1940 Act. As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in “qualifying assets,” including securities of private or thinly traded public U.S. companies, cash, cash equivalents, U.S. Government securities and high-quality debt investments that mature in one year or less.

Certain items previously reported may have been reclassified to conform to the current year presentation.

Investments

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to middle-market companies, the level of merger and acquisition activity, the general economic environment and the competitive environment for the types of investments we make.

As a BDC, we generally do not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in “eligible portfolio companies.” Under the relevant SEC rules, the term “eligible portfolio company” includes most private companies, companies whose securities are not listed on a national securities exchange, and certain public companies that have listed their securities on a national securities exchange and have a market capitalization of less than \$250 million. These rules also permit us to include as qualifying assets certain follow-on investments in companies that were eligible portfolio companies at the time of initial investment but that no longer meet the definition.

Revenues

We generate revenues primarily in the form of interest on the debt we hold, dividends on our equity interests and capital gains on the sale of warrants and other debt or equity interests that we acquire in portfolio companies. Our investments in fixed income instruments generally have an expected maturity of three to ten years, although we have no lower or upper constraint on maturity, and typically bear interest at a fixed or floating rate. Interest on our debt securities is generally payable quarterly or semi-annually. In some cases, our debt instruments and preferred stock investments may defer payments of cash interest or dividends or pay interest or dividends in-kind. Any outstanding principal amount of our debt securities and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of prepayment fees, commitment, origination, capital structuring fees and fees for providing significant managerial assistance.

Expenses

Our primary operating expenses include the payment of a base management fee and, depending on our operating results, an incentive management fee, interest and credit facility fees, expenses reimbursable under the management agreement, administration fees and the allocable portion of overhead under the administration agreement. The base management fee and incentive management fee compensate the Advisor for work in identifying, evaluating, negotiating, closing and monitoring our investments. Our management agreement with

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the Advisor provides that we will reimburse the Advisor for costs and expenses incurred by the Advisor for office space rental, office equipment and utilities allocable to the Advisor under the management agreement, as well as any costs and expenses incurred by the Advisor relating to any non-investment advisory, administrative or operating services provided by the Advisor to us. We bear all other costs and expenses of our operations and transactions.

Critical accounting policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ.

Management considers the significant accounting policies important to understanding the consolidated financial statements. In addition to the discussion below, our significant accounting policies are further described in the notes to the consolidated financial statements. See Note 2 to the consolidated financial statements for a description of significant accounting policies and of recently issued accounting pronouncements. Management considers Investments to be an area deemed a critical accounting policy.

Financial and operating highlights

At June 30, 2017:

Investment Portfolio: \$893.3 million
Net Assets: \$607.5 million
Indebtedness (borrowings under Credit Facility, Convertible Notes and
2022 Convertible Notes): \$300.3 million
Net Asset Value per share: \$8.33

Portfolio Activity for the Three Months Ended June 30, 2017:

Cost of investments during period, including PIK: \$22.8 million
Sales, repayments and other exits during period: \$72.0 million
Number of portfolio companies at end of period: 34

Operating Results for the Three Months Ended June 30, 2017:

Net investment income per share: \$0.19
Distributions declared per share: \$0.18
Basic earnings per share: \$0.23
Net investment income: \$13.9 million
Net realized and unrealized gain: \$3.1 million
Net increase in net assets from operations: \$17.0 million

Net investment income per share, as adjusted¹: \$0.19
Basic earnings per share, as adjusted¹: \$0.23
Net investment income, as adjusted¹: \$13.9 million
Net increase in net assets from operations, as adjusted¹: \$17.0 million

As Adjusted¹: Amounts are adjusted to remove the incentive management fee expense based on gains, as required by GAAP, and to include only the incremental incentive management fee expense based on income. Until March 6, 2017, the incremental incentive management fee is calculated based on the current quarter's incremental earnings, and without any reduction for incentive management fees paid during the prior calendar

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quarters. After March 6, 2017, incentive management fee expense based on income is calculated for each calendar quarter and may be paid on a quarterly basis if certain thresholds are met. Amounts reflect the Company's ongoing operating results and reflect the Company's financial performance over time.

Portfolio and investment activity

We invested \$22.8 million during the three months ended June 30, 2017. The new investments consisted of senior secured loans secured by first liens (\$3.2 million, or 14.1%), senior secured notes (\$0.2 million, or 0.7%) and unsecured or subordinated debt securities and equity securities (\$19.4 million, or 85.2%). Additionally, we received proceeds from sales/repayments and other exits of approximately \$72.0 million during the three months ended June 30, 2017.

Concentration of our assets in an issuer, industry or sector may present certain risks. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. At June 30, 2017, our portfolio of \$893.3 million (at fair value) consisted of 34 portfolio companies and was invested 57% in senior secured loans, 19% in equity investments, 17% in unsecured or subordinated debt securities, and 7% in senior secured notes. Our average investment by portfolio company at amortized cost, excluding investments below \$5.0 million, was approximately \$33.0 million at June 30, 2017. Our largest portfolio company investment by value was approximately \$81.0 million and our five largest portfolio company investments by value comprised approximately 28% of our portfolio at June 30, 2017. At December 31, 2016, our portfolio of \$931.1 million (at fair value) consisted of 38 portfolio companies and was invested 59% in senior secured loans, 17% in unsecured or subordinated debt securities, 17% in equity investments and 7% in senior secured notes. Our average investment by portfolio company at amortized cost, excluding investments below \$5.0 million, was approximately \$31.8 million at December 31, 2016. Our largest portfolio company investment by value was approximately \$87.4 million and our five largest portfolio company investments by value comprised approximately 27% of our portfolio at December 31, 2016.

In addition, we may, from time to time, invest a substantial portion of our assets in the securities of issuers in any single industry or sector of the economy or in only a few issuers. A downturn in an industry or sector in which we are concentrated could have a larger impact on us than on a company that does not concentrate in that particular industry or sector. Our Advisor monitors industry and sector uncertainties on an ongoing basis, including substantial regulatory challenges in the healthcare sector, volatility and extensive government regulation in the financial services sector, cyclical risks associated with the overall economy that may affect the consumer products sector, risks related to the costs of raw materials and energy affecting the chemicals sector, cyclical risk within the energy sector as a result of fluctuations in commodity prices and demand for, and production of commodities, among various other industry and sector uncertainties due to certain exposures. At June 30, 2017, our top three industry concentrations at fair value consisted of Finance (23.0%), Chemicals, Plastics, & Rubber (13.2%) and Services: Business (10.6%). At December 31, 2016, our top three industry concentrations at fair value consisted of Finance (21.1%), Chemicals, Plastics, & Rubber (12.3%) and Services: Business (11.4%) (See Note 5).

The weighted average yield of the debt and income producing equity securities in our portfolio at fair value was 11.3% at June 30, 2017 and 11.7% at December 31, 2016. The weighted average yields on our senior secured loans and other debt securities at fair value were 11.0% and 12.6%, respectively, at June 30, 2017, versus 11.3% and 12.4%, respectively, at December 31, 2016. The weighted average yield of the debt and income producing equity securities in our portfolio at their current cost basis was 10.9% at June 30, 2017 and 10.5% at December 31, 2016. The weighted average yields on our senior secured loans and other debt securities at their current cost basis were 10.8% and 11.4%, respectively, at June 30, 2017, versus 10.5% and 10.8%, respectively, at December 31, 2016. Yields exclude common equity investments, preferred equity investments with no stated dividend rate, short-term investments, and cash and cash equivalents.

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For the three and six months ended June 30, 2017, the total return based on net asset value was 3.9% and 7.2%, respectively, and, the total return based on market price was 1.7% and 13.7%, respectively. For the three and six months ended June 30, 2016, the total return based on net asset value was (1.3%) and (5.9%), respectively, and, the total return based on market price was (15.4%) and (13.3%), respectively. Total returns are historical and are calculated by determining the percentage change in the net asset value or market price with all distributions reinvested, if any. Distributions are assumed to be reinvested in accordance with the Company's dividend reinvestment plan and do not reflect brokerage commissions.

The Advisor generally employs a grading system for our entire portfolio. The Advisor grades all loans on a scale of 1 to 4. This system is intended to reflect the performance of the borrower's business, the collateral coverage of the loans and other factors considered relevant. Generally, the Advisor assigns only one loan grade to each portfolio company for all loan investments in that portfolio company; however, the Advisor will assign multiple ratings when appropriate for different investments in one portfolio company. The following is a description of the conditions associated with each investment rating:

Grade 1: Investments in portfolio companies whose performance is substantially within the Advisor's expectations and whose risk factors are neutral to favorable to those at the time of the original investment.

Grade 2: Investments in portfolio companies whose performance is below the Advisor's expectations and that require closer monitoring; however, no loss of investment return (interest and/or dividends) or principal is expected.

Grade 3: Investments in portfolio companies whose performance is below the Advisor's expectations and for which risk has increased materially since origination. Some loss of investment return is expected, but no loss of principal is expected. Companies graded 3 generally will be out of compliance with debt covenants and will be unlikely to make debt repayments on their original schedule.

Grade 4: Investments in portfolio companies whose performance is materially below the Advisor's expectations where business trends have deteriorated and risk factors have increased substantially since the original investment. Investments graded 4 are those for which some loss of principal is expected.

The Advisor monitors and, when appropriate, changes the investment ratings assigned to each investment in our portfolio. In connection with our valuation process, the Advisor and Board of Directors review these investment ratings on a quarterly basis. Our average investment rating was 1.34 at June 30, 2017 and 1.35 at December 31, 2016. The following is a distribution of the investment ratings of our portfolio companies at June 30, 2017 and December 31, 2016:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Grade 1	\$ 722,064,211	\$ 696,150,783
Grade 2	78,779,747	133,487,483
Grade 3	52,437,279	88,655,801
Grade 4	39,977,197	5,005,487
Not Rated	5,487	7,823,936
Total investments	<u>\$ 893,263,921</u>	<u>\$ 931,123,490</u>

Results of operations

Results comparisons for the three months ended June 30, 2017 and 2016.

Investment income

Investment income totaled \$25,243,396 and \$33,428,788, respectively, for the three months ended June 30, 2017 and 2016, of which \$15,057,548 and \$22,513,964 were attributable to interest and fees on senior secured loans, \$7,190,177 and \$9,359,123 to interest and fees earned on other debt securities, \$2,388,270 and \$1,545,961 to dividends from equity securities and \$16,972 and \$9,740 to interest earned on cash equivalents, respectively. The 2017 total also includes a one-time insurance reimbursement related to a previously disclosed legal settlement in the amount of \$590,429. Excluding fee income and the one-time insurance reimbursement, the approximate 16% decline in investment income over the respective periods is primarily attributable to a 16% smaller overall portfolio, at amortized cost.

For the three months ended June 30, 2017, fee income was \$105,401 as compared to \$4,122,433 for the three months ended June 30, 2016. Of the prior period total, \$3,000,000 is from prepayment fees earned from the early repayment of two portfolio company investments. Interest income is comprised of approximately 16% of PIK interest for the three months ended June 30, 2017.

Expenses

Expenses for the three months ended June 30, 2017 and 2016 were \$14,147,959 and \$11,821,844, respectively, which consisted of \$4,139,347 and \$5,721,689 in base management fees, \$5,261,085 and \$4,154,021 in interest and credit facility fees, \$792,283 and \$559,375 in professional fees, \$391,283 and \$373,440 in investment advisor and administrative services expenses, \$145,249 and \$188,000 in director fees, and \$644,853 and \$825,319 in other expenses, respectively. Total expenses for the three months ended June 30, 2017 also consisted of \$2,773,859 of incentive fees based on income as compared to zero for the three months ended June 30, 2016. As previously disclosed, the Company's investment advisor, in consultation with the Company's Board of Directors has agreed to waive such incentive fees based on income through December 31, 2018 (See Note 3). The decrease in the current period base management fees is primarily due to the decrease in the rate used to calculate management fees from 2.0% of total assets to 1.75% of total assets, excluding cash, after March 6, 2017 (See Note 3). Interest and credit facility fees increased 27% over the respective quarters primarily due to a \$651,472 make-whole premium incurred in connection with the early redemption of our \$17.0 million Senior Secured Notes, as well as a \$192,005 make-whole premium incurred in connection with the early repayment of our \$15.0 million Term Loan. The increase in professional fees during the quarter was primarily due to the expensing of previously capitalized costs incurred in connection with prior year's shelf registration statements. Other expenses for the three months ended June 30, 2017 decreased as compared to the comparable 2016 quarter due largely to a one-time blocker tax expense incurred during 2016.

Net investment income (loss)

Net investment income (loss) was \$13,869,296 and \$21,606,944 for the three months ended June 30, 2017 and 2016, respectively. The decrease over the comparable quarter was due to an \$8,185,392 decline in investment income, partially a result of a \$4,017,032 decline in current quarter fees and partially a result of a smaller overall portfolio during the current quarter, taken in conjunction with the increase in interest and credit facility fees for the quarter. This net decrease was slightly offset by decreases in base management fees, and other expenses for the current quarter.

Net realized gain or loss

Net realized gain or loss for the three months ended June 30, 2017 was a net gain of \$8,362, comprised of a change in the anticipated escrow proceeds from our previously realized equity investment in Bankruptcy

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Management Solutions, Inc. Net realized gain or loss for the three months ended June 30, 2016 was a loss of \$30,974,445. The net loss was primarily driven by the \$30,375,000 net loss realized on the restructuring of our investments in the Hunter Defense Technologies, Inc. (“Hunter”) first and second lien loans during the quarter. Nearly the entire realized loss was reflected in unrealized depreciation in prior periods.

Net unrealized appreciation or depreciation

For the three months ended June 30, 2017 and 2016, the net change in unrealized appreciation or depreciation on investments and foreign currency translation was a decrease in net unrealized depreciation of \$3,097,717 and an increase of \$186,586, respectively. The current period appreciation was primarily comprised of \$3,966,977 of overall net increases due to portfolio valuations during the quarter, offset by \$869,260 of total unrealized depreciation primarily resulting from the reversal of previously recognized appreciation upon dispositions or restructurings, namely the U.S. Anesthesia Partners, Inc. exit. The 2016 period depreciation was primarily comprised of \$27,390,173 of overall net declines due to portfolio valuations during the quarter, offset by \$27,203,587 of total unrealized appreciation primarily resulting from the reversal of previously recognized depreciation upon dispositions, namely the Hunter restructuring.

Net increase or decrease in net assets resulting from operations

The net increase or decrease in net assets resulting from operations for the three months ended June 30, 2017 and 2016 was an increase of \$16,975,375 and a decrease of \$9,554,087, respectively. As compared to the prior period, the increase is reflective of an overall decrease in net investment income of \$7,737,648 period-over-period, taken in conjunction with a net realized and unrealized gain of \$3,106,079 for the current period, versus \$31,161,031 of net realized and unrealized loss for the three months ended June 30, 2016.

Results comparisons for the six months ended June 30, 2017 and 2016.

Investment income

Investment income totaled \$50,170,555 and \$63,265,957, respectively, for the six months ended June 30, 2017 and 2016, of which \$30,776,493 and \$42,891,359 were attributable to interest and fees on senior secured loans, \$14,337,447 and \$17,269,619 to interest and fees earned on other debt securities, \$4,445,371 and \$3,091,517 to dividends from equity securities and \$20,815 and \$13,462 to interest earned on cash equivalents, respectively. The 2017 total also includes a one-time insurance reimbursement related to a previously disclosed legal settlement in the amount of \$590,429. Excluding fee income and the one-time insurance reimbursement, the approximate 16% decline in investment income over the respective periods is primarily attributable to a 16% smaller average overall portfolio, at amortized cost.

For the six months ended June 30, 2017, fee income was \$715,593 as compared to \$4,933,716 for the six months ended June 30, 2016. Of the prior period total, \$3,000,000 is from prepayment fees earned from the early repayment of two portfolio company investments. Interest income is comprised of approximately 14% of PIK interest for the six months ended June 30, 2017.

Expenses

Expenses for the six months ended June 30, 2017 and 2016 were \$25,319,001 and \$24,180,764, respectively, which consisted of \$8,663,204 and \$11,412,179 in base management fees, \$9,248,165 and \$8,810,020 in interest and credit facility fees, \$1,357,393 and \$1,104,000 in professional fees, \$806,460 and \$930,940 in investment advisor and administrative services expenses, \$317,749 and \$361,500 in director fees, and \$1,342,988 and \$1,562,125 in other expenses, respectively. Total expenses for the six months ended June 30, 2017 also consisted of \$3,583,042 of incentive fees based on income as compared to zero for the six months ended June 30, 2016. As previously disclosed, the Company’s investment advisor, in consultation with the

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Company's Board of Directors has agreed to waive such incentive fees based on income through December 31, 2018 (See Note 3). The decrease in the current period base management fees is primarily due to the decrease in the rate used to calculate management fees from 2.0% of total assets to 1.75% of total assets, excluding cash, after March 6, 2017 (See Note 3). Interest and credit facility fees increased 5% over the respective periods primarily due to a \$651,472 make-whole premium incurred in connection with the early redemption of our \$17.0 million Senior Secured Notes, as well as a \$192,005 make-whole premium incurred in connection with the early repayment of our \$15.0 million Term Loan during the current quarter. The increase in professional fees during the period was primarily due to the expensing of previously capitalized costs incurred in connection with prior year's shelf registration statements. Other expenses for the six months ended June 30, 2017 decreased as compared to the comparable 2016 period due largely to a one-time blocker tax expense incurred during 2016.

Net investment income (loss)

Net investment income (loss) was \$28,434,596 and \$39,085,193 for the six months ended June 30, 2017 and 2016, respectively. The decrease over the comparable period was due to a \$13,095,402 decline in investment income, partially a result of a \$4,218,123 decline in current period fees and partially a result of a smaller overall average portfolio during the current year, taken in conjunction with the increase in interest and credit facility fees and professional fees for the period. This net decrease was slightly offset by decreases in base management fees, and other expenses for the current period.

Net realized gain or loss

Net realized gain or loss for the six months ended June 30, 2017 was a net loss of \$51,608,064. Of this total, \$57,392,431 of losses during the period were a result of restructurings or amendments of our debt investment in Advanced Lighting Technologies, Inc. ("Advanced Lighting"), and our debt and equity investments in U.S. Well Services, LLC ("USWS"), as well as the write-off of our investment in Shoreline Energy LLC ("Shoreline"). These losses were slightly offset by \$5,714,840 of gains realized on the sales of our equity investment in USI Senior Holdings, Inc. and our debt and equity investments in Bankruptcy Management Solutions, Inc. Nearly the entire realized loss was reflected in unrealized depreciation in prior periods. Net realized gain or loss for the six months ended June 30, 2016 was a loss of \$30,939,561. The net loss was primarily driven by the \$30,375,000 net loss realized on the restructuring of our investments in the Hunter Defense Technologies, Inc. ("Hunter") first and second lien loans. Nearly the entire realized loss was reflected in unrealized depreciation in prior periods.

Net unrealized appreciation or depreciation

For the six months ended June 30, 2017 and 2016, the change in net unrealized appreciation or depreciation on investments and foreign currency translation was a decrease in net unrealized depreciation of \$54,479,126 and an increase of \$55,874,488, respectively. The current period appreciation was primarily comprised of \$2,583,236 of overall net increases due to portfolio valuations during the period, as well as \$51,895,890 of total unrealized appreciation primarily resulting from the reversal of previously recognized depreciation upon dispositions or restructurings, namely Advanced Lighting, USWS and Shoreline. The increase in net unrealized depreciation for the six months ended June 30, 2016 was primarily comprised of \$81,741,621 of overall net declines due to portfolio valuations during the six month period, offset by \$25,867,133 of total unrealized appreciation resulting from the reversal of previously recognized depreciation upon dispositions, namely the Hunter restructuring.

Net increase or decrease in net assets resulting from operations

The net increase or decrease in net assets resulting from operations for the six months ended June 30, 2017 and 2016 was an increase of \$31,305,658 and a decrease of \$47,728,856, respectively. As compared to the prior period, the increase is reflective of an overall decrease in net investment income of \$10,650,597 period-over-

period, taken in conjunction with a net realized and unrealized gain of \$2,871,062 for the current period, versus \$86,814,049 of net realized and unrealized loss for the six months ended June 30, 2016.

Supplemental Non-GAAP information

We report our financial results on a GAAP basis; however, management believes that evaluating our ongoing operating results may be enhanced if investors have additional non-GAAP basis financial measures. Management reviews non-GAAP financial measures to assess ongoing operations and, for the reasons described below, considers them to be effective indicators, for both management and investors, of our financial performance over time. Management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Until March 6, 2017, we record our liability for Incentive Fees based on income as we become legally obligated to pay them, based on a hypothetical liquidation at the end of each reporting period. Our obligation to pay Incentive Fees with respect to any fiscal quarter until March 6, 2017 is based on a formula that reflects our results over a trailing four-fiscal quarter period ending with the pro-rated period until March 6, 2017. We are legally obligated to pay the amount resulting from the formula less any cash payments of Incentive Fees during the prior three quarters. The formula's requirement to reduce the Incentive Fees by amounts paid with respect to Incentive Fees in the prior three quarters has caused our Incentive Fees expense to become generally concentrated in the fourth quarter of each year. Management believes that reflecting Incentive Fees throughout the year, as the related investment income is earned on a quarterly basis, is an effective measure of our profitability and financial performance that facilitates comparison of current results with historical results and with those of our peers. Our "as adjusted" results reflect Incentive Fees based on the formula we utilize for each trailing four-fiscal quarter period until March 6, 2017, with the formula applied to each quarter's incremental earnings and without any reduction for Incentive Fees paid during the prior three quarters. The resulting amount represents an upper limit of each quarter's incremental Incentive Fees that we may become legally obligated to pay at the end of the year. Prior year amounts are estimated in the same manner. These estimates represent upper limits because, in any calendar year, subsequent quarters' investment underperformance could reduce the Incentive Fees payable with respect to prior quarters' operating results. After March 6, 2017, Incentive Fees based on income are calculated for each calendar quarter and may be paid on a quarterly basis if certain thresholds are met. We record our liability for incentive management fees based on capital gains by performing a hypothetical liquidation at the end of each reporting period. The accrual of this hypothetical capital gains incentive management fee is required by GAAP, but it should be noted that a fee so calculated and accrued is not due and payable until the end of the measurement period, or every June 30. The incremental incentive management fees disclosed for a given period are not necessarily indicative of actual full year results. Changes in the economic environment, financial markets and other parameters used in determining such estimates could cause actual results to differ and such differences could be material. See Note 3 to the consolidated financial statements in this Quarterly Report for a more detailed description of the Company's incentive management fee.

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Computations for all periods are derived from our consolidated financial statements as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
GAAP Basis:				
Net Investment Income (Loss)	\$ 13,869,296	\$ 21,606,944	\$ 28,434,596	\$ 39,085,193
Net Investment Income (Loss) per share	0.19	0.30	0.39	0.54
Addback: GAAP incentive management fee expense based on Gains	—	—	—	—
Addback: GAAP incentive management fee expense based on Income	—	—	—	—
Pre-Incentive Fee¹:				
Net Investment Income (Loss)	\$ 13,869,296	\$ 21,606,944	\$ 28,434,596	\$ 39,085,193
Net Investment Income (Loss) per share	0.19	0.30	0.39	0.54
Less: Incremental incentive management fee expense based on Income	—	—	—	—
As Adjusted²:				
Net Investment Income (Loss)	\$ 13,869,296	\$ 21,606,944	\$ 28,434,596	\$ 39,085,193
Net Investment Income (Loss) per share	0.19	0.30	0.39	0.54

Pre-Incentive Fee¹: Amounts are adjusted to remove all incentive management fees. Such fees are calculated but not necessarily due and payable at this time.

As Adjusted²: Amounts are adjusted to remove the incentive management fee expense based on gains, as required by GAAP, and to include only the incremental incentive management fee expense based on income. Until March 6, 2017, the incremental incentive management fee is calculated based on the current quarter's incremental earnings, and without any reduction for incentive management fees paid during the prior calendar quarters. After March 6, 2017, incentive management fee expense based on income is calculated for each calendar quarter and may be paid on a quarterly basis if certain thresholds are met. Amounts reflect the Company's ongoing operating results and reflect the Company's financial performance over time.

Financial condition, liquidity and capital resources

During the six months ended June 30, 2017, we generated operating cash flows primarily from investment dispositions, interest and fees received on senior secured loans and other debt securities.

Net cash provided by operating activities during the six months ended June 30, 2017 was \$67,419,037. Our primary sources of cash from operating activities during the period consisted of net proceeds from sales and repayments of \$186,347,401, as well as a net increase in net assets resulting from operations of \$31,305,658. Our primary uses of cash from operating activities during the period consisted of purchases of investments of \$145,077,933, which includes PIK of \$8,691,349.

Net cash used in financing activities during the six months ended June 30, 2017 was \$62,426,073. Our primary uses of cash from financing activities consisted of \$40,179,028 in borrowings under the Credit Facility and the issuance of the 2022 Convertible Notes, net of debt repayments under the Credit Facility, as well as cash distributions paid of \$26,584,676.

Contractual obligations

A summary of our significant contractual payment obligations for the repayment of outstanding borrowings at June 30, 2017 is as follows:

	Payments Due By Period (dollars in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Credit Facility(1)	\$ 46.0	\$ —	\$ —	\$ 46.0	\$ —
Convertible Notes	114.8	114.8	—	—	—
2022 Convertible Notes	139.4	—	—	139.4	—
Interest and Credit Facility Fees Payable	2.9	2.9	—	—	—

(1) At June 30, 2017, \$394.0 million remained unused under our Credit Facility.

Off-balance sheet arrangements

In the normal course of business, the Company may enter into guarantees on behalf of portfolio companies. Under these arrangements, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. There were no such guarantees outstanding at June 30, 2017 and December 31, 2016. In addition, from time to time, the Company may provide for a commitment to a portfolio company for investment in an existing or new security. At June 30, 2017 and December 31, 2016, the Company was obligated to existing portfolio companies for unfunded commitments of \$35.2 million and \$43.5 million, respectively. Of the \$35.2 million total unfunded commitments at June 30, 2017, \$28.6 million was on our aggregate \$85.0 million equity commitment to BCIC Senior Loan Partners, LLC (see Note 5 to the consolidated financial statements). We maintain sufficient cash on hand and available borrowings to fund such unfunded commitments should the need arise.

Distributions

Our quarterly distributions, if any, are determined by our Board of Directors. Distributions are declared considering our estimate of annual taxable income available for distribution to stockholders and the amount of taxable income carried over from the prior year for distribution in the current year. We cannot assure stockholders that they will receive any distributions at all or distributions at a particular level. The following table lists the quarterly distributions per share from our common stock since March 2015:

Distribution Amount Per Share Outstanding	Record Date	Payment Date
\$0.21	March 20, 2015	April 3, 2015
\$0.21	June 18, 2015	July 2, 2015
\$0.21	September 18, 2015	October 2, 2015
\$0.21	December 24, 2015	January 7, 2016
\$0.21	March 18, 2016	April 1, 2016
\$0.21	June 17, 2016	July 1, 2016
\$0.21	September 19, 2016	October 3, 2016
\$0.21	December 19, 2016	January 3, 2017
\$0.18	March 20, 2017	April 3, 2017
\$0.18	June 19, 2017	July 3, 2017

Tax characteristics of all distributions are reported to stockholders on Form 1099 after the end of the calendar year.

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We have elected to be taxed as a RIC under Subchapter M of the Code. In order to maintain favorable RIC tax treatment, we must distribute annually to our stockholders at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. Under the Regulated Investment Company Modernization Act of 2010, capital losses incurred by the Company after December 31, 2010 will not be subject to expiration. In addition, such losses must be utilized prior to the losses incurred in the years preceding enactment. In order to avoid certain excise taxes imposed on RICs, we must distribute during each calendar year an amount at least equal to the sum of:

- 98% of our ordinary income for the calendar year;
- 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31st; and
- any ordinary income and net capital gains for preceding years that were not distributed during such years.

We may, at our discretion, carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. If we choose to do so, all other things being equal, this would increase expenses and reduce the amounts available to be distributed to our stockholders. We will accrue excise tax on estimated taxable income as required. In addition, although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment. There was no provision for federal excise taxes recorded for the years ended December 31, 2016 and 2015.

We maintain an “opt out” dividend reinvestment plan for our common stockholders. As a result, except as discussed below, if we declare a distribution, stockholders’ cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash distributions. With respect to our distributions paid to stockholders during the six months ended June 30, 2017 and 2016, distributions reinvested pursuant to our dividend reinvestment plan totaled \$1,782,691 and \$2,020,562, respectively.

Under the terms of an amendment to our dividend reinvestment plan adopted on March 4, 2009, distributions may be paid in newly issued or treasury shares of our common stock at a price equal to 95% of the market price on the payment date. This feature of the plan means that, under certain circumstances, we may issue shares of our common stock at a price below net asset value per share, which could cause our stockholders to experience dilution. We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. Also, we may be limited in our ability to make distributions due to the asset coverage test applicable to us as a BDC under the 1940 Act and due to provisions in our existing and future debt arrangements.

If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of favorable RIC tax treatment. In addition, in accordance with U.S. generally accepted accounting principles and tax regulations, we include in income certain amounts that we have not yet received in cash, such as payment-in-kind interest, which represents contractual interest added to the loan balance that becomes due at the end of the loan term, or the accrual of original issue or market discount. Since we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute at least 90% of our investment company taxable income to obtain tax benefits as a RIC and may be subject to income or excise taxes. In order to satisfy the annual distribution requirement applicable to RICs, we may have the ability to declare a large portion of a dividend in shares of our common stock instead of in cash. As long as a sufficient portion of such dividend is paid in cash and certain requirements are met, the entire distribution would generally be treated as a dividend for U.S. federal income tax purposes.

Recent developments

On August 1, 2017, the Company's Board of Directors declared a distribution of \$0.18 per share, payable on October 2, 2017 to stockholders of record at the close of business on September 18, 2017.

Notice is hereby given in accordance with Section 23(c) of the 1940 Act that from time to time the Company may purchase shares of its common stock in the open market at prevailing market prices.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. At June 30, 2017, 72% of our debt investments bore interest based on floating rates, such as LIBOR, the Federal Funds Rate or the Prime Rate. The interest rates on such investments generally reset by reference to the current market index after one to six months. Of those floating rate debt investments, 97% contained an interest rate floor. Floating rate investments subject to a floor generally reset by reference to the current market index after one to six months only if the index exceeds the floor. Interest rate sensitivity refers to the change in our earnings that may result from changes in the level of interest rates. Since we fund a portion of our investments with borrowings, our net investment income is affected by the difference between the rate at which we invest and the rate at which we borrow. The Company's Credit Facility bears interest at variable rates with no interest rate floors, while our Convertible Notes and 2022 Convertible Notes bear interest at fixed rates. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income.

The following table shows the approximate annual impact on net investment income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) to our debt portfolio and outstanding borrowings as of June 30, 2017, assuming no changes to our investment and borrowing structure:

	Net Investment Income ⁽¹⁾	Net Investment Income Per Share ⁽¹⁾
Basis Point Change (\$'s in millions, except per share data)		
Up 400 basis points	\$ 19.2	\$ 0.26
Up 300 basis points	\$ 14.4	\$ 0.20
Up 200 basis points	\$ 9.6	\$ 0.13
Up 100 basis points	\$ 4.8	\$ 0.07
Down 100 basis points	\$ (1.2)	\$ (0.02)

⁽¹⁾ Excludes the impact of incentive management fees based on income

While hedging activities may help to insulate us against adverse changes in interest rates, they also may limit our ability to participate in the benefits of lower interest rates with respect to our portfolio of investments. There can be no assurance that we will be able to effectively hedge our interest rate risk. During the six months ended June 30, 2017 and 2016, we did not engage in any interest rate hedging activity.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our current disclosure controls and procedures are effective in timely alerting them to material information relating to us that is required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934.

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There have been no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

From time to time, we and the Advisor may be a party to certain legal proceedings incidental to the normal course of our business, including the enforcement of our rights under contracts with our portfolio companies. Further, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While we cannot predict the outcome of these legal proceedings with certainty, we do not expect that these proceedings will have a material effect on our consolidated financial statements.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our most recent Form 10-K filing.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Sales of unregistered securities**

None.

Issuer purchases of equity securities

The following table provides information regarding our purchases of our common stock for each month in the six month period ended June 30, 2017:

Period	Average Price Paid per Share	Total Number of Shares Purchased	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 2017	—	—	—	1,958,149
February 2017	—	—	—	1,958,149
March 2017	—	—	—	1,958,149
April 2017	—	—	—	1,958,149
May 2017	—	—	—	1,958,149
June 2017	—	—	—	1,958,149
	—	—	—	

The repurchase plan does not obligate us to acquire any specific number of shares and may be discontinued at any time. We intend to fund any repurchases with available cash.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable

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Item 5. Other Information

None.

Item 6. Exhibits.

(a) Exhibits.

- 4.1 Base Indenture, dated as of June 13, 2017, by and between BlackRock Capital Investment Corporation and Wilmington Trust, National Association, as Trustee(1)
- 4.2 Supplemental Indenture, dated as of June 13, 2017, by and between BlackRock Capital Investment Corporation and Wilmington Trust, National Association, as Trustee(1)
- 4.3 Form of 5.00% Convertible Note due 2022(1)
- 10.1 Underwriting Agreement, dated June 7, 2017, by and among BlackRock Capital Investment Corporation, BlackRock Advisors, LLC, Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated(2)
- 31.1 [Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*](#)
- 32 [Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*](#)

* Filed herewith

- (1) Incorporated by reference to the corresponding exhibit number to the Registrant's Form 8-K as filed with the Securities and Exchange Commission on June 13, 2017.
- (2) Incorporated by reference to Exhibit 1.1 to the Registrant's Form 8-K as filed with the Securities and Exchange Commission on June 13, 2017.

SIGNATURES

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

BLACKROCK CAPITAL INVESTMENT
CORPORATION

Date: August 2, 2017

By: /s/ Michael J. Zugay
Michael J. Zugay
Chief Executive Officer

Date: August 2, 2017

By: /s/ Donna M. Milia
Donna M. Milia
Chief Financial Officer and Treasurer

CEO CERTIFICATION

I, Michael J. Zugay, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BlackRock Capital Investment Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the consolidated financial condition, consolidated results of operations and consolidated cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2017

By: /s/ Michael J. Zugay
Michael J. Zugay
Chief Executive Officer

CFO CERTIFICATION

I, Donna M. Milia, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BlackRock Capital Investment Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the consolidated financial condition, consolidated results of operations and consolidated cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2017

By: /s/ Donna M. Milia
Donna M. Milia
Chief Financial Officer and Treasurer

**Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of BlackRock Capital Investment Corporation (the "Company") for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael J. Zugay, as Chief Executive Officer of the Company, and Donna M. Milia, as Chief Financial Officer and Treasurer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and consolidated results of operations of the Company.

/s/ Michael J. Zugay

Name: Michael J. Zugay
Title: Chief Executive Officer
Date: August 2, 2017

/s/ Donna M. Milia

Name: Donna M. Milia
Title: Chief Financial Officer and Treasurer
Date: August 2, 2017