



# BLACKROCK KELSO CAPITAL

**Investor Presentation**

**May 2013**

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

## Market-Leading Platform

### *Successful Track Record of Middle Market Investing*

- ✓ Dedicated team of investment professionals with long-standing relationships and a proactive direct origination focus
- ✓ Industry-leading, “hands-on” diligence approach focusing on long-term business fundamentals and capital preservation
- ✓ Vast majority of investments the result of directly negotiated transactions
- ✓ Completed 135 investments in middle market companies since inception<sup>(1)</sup>
- ✓ Gross investments to date of over \$2.9 billion<sup>(1)</sup>
- ✓ Declared \$9.50 per share in dividends to shareholders since inception<sup>(2)</sup>
- ✓ Active management of existing portfolio
- ✓ Support of world-class investment partners in BlackRock, Inc. and the Kelso Principals

### *Business Development Company Fund Structure*

- ✓ Conservatively structured and highly regulated asset class (maximum one-to-one leverage allowance)
- ✓ Highly visible investment income and dividend generation
- ✓ Mark-to-market accounting requirements ensure accurate and timely valuations for investors
- ✓ Well capitalized with \$391.5 million in excess asset coverage<sup>(1,11)</sup>

# Investment Selection Criteria

## Focus on Value and Cash Flow

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

## Competitive Position in Industry

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

## Experienced Management

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

## Investment Exit Strategy

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

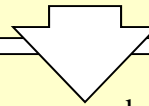
## Liquidation Value of Assets

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

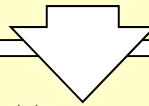
# Thorough Investment Process

## Due Diligence

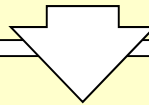
Review financials, business plan, due diligence materials and industry analysis  
Investment committee provides guidance and resources for due diligence process



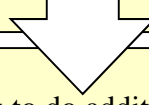
Visit management, sponsor, and company facilities  
Investment committee provides senior transaction and industry resources



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



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



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

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

# Comprehensive Portfolio Management

## **Detailed review and rating process**

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

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

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

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

- Memos are reviewed at the weekly investment professionals' meeting

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

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





## **II. Financial Summary**

# Financial and Portfolio Summary

## Financial Highlights

Amounts shown on per share basis; share count in millions	Three Months Ending								
	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	12/31/12	3/31/13
Net Investment Income <sup>(3)</sup>	\$ 0.20	\$ 0.35	\$ 0.29	\$ 0.15	\$ 0.26	\$ 0.30	\$ 0.32	\$ 0.11	\$ 0.18
Net Realized Gains (Losses) <sup>(3)</sup>	\$ (0.59)	\$ (0.01)	\$ 0.02	\$ (0.10)	\$ (0.00)	\$ (1.03)	\$ 0.04	\$ (0.21)	\$ 0.00
Net Unrealized Gains (Losses) <sup>(3)</sup>	\$ 0.63	\$ 0.19	\$ (0.13)	\$ 0.04	\$ 0.02	\$ 1.01	\$ (0.17)	\$ 0.12	\$ 0.22
Net Income <sup>(3)</sup>	\$ 0.25	\$ 0.53	\$ 0.18	\$ 0.10	\$ 0.28	\$ 0.29	\$ 0.19	\$ 0.02	\$ 0.40
Net Asset Value at End of Period <sup>(4)</sup>	\$ 9.56	\$ 9.83	\$ 9.75	\$ 9.58	\$ 9.59	\$ 9.61	\$ 9.55	\$ 9.31	\$ 9.47
Dividends Declared <sup>(3)</sup>	\$ 0.32	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26
Basic Weighted Average Shares Outstanding <sup>(3)</sup>	72.8	73.0	73.1	73.2	73.4	73.6	73.7	73.8	74.0
Total Shares Outstanding at End of Period	72.8	73.0	73.0	73.2	73.4	73.6	73.7	73.8	74.0

## Portfolio Summary

\$ in thousands	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	12/31/12	3/31/13
Investment Portfolio at Cost	\$980,490	\$993,646	\$1,048,672	\$1,097,871	\$1,142,955	\$1,138,439	\$1,079,815	\$1,037,349	\$ 982,305
Investment Portfolio at Fair Value	\$921,188	\$947,656	\$ 992,262	\$1,048,952	\$1,095,390	\$1,165,543	\$1,093,978	\$1,061,598	\$1,022,771
Fair Value % Cost	94.0%	95.4%	94.6%	95.5%	95.8%	102.4%	101.3%	102.3%	104.1%
Number of Portfolio Companies	52	55	54	54	55	53	50	47	44
Average Investment Size at Cost	\$ 18,856	\$ 18,066	\$ 19,420	\$ 20,331	\$ 20,781	\$ 21,480	\$ 21,596	\$ 22,071	\$ 22,325
Yield on Income Producing Capital at Cost	11.4%	11.5%	11.9%	11.9%	11.6%	12.4%	12.2%	12.2%	12.4%
Yield on Senior Secured Loans at Cost	10.8%	11.1%	11.7%	12.0%	11.5%	11.7%	11.6%	11.4%	11.5%
Yield on Other Debt Securities at Cost	12.2%	11.9%	12.1%	11.4%	11.9%	13.8%	13.5%	13.5%	13.6%
<b>Total Investment Portfolio at Fair Value</b>									
Senior Secured Loans & Notes	62.2%	68.1%	71.2%	73.4%	72.6%	70.7%	74.9%	70.7%	70.2%
Unsecured & Subordinated Debt	25.0%	19.4%	17.2%	16.0%	16.3%	18.6%	13.4%	15.8%	14.0%
Preferred & Common Equity & Warrants	12.8%	12.5%	11.5%	10.6%	11.1%	10.7%	11.8%	13.5%	15.8%

## Portfolio Activity

\$ in thousands	Three Months Ending								
	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	12/31/12	3/31/13
New Investments at Cost	\$ 39,551	\$ 81,575	\$ 139,402	\$ 141,002	\$ 73,446	\$ 148,243	\$ 16,789	\$ 78,621	\$ 46,027
Sales, Repayments, Other Exits at Cost	(4,047)	(71,375)	(87,592)	(86,126)	(40,739)	(80,497)	(82,256)	(111,264)	(104,213)
Net New Investments at Cost	\$ 35,505	\$ 10,200	\$ 51,810	\$ 54,875	\$ 32,707	\$ 67,745	\$ (65,467)	\$ (32,643)	\$ (58,186)
New Portfolio Company Investments	2	4	3	3	2	2	-	2	1
Portfolio Company Exits	-	1	4	3	1	4	3	5	4

Please see Notes to the Investor Presentation on page 23

# Select Historical Financial Information

## Financial History

	Three Months Ending												Full Year				
	3/31/10	6/30/10	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	12/31/12	3/31/13	12/31/10	12/31/11	12/31/12	
<i>\$ in thousands, except per share data</i>																	
Net Investment Income	\$ 20,265	\$ 20,421	\$ 16,811	\$ 2,354	\$ 14,877	\$ 25,739	\$ 20,965	\$ 11,298	\$ 19,024	\$ 22,383	\$ 23,938	\$ 8,316	\$ 12,964	\$ 59,851	\$ 72,879	\$ 73,662	
Net Investment Income per share <sup>(3)</sup>	\$ 0.36	\$ 0.36	\$ 0.26	\$ 0.03	\$ 0.20	\$ 0.35	\$ 0.29	\$ 0.15	\$ 0.26	\$ 0.30	\$ 0.32	\$ 0.11	\$ 0.18	\$ 0.96	\$ 1.00	\$ 1.00	
Net Investment Income - Pre-Incentive Fee <sup>(7)</sup>	\$ 20,759	\$ 20,421	\$ 16,811	\$ 16,968	\$ 14,877	\$ 25,739	\$ 20,965	\$ 23,176	\$ 21,238	\$ 22,383	\$ 26,902	\$ 25,630	\$ 18,228	\$ 74,959	\$ 84,757	\$ 96,153	
Net Investment Income - Pre-Incentive Fee per share <sup>(7)</sup>	\$ 0.37	\$ 0.36	\$ 0.26	\$ 0.24	\$ 0.20	\$ 0.35	\$ 0.29	\$ 0.32	\$ 0.29	\$ 0.30	\$ 0.37	\$ 0.35	\$ 0.25	\$ 1.20	\$ 1.16	\$ 1.31	
Net Investment Income, as adjusted <sup>(7)</sup>	\$ 16,764	\$ 16,290	\$ 13,020	\$ 15,205	\$ 14,606	\$ 20,897	\$ 18,008	\$ 19,369	\$ 18,649	\$ 18,560	\$ 21,889	\$ 20,059	\$ 16,130	\$ 61,278	\$ 72,880	\$ 79,156	
Adjusted Net Investment Income per share <sup>(3)</sup>	\$ 0.30	\$ 0.28	\$ 0.20	\$ 0.21	\$ 0.20	\$ 0.29	\$ 0.25	\$ 0.26	\$ 0.25	\$ 0.25	\$ 0.30	\$ 0.27	\$ 0.22	\$ 0.98	\$ 1.00	\$ 1.08	
Net Realized / Unrealized Gains (Losses)	\$ 10,218	\$ 1,914	\$ (496)	\$ 62	\$ 3,138	\$ 13,179	\$ (8,027)	\$ (4,249)	\$ 1,274	\$ (1,401)	\$ (9,609)	\$ (6,574)	\$ 16,833	\$ 11,699	\$ 4,042	\$ (16,310)	
Net Realized / Unrealized Gains (Losses) per share <sup>(3)</sup>	\$ 0.18	\$ 0.03	\$ (0.01)	\$ 0.00	\$ 0.04	\$ 0.18	\$ (0.11)	\$ (0.06)	\$ 0.02	\$ (0.02)	\$ (0.13)	\$ (0.09)	\$ 0.23	\$ 0.19	\$ 0.06	\$ (0.22)	
Net Income	\$ 30,483	\$ 22,335	\$ 16,316	\$ 2,416	\$ 18,015	\$ 38,918	\$ 12,937	\$ 7,050	\$ 20,298	\$ 20,982	\$ 14,329	\$ 1,742	\$ 29,797	\$ 71,550	\$ 76,921	\$ 57,351	
Net Income per share <sup>(3)</sup>	\$ 0.54	\$ 0.39	\$ 0.25	\$ 0.03	\$ 0.25	\$ 0.53	\$ 0.18	\$ 0.10	\$ 0.28	\$ 0.29	\$ 0.19	\$ 0.02	\$ 0.40	\$ 1.14	\$ 1.05	\$ 0.78	
Dividends Declared	\$ 18,112	\$ 18,157	\$ 20,964	\$ 23,222	\$ 23,354	\$ 18,983	\$ 18,984	\$ 19,041	\$ 19,090	\$ 19,125	\$ 19,161	\$ 19,196	\$ 19,230	\$ 80,456	\$ 80,362	\$ 76,572	
Dividends Declared per share <sup>(3)</sup>	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 1.28	\$ 1.10	\$ 1.04	
Total Net Assets	\$ 552,954	\$ 642,416	\$ 639,078	\$ 698,480	\$ 695,433	\$ 717,617	\$ 711,784	\$ 701,009	\$ 703,952	\$ 707,059	\$ 703,534	\$ 687,380	\$ 700,434	\$ 698,480	\$ 701,009	\$ 687,380	
Net Asset Value per share <sup>(4)</sup>	\$ 9.77	\$ 9.83	\$ 9.76	\$ 9.62	\$ 9.56	\$ 9.83	\$ 9.75	\$ 9.58	\$ 9.59	\$ 9.61	\$ 9.55	\$ 9.31	\$ 9.47	\$ 9.62	\$ 9.58	\$ 9.31	
Book Debt / Book Equity Ratio	0.46x	0.23x	0.32x	0.24x	0.40x	0.38x	0.45x	0.49x	0.54x	0.64x	0.55x	0.50x	0.44x	0.24x	0.49x	0.50x	
Book Debt / Book Equity Ratio, Net of Available Cash <sup>(8)</sup>	0.45x	0.19x	0.24x	0.24x	0.32x	0.32x	0.40x	0.48x	0.53x	0.62x	0.54x	0.49x	0.44x	0.24x	0.48x	0.49x	

Please see Notes to the Investor Presentation on page 23

# Select Historical Portfolio Information

## Portfolio History

\$ in thousands, except per share data

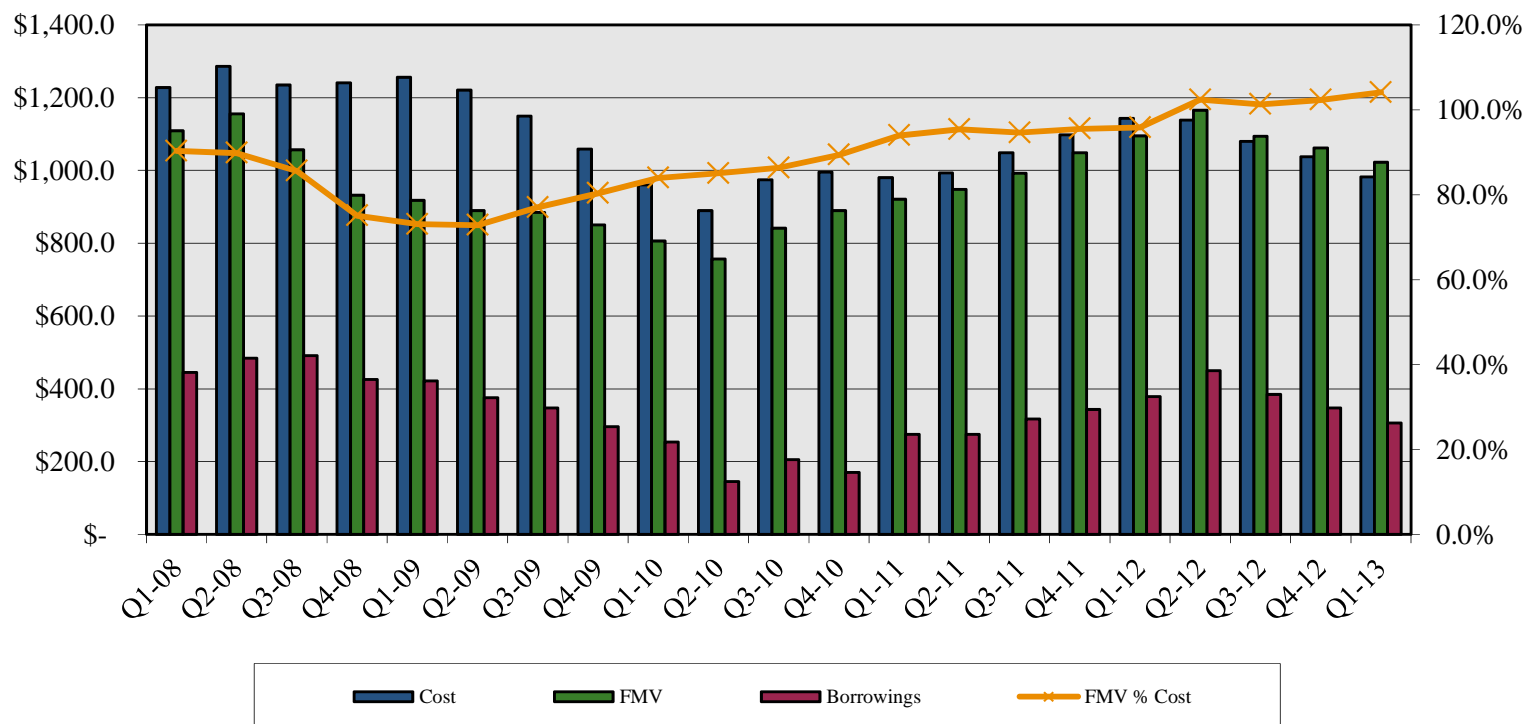
As of and for the Three Months Ending,

	3/31/10	6/30/10	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	12/31/12	3/31/13
Investment Portfolio at Cost <sup>(5)</sup>	\$ 957,362	\$ 886,663	\$ 966,827	\$ 985,678	\$ 980,490	\$ 993,646	\$ 1,048,672	\$ 1,097,871	\$ 1,142,955	\$ 1,138,439	\$ 1,079,815	\$ 1,037,349	\$ 982,305
Investment Portfolio at Fair Value <sup>(5)</sup>	\$ 803,329	\$ 753,591	\$ 833,747	\$ 880,086	\$ 921,188	\$ 947,656	\$ 992,262	\$ 1,048,952	\$ 1,095,390	\$ 1,165,543	\$ 1,093,978	\$ 1,061,598	\$ 1,022,771
Fair Value % Cost	83.9%	85.0%	86.2%	89.3%	94.0%	95.4%	94.6%	95.5%	95.8%	102.4%	101.3%	102.3%	104.1%
Number of Portfolio Companies	55	51	51	50	52	55	54	54	55	53	50	47	44
Average Investment Size at Cost	\$ 17,407	\$ 17,386	\$ 18,957	\$ 19,714	\$ 18,856	\$ 18,066	\$ 19,420	\$ 20,331	\$ 20,781	\$ 21,480	\$ 21,596	\$ 22,071	\$ 22,325
Weighted Average Yield on Invested Capital at Cost	11.6%	10.5%	10.5%	10.9%	11.4%	11.5%	11.9%	11.9%	11.6%	12.4%	12.2%	12.2%	12.4%
Weighted Average Yield on Senior Secured Loans at Cost	10.3%	10.0%	9.4%	10.1%	10.8%	11.1%	11.7%	12.0%	11.5%	11.7%	11.6%	11.4%	11.5%
Weighted Average Yield on Other Debt Securities at Cost	13.9%	11.3%	11.9%	12.1%	12.2%	11.9%	12.1%	11.4%	11.9%	13.8%	13.5%	13.5%	13.6%
<b>Total Investment Portfolio at Fair Value<sup>(6)</sup></b>													
Senior Secured Loans & Notes	66.8%	70.1%	61.1%	60.6%	62.2%	68.1%	71.2%	73.4%	72.6%	70.7%	74.9%	70.7%	70.2%
Unsecured & Subordinated Debt	26.3%	17.4%	26.3%	25.9%	25.0%	19.4%	17.2%	16.0%	16.3%	18.6%	13.4%	15.8%	14.0%
Preferred & Common Equity & Warrants	7.0%	12.5%	12.6%	13.5%	12.8%	12.5%	11.5%	10.6%	11.1%	10.7%	11.8%	13.5%	15.8%
New Investments at Cost	\$ 16,442	\$ 127,847	\$ 177,428	\$ 84,240	\$ 39,551	\$ 81,575	\$ 139,402	\$ 141,002	\$ 73,446	\$ 148,243	\$ 16,789	\$ 78,621	\$ 46,027
Sales, Repayments, Other Exits at Cost	(72,676)	(181,349)	(100,206)	(41,038)	(4,047)	(71,375)	(87,592)	(86,126)	(40,739)	(80,497)	(82,256)	(111,264)	(104,213)
Net New Investments at Cost	\$ (56,235)	\$ (53,502)	\$ 77,223	\$ 43,202	\$ 35,505	\$ 10,200	\$ 51,810	\$ 54,875	\$ 32,707	\$ 67,745	\$ (65,467)	\$ (32,643)	\$ (58,186)
Number of New Portfolio Company Investments	-	1	4	3	2	4	3	3	2	2	-	2	1
Number of Portfolio Company Exits	2	5	4	4	-	1	4	3	1	4	3	5	4

Please see Notes to the Investor Presentation on page 23

# Portfolio Evolution

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



	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12	Q4-12	Q1-13
Cost	\$1,228.1	\$1,286.4	\$1,235.1	\$1,241.1	\$1,256.2	\$1,220.8	\$1,149.2	\$1,058.7	\$960.0	\$889.8	\$974.1	\$995.1	\$980.5	\$993.6	\$1,048.7	\$1,097.9	\$1,143.0	\$1,138.4	\$1,079.8	\$1,037.3	\$982.3
FMV	1,109.0	1,155.8	1,057.1	932.1	917.9	889.5	884.9	850.7	806.0	756.8	841.1	889.5	921.2	947.7	992.3	1,049.0	1,095.4	1,165.5	1,094.0	1,061.6	1,022.8
Borrowings	444.9	484.0	491.0	426.0	421.5	376.0	347.5	296.0	253.5	145.0	205.5	170.0	275.0	275.0	317.5	343.0	378.9	449.9	384.6	346.9	305.8
FMV % Cost	90.3%	89.8%	85.6%	75.1%	73.1%	72.9%	77.0%	80.3%	84.0%	85.0%	86.3%	89.4%	94.0%	95.4%	94.6%	95.5%	95.8%	102.4%	101.3%	102.3%	104.1%
Borrow. % FMV	40.1%	41.9%	46.4%	45.7%	45.9%	42.3%	39.3%	34.8%	31.5%	19.2%	24.4%	19.1%	29.9%	29.0%	32.0%	32.7%	34.6%	38.6%	35.2%	32.7%	29.9%
NAV/Share	\$ 12.60	\$ 12.31	\$ 11.52	\$ 9.23	\$ 9.04	\$ 9.24	\$ 9.59	\$ 9.55	\$ 9.77	\$ 9.83	\$ 9.76	\$ 9.62	\$ 9.56	\$ 9.83	\$ 9.75	\$ 9.58	\$ 9.59	\$ 9.61	\$ 9.55	\$ 9.31	\$ 9.47
Share Price	\$ 11.94	\$ 9.46	\$ 11.53	\$ 9.86	\$ 4.19	\$ 6.23	\$ 7.42	\$ 8.52	\$ 9.96	\$ 9.87	\$ 11.50	\$ 11.06	\$ 10.12	\$ 8.97	\$ 7.30	\$ 8.16	\$ 9.82	\$ 9.76	\$ 9.72	\$ 10.06	\$ 10.00
% of	94.8%	76.8%	100.1%	106.8%	46.3%	67.4%	77.4%	89.2%	101.9%	100.4%	117.8%	115.0%	105.9%	91.3%	74.9%	85.2%	102.9%	101.5%	101.8%	108.1%	105.6%

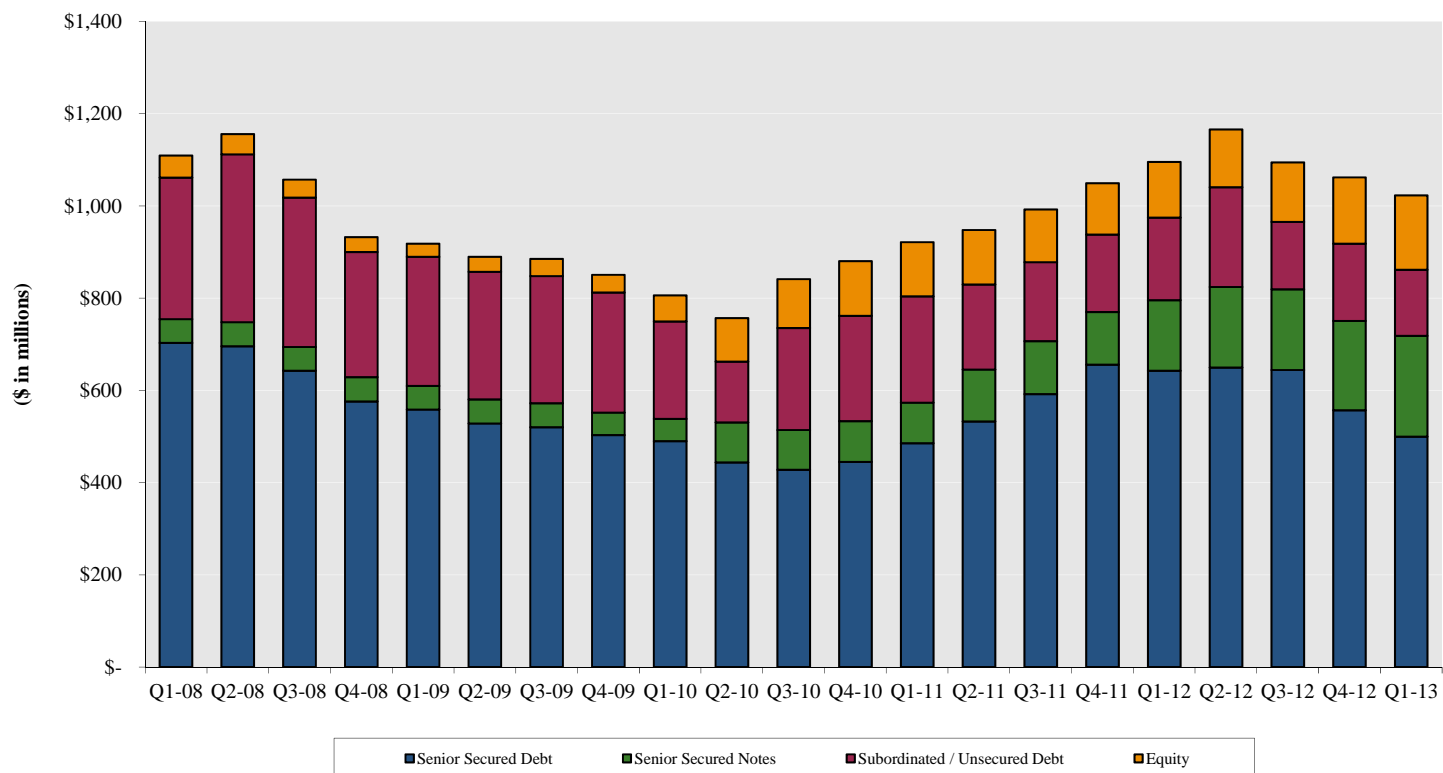
Please see Notes to the Investor Presentation on page 23

# Defensive Portfolio Composition

BKCC's secured debt focus and conservative investment composition have contributed to its portfolio performance

- As of March 31, 2013, senior debt comprised 70.2% of the total portfolio at fair market value

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

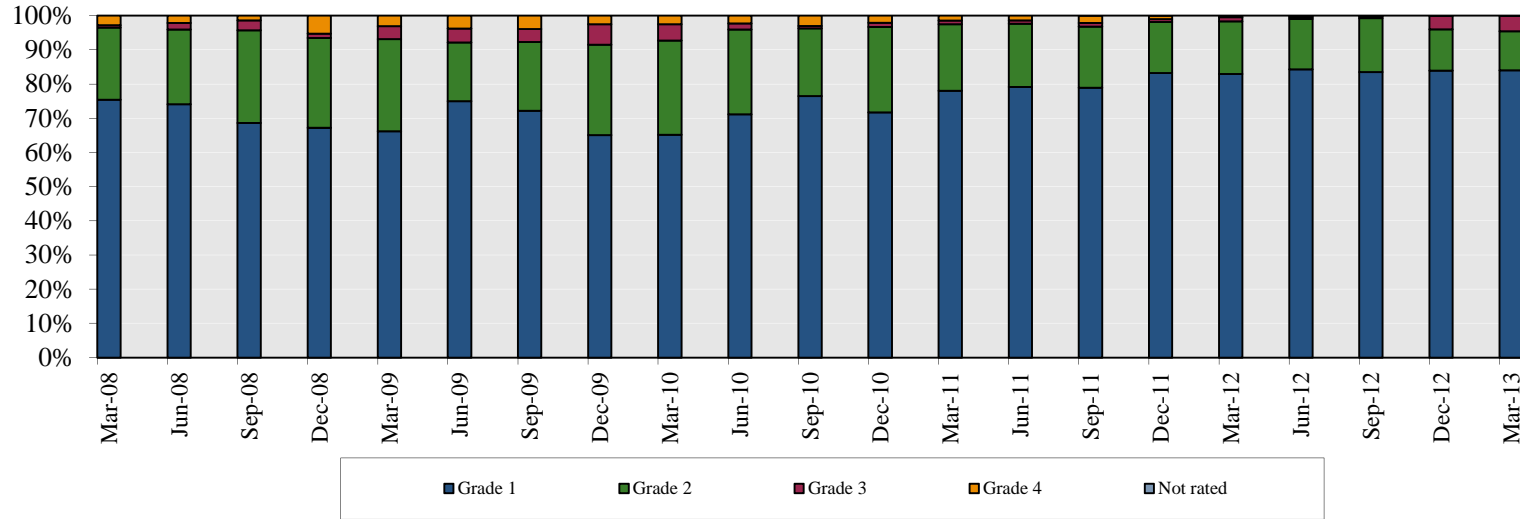


<i>\$ in millions</i>	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12	Q4-12	Q1-13
Senior Secured Debt	\$ 702.9	\$ 695.4	\$ 642.3	\$ 576.0	\$ 558.2	\$ 528.1	\$ 520.1	\$ 503.2	\$ 489.8	\$ 443.4	\$ 427.6	\$ 444.8	\$ 485.2	\$ 532.6	\$ 592.1	\$ 655.6	\$ 642.2	\$ 649.4	\$ 644.2	\$ 556.5	\$ 499.4
Senior Secured Notes	51.4	52.5	51.5	52.3	51.3	52.3	51.7	48.4	48.3	86.9	86.5	88.3	88.1	112.6	114.6	113.9	153.3	174.8	174.7	193.9	218.8
Subordinated / Unsecured Debt	306.9	363.9	324.0	271.7	280.1	276.6	275.7	260.2	211.6	132.0	221.0	228.3	230.4	184.1	171.1	168.0	178.8	216.4	146.5	167.6	143.2
Equity	47.8	44.0	39.3	32.1	28.4	32.4	37.5	38.9	56.4	94.5	106.0	118.7	117.5	118.4	114.5	111.4	121.1	125.0	128.6	143.6	161.5
<b>Total<sup>(5)</sup></b>	<b>\$1,109.0</b>	<b>\$1,155.8</b>	<b>\$1,057.1</b>	<b>\$ 932.1</b>	<b>\$ 917.9</b>	<b>\$ 889.5</b>	<b>\$ 884.9</b>	<b>\$ 850.7</b>	<b>\$ 806.0</b>	<b>\$ 756.8</b>	<b>\$ 841.1</b>	<b>\$ 880.1</b>	<b>\$ 921.2</b>	<b>\$ 947.7</b>	<b>\$ 992.3</b>	<b>\$1,049.0</b>	<b>\$1,095.4</b>	<b>\$1,165.5</b>	<b>\$1,094.0</b>	<b>\$1,061.6</b>	<b>\$1,022.8</b>
	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12	Q4-12	Q1-13
% Senior Debt	68.0%	64.7%	65.6%	67.4%	66.4%	65.3%	64.6%	64.8%	66.8%	70.1%	61.1%	60.6%	62.2%	68.1%	71.2%	73.4%	72.6%	70.7%	74.9%	70.7%	70.2%
% Sub Debt	27.7%	31.5%	30.6%	29.1%	30.5%	31.1%	31.1%	30.6%	26.3%	17.4%	26.3%	25.9%	25.0%	19.4%	17.2%	16.0%	16.3%	18.6%	13.4%	15.8%	14.0%
% Equity	4.3%	3.8%	3.7%	3.4%	3.1%	3.6%	4.2%	4.6%	7.0%	12.5%	12.6%	13.5%	12.8%	12.5%	11.5%	10.6%	11.1%	10.7%	11.8%	13.5%	15.8%

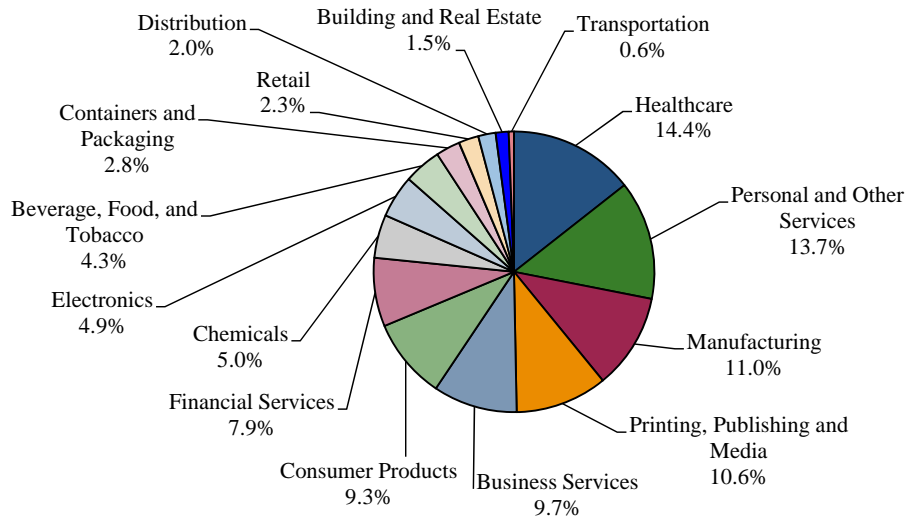
Please see Notes to the Investor Presentation on page 23

# Conservatively Positioned Portfolio

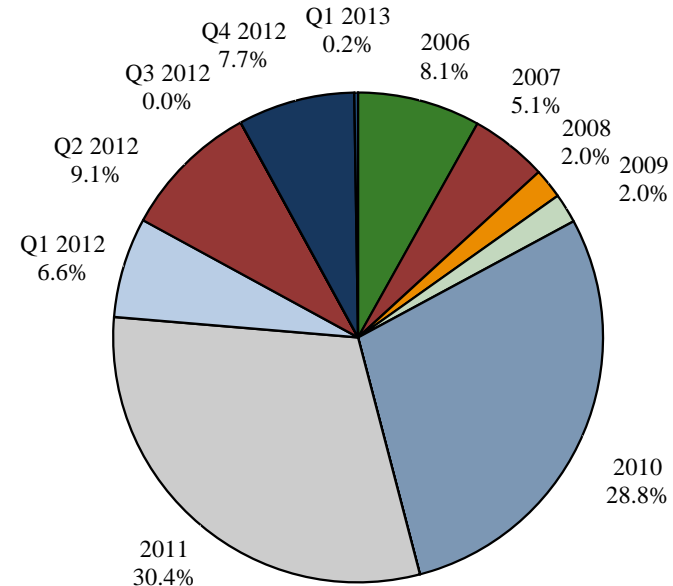
Portfolio Composition by Investment Rating at Fair Market Value<sup>(1)</sup>



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



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



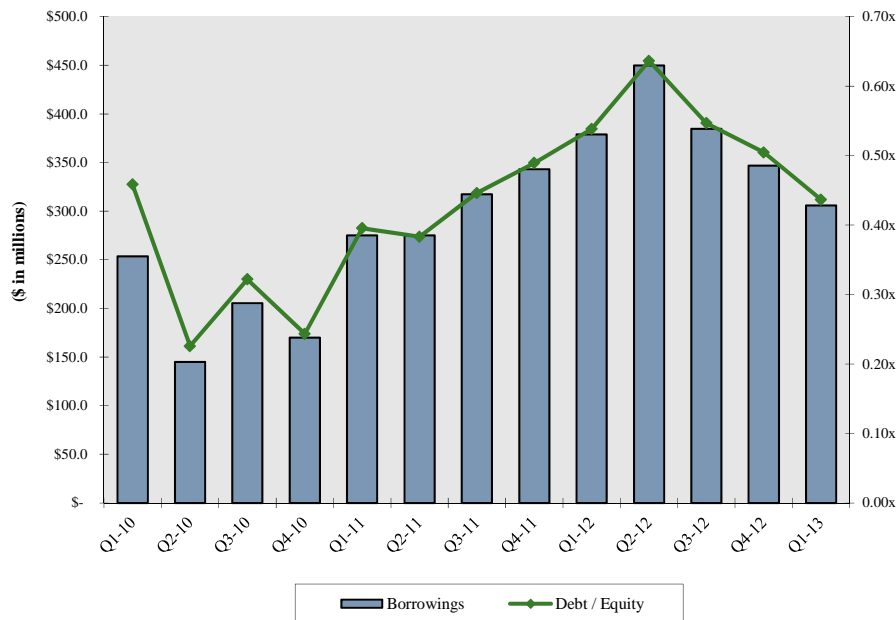
Please see Notes to the Investor Presentation on page 23

# Increased Liquidity and Investment Capacity

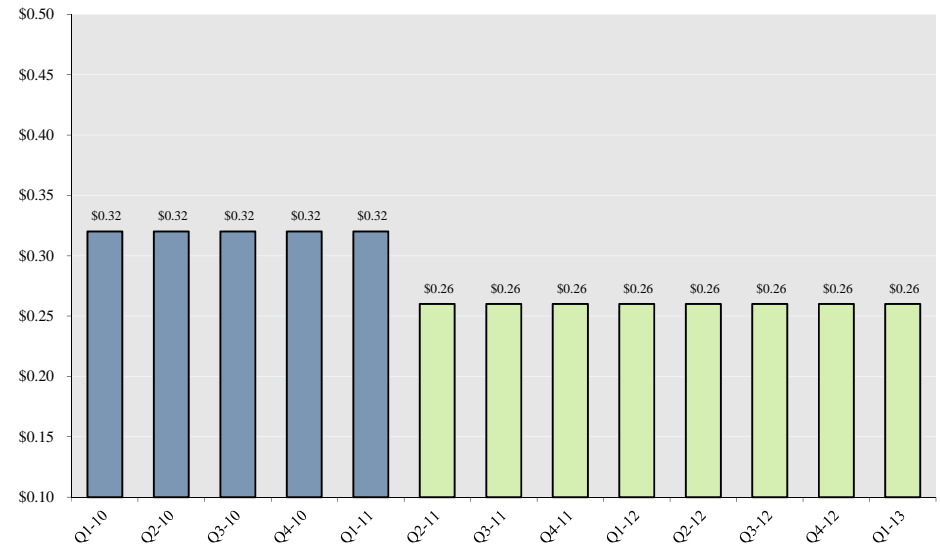
## BKCC continues to pursue a conservative strategy of capital preservation

- Conservative dividend distribution policy
- \$391.5 million in excess asset coverage (1:1 test) and subject to compliance with applicable covenants and borrowing base limitations, the amount currently available under the Company's credit facility was \$333.0 million as of March 31, 2013<sup>(11)</sup>

### Quarterly Borrowings



### Quarterly Dividends (\$ Per Share)



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

Please see Notes to the Investor Presentation on page 23



# Portfolio Summary

\$ in millions

For the quarters ending,

	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
New Investments at Cost	\$ 8.6	\$ 16.4	\$ 127.8	\$ 177.4	\$ 84.2	\$ 39.6	\$ 81.5	\$ 139.4	\$ 141.0	\$ 73.4	\$ 148.2	\$ 16.8	\$ 78.6	\$ 46.0
Senior Secured Loans	503.2	489.8	443.4	427.6	450.3	485.2	532.6	592.1	655.6	642.2	649.4	644.2	556.5	499.4
Senior Secured Notes	48.4	48.3	86.9	86.5	88.3	88.1	112.6	114.6	113.9	153.3	174.8	174.7	193.9	218.8
Subordinated / Unsecured Debt	260.2	211.6	132.0	221.0	232.1	230.4	184.1	171.1	168.0	178.8	216.4	146.5	167.6	143.2
Equity Warrants	1.0	3.8	4.6	5.2	5.6	4.6	4.5	5.0	6.3	8.3	9.7	11.3	16.3	17.9
Preferred Equity	5.9	6.1	5.3	5.4	6.6	6.2	6.1	7.7	-	-	-	1.1	5.8	6.9
Common Equity	18.9	24.5	62.7	71.7	83.2	81.1	78.2	71.5	66.0	71.8	70.9	72.4	72.3	78.7
LP/LLC Interests	13.1	21.9	21.9	23.7	23.4	25.6	29.5	30.2	39.2	41.0	44.4	43.8	49.0	58.0
<b>Total Invested Assets at FMV</b>	<b>\$ 850.7</b>	<b>\$ 806.0</b>	<b>\$ 756.8</b>	<b>\$ 841.1</b>	<b>\$ 889.5</b>	<b>\$ 921.2</b>	<b>\$ 947.6</b>	<b>\$ 992.3</b>	<b>\$ 1,049.0</b>	<b>\$ 1,095.4</b>	<b>\$ 1,165.5</b>	<b>\$ 1,094.0</b>	<b>\$ 1,061.6</b>	<b>\$ 1,022.8</b>
Weighted Average Yield <sup>(12)</sup>	11.2%	11.6%	10.5%	10.5%	10.9%	11.4%	11.5%	11.9%	11.9%	11.6%	12.4%	12.2%	12.2%	12.4%
3-Month LIBOR	0.2%	0.3%	0.5%	0.3%	0.3%	0.3%	0.2%	0.4%	0.6%	0.5%	0.5%	0.4%	0.3%	0.3%
Spread	11.0%	11.3%	10.0%	10.2%	10.6%	11.1%	11.3%	11.5%	11.3%	11.1%	12.0%	11.9%	11.9%	12.1%
<b>Total Net Assets</b>	<b>\$ 539.6</b>	<b>\$ 553.0</b>	<b>\$ 642.4</b>	<b>\$ 639.1</b>	<b>\$ 698.5</b>	<b>\$ 695.4</b>	<b>\$ 717.6</b>	<b>\$ 711.8</b>	<b>\$ 701.0</b>	<b>\$ 704.0</b>	<b>\$ 707.1</b>	<b>\$ 703.5</b>	<b>\$ 687.4</b>	<b>\$ 700.4</b>
<b>Total Net Assets and Liabilities</b>	<b>879.5</b>	<b>838.5</b>	<b>812.4</b>	<b>917.5</b>	<b>915.6</b>	<b>1,009.4</b>	<b>1,032.5</b>	<b>1,060.5</b>	<b>1,091.2</b>	<b>1,127.9</b>	<b>1,202.3</b>	<b>1,125.0</b>	<b>1,090.0</b>	<b>1,065.2</b>
<b>Borrowings<sup>(9)</sup></b>	<b>296.0</b>	<b>253.5</b>	<b>145.0</b>	<b>205.5</b>	<b>170.0</b>	<b>275.0</b>	<b>275.0</b>	<b>317.5</b>	<b>343.0</b>	<b>378.9</b>	<b>449.9</b>	<b>384.6</b>	<b>346.9</b>	<b>305.8</b>
Investment Income	\$ 30.3	\$ 27.8	\$ 28.2	\$ 24.8	\$ 25.0	\$ 25.2	\$ 37.1	\$ 33.2	\$ 36.0	\$ 33.2	\$ 35.5	\$ 40.7	\$ 37.9	\$ 31.1
Interest Expense	1.4	1.1	1.7	1.7	1.7	3.6	4.1	4.2	4.7	4.7	5.0	5.2	4.7	4.8
Other Expenses	2.5	1.6	1.9	2.2	2.1	2.2	2.4	3.0	2.9	1.9	2.5	2.7	2.0	2.8
Management Fee	4.6	4.3	4.2	4.0	4.4	4.5	5.0	5.1	5.3	5.4	5.5	6.0	5.6	5.3
Incentive Fee	16.8	0.5	-	-	14.6	-	-	-	11.9	2.2	-	3.0	17.3	5.3
<b>Net Investment Income</b>	<b>\$ 5.0</b>	<b>\$ 20.3</b>	<b>\$ 20.4</b>	<b>\$ 16.8</b>	<b>\$ 2.4</b>	<b>14.9</b>	<b>25.7</b>	<b>21.0</b>	<b>11.3</b>	<b>19.0</b>	<b>22.4</b>	<b>23.9</b>	<b>8.3</b>	<b>13.0</b>
Net Investment Income per share <sup>(3)</sup>	\$ 0.09	\$ 0.36	\$ 0.36	\$ 0.26	\$ 0.03	\$ 0.20	\$ 0.35	\$ 0.29	\$ 0.15	\$ 0.26	\$ 0.30	\$ 0.32	\$ 0.11	\$ 0.18
Net Investment Income per share Pre-Incentive Fee <sup>(7)</sup>	\$ 0.39	\$ 0.37	\$ 0.36	\$ 0.26	\$ 0.24	\$ 0.20	\$ 0.35	\$ 0.29	\$ 0.32	\$ 0.29	\$ 0.30	\$ 0.37	\$ 0.35	\$ 0.25
Net Investment Income per share, as adjusted <sup>(7)</sup>	\$ 0.31	\$ 0.30	\$ 0.28	\$ 0.20	\$ 0.21	\$ 0.20	\$ 0.29	\$ 0.25	\$ 0.26	\$ 0.25	\$ 0.25	\$ 0.30	\$ 0.27	\$ 0.22
Earnings per share <sup>(3)</sup>	\$ 0.29	\$ 0.54	\$ 0.39	\$ 0.25	\$ 0.03	\$ 0.25	\$ 0.53	\$ 0.18	\$ 0.10	\$ 0.28	\$ 0.29	\$ 0.19	\$ 0.02	\$ 0.40
Dividends per share	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26
Net Asset Value per share	\$ 9.55	\$ 9.77	\$ 9.83	\$ 9.76	\$ 9.62	\$ 9.56	\$ 9.83	\$ 9.75	\$ 9.58	\$ 9.59	\$ 9.61	\$ 9.55	\$ 9.31	\$ 9.47

Please see Notes to the Investor Presentation on page 23

# Summary Review of Financial Results

	Q1 2012		Q2 2012		Q3 2012		Q4 2012		FY 2012		Q1 2013	
	\$'s	per share	\$'s	per share	\$'s	per share	\$'s	per share	\$'s	per share	\$'s	per share
Total Investment Income	\$ 33,206,665	\$ 0.45	\$ 35,466,277	\$ 0.48	\$ 40,720,102	\$ 0.55	\$ 37,897,552	\$ 0.51	\$ 147,290,596	\$ 2.00	\$ 31,129,502	\$ 0.42
<b>Net Investment Income, GAAP</b>	<b>19,024,212</b>	<b>0.26</b>	<b>22,383,237</b>	<b>0.30</b>	<b>23,938,272</b>	<b>0.32</b>	<b>8,315,811</b>	<b>0.11</b>	<b>73,661,532</b>	<b>1.00</b>	<b>12,964,078</b>	<b>0.18</b>
Addback: GAAP Incentive Management Fee Expense Based on Gains	-	-	-	-	2,963,803	0.04	2,530,932	0.03	5,494,735	0.07	3,720,726	0.05
Addback: GAAP Incentive Management Fee Expense Based on Income	2,213,859	0.03	-	-	-	-	14,783,195	0.20	16,997,054	0.23	1,543,384	0.02
<b>Net Investment Income, Pre-Incentive Fee <sup>(7)</sup></b>	<b>21,238,071</b>	<b>0.29</b>	<b>22,383,237</b>	<b>0.30</b>	<b>26,902,075</b>	<b>0.37</b>	<b>25,629,938</b>	<b>0.35</b>	<b>96,153,321</b>	<b>1.31</b>	<b>18,228,188</b>	<b>0.25</b>
Less: Incremental Incentive Management Fee Expense Based on Income	(2,589,424)	(0.04)	(3,822,955)	(0.05)	(5,013,423)	(0.07)	(5,571,252)	(0.08)	(16,997,054)	(0.23)	(2,098,240)	(0.03)
<b>Net Investment Income, as Adjusted <sup>(7)</sup></b>	<b>18,648,647</b>	<b>0.25</b>	<b>18,560,282</b>	<b>0.25</b>	<b>21,888,652</b>	<b>0.30</b>	<b>20,058,686</b>	<b>0.27</b>	<b>79,156,267</b>	<b>1.08</b>	<b>16,129,948</b>	<b>0.22</b>
Investment Gain (Loss)	(147,394)	(0.00)	(75,506,101)	(1.03)	2,437,334	0.03	(14,716,829)	(0.20)	(87,932,990)	(1.19)	52,183	0.00
F/X Gain (Loss)	(170,575)	(0.00)	(409,137)	(0.01)	362,009	0.00	(967,726)	(0.01)	(1,185,429)	(0.02)	161,159	0.00
Investment Appreciation (Depreciation)	893,223	0.01	73,734,512	1.00	(11,262,047)	(0.15)	7,969,653	0.11	71,335,341	0.97	16,369,689	0.22
F/X Translation	698,778	0.01	779,629	0.01	(1,146,461)	(0.02)	1,140,833	0.02	1,472,779	0.02	250,030	0.00
<b>Net Increase in Net Assets, GAAP</b>	<b>20,298,244</b>	<b>0.28</b>	<b>20,982,140</b>	<b>0.29</b>	<b>14,329,107</b>	<b>0.19</b>	<b>1,741,742</b>	<b>0.02</b>	<b>57,351,233</b>	<b>0.78</b>	<b>29,797,139</b>	<b>0.40</b>
<b>Net Increase in Net Assets, Pre Incentive Fee <sup>(7)</sup></b>	<b>22,512,103</b>	<b>0.31</b>	<b>20,982,140</b>	<b>0.29</b>	<b>17,292,910</b>	<b>0.23</b>	<b>19,055,869</b>	<b>0.26</b>	<b>79,843,022</b>	<b>1.08</b>	<b>35,061,249</b>	<b>0.47</b>
<b>Net Increase in Net Assets, as Adjusted <sup>(7)</sup></b>	<b>19,922,679</b>	<b>0.27</b>	<b>17,159,185</b>	<b>0.23</b>	<b>12,279,487</b>	<b>0.17</b>	<b>13,484,617</b>	<b>0.18</b>	<b>62,845,968</b>	<b>0.85</b>	<b>32,963,009</b>	<b>0.45</b>

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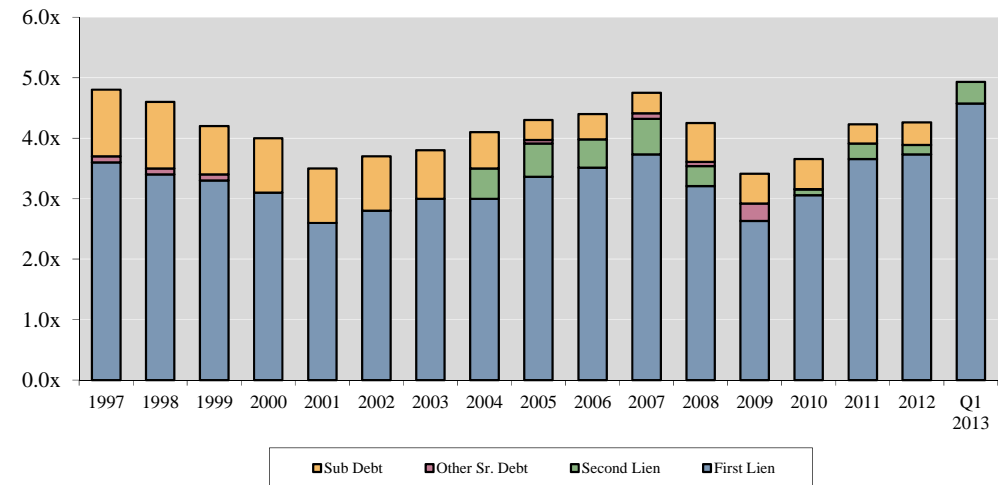
### **III. Current Market Environment**

# Leveraged Loan Investing Continues to Strengthen

**Average debt multiples for middle-market loans have rebounded since 2009 to the highs seen during the pre-1999 and 2005-2007 time periods**

- Total leverage for new transactions was 4.9x in Q1 2013, a significant increase from the 3.4x average in 2009 and 4.3x average in 2012, and slightly above the 4.8x average in 2007
- At 4.9x, senior lending leverage (first lien, second lien, and other senior debt) in Q1 2013 has exceeded the previous peak level seen in 2007 (4.4x), and an average of 3.4x from 2001 – 2009 and 3.9x in 2012

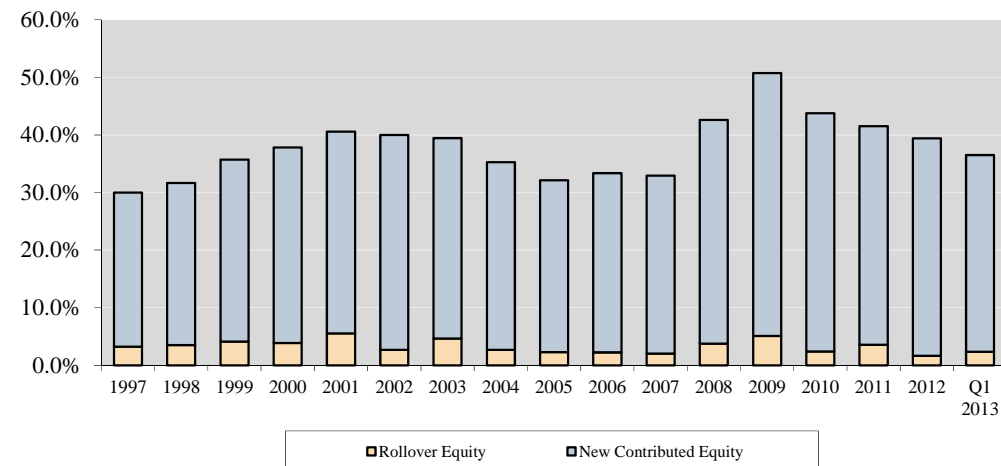
**Average Debt Multiples of Middle-Market Loans**



**Equity contribution percentages to leveraged buyouts remained above pre-crisis levels in Q1 2013, but have declined significantly from their peak in 2009**

- Total contributed equity to new LBO transactions in Q1 2013 represented 36.5% of capital
  - Total contributed equity to LBO transactions peaked in 2009 at 50.8% of capital
- Equity contribution levels in Q1 2013 were approximately 3.7% higher than those required during the 2005-2007 period (32.8%)

**Average Equity Contribution to Leveraged Buyouts**

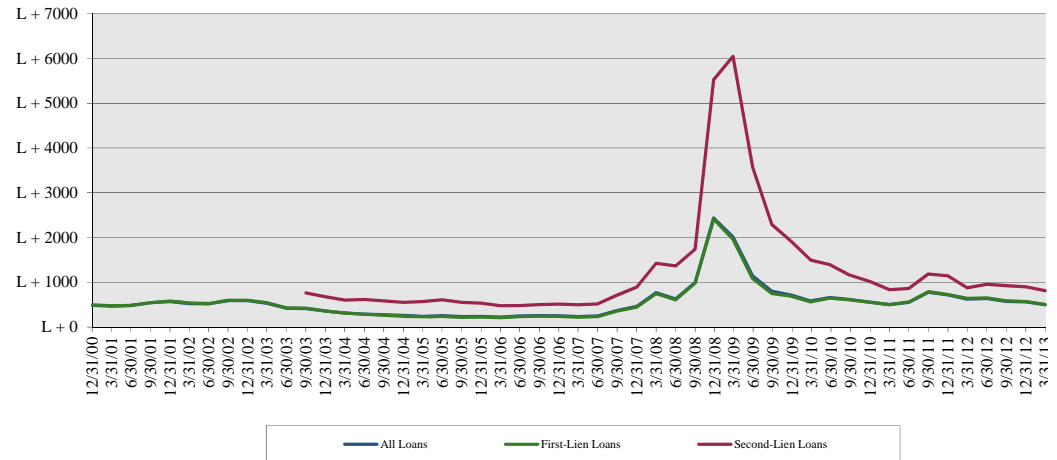


# Pricing on Leveraged Loans Has Stabilized

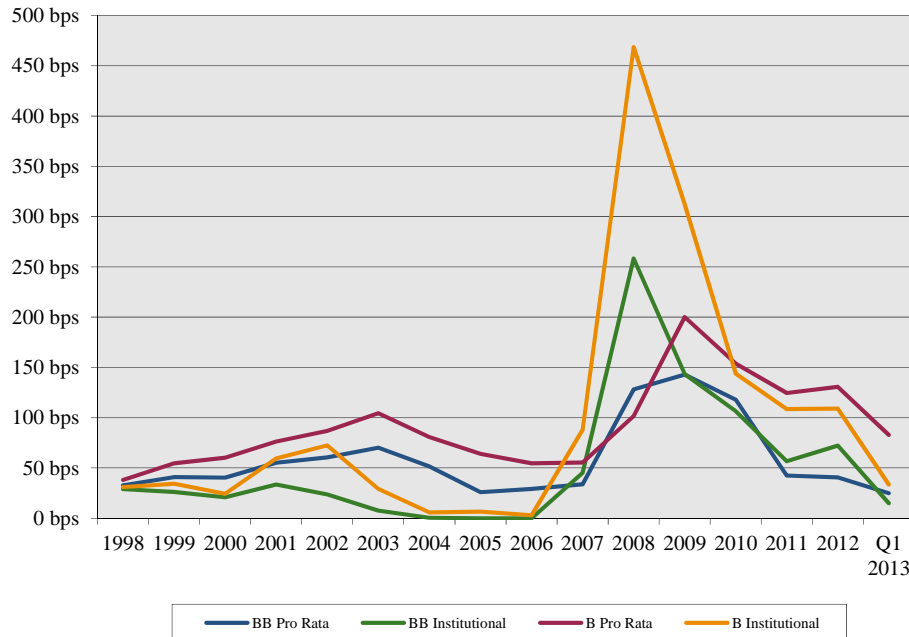
Pricing on leveraged loans across the capital structure has narrowed since March 2009, but remains higher than historical levels

- Leveraged loan spreads and average upfront fees have settled at levels greater than their 2005 – 2007 averages
- Current pricing remains robust at approximately 1.3x the 1997 – 2007 average

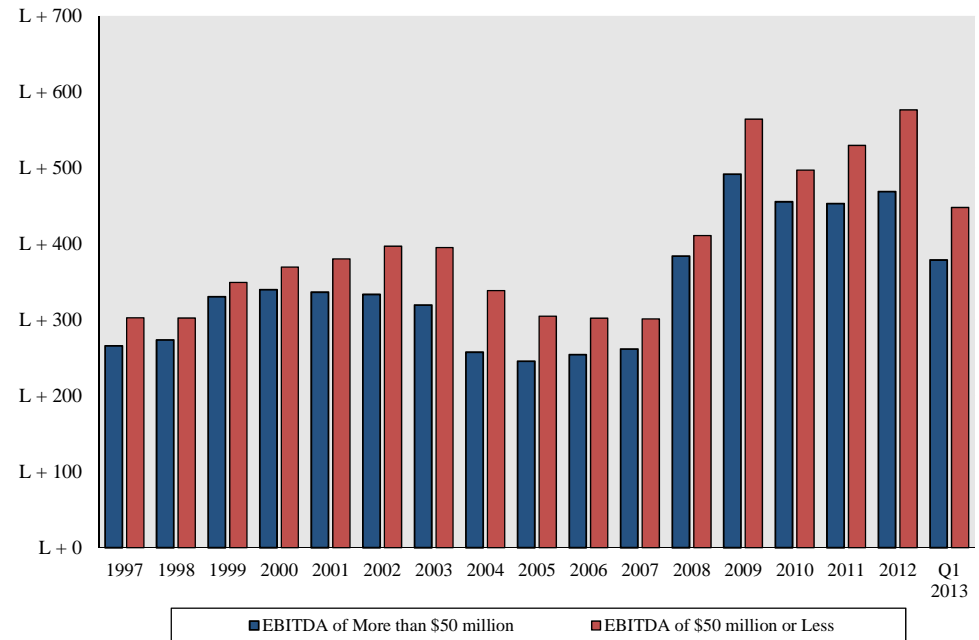
Average Discounted Spread of Leveraged Loans



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



Institutional Loan Spreads



Sources: Standard & Poor's LCD Leveraged Lending Review Q1 2013 and LCD High End Middle Market Lending Review Q1 2013

Please see Notes to the Investor Presentation on page 23

# The Middle Market Offers More Attractive Opportunities for Investors

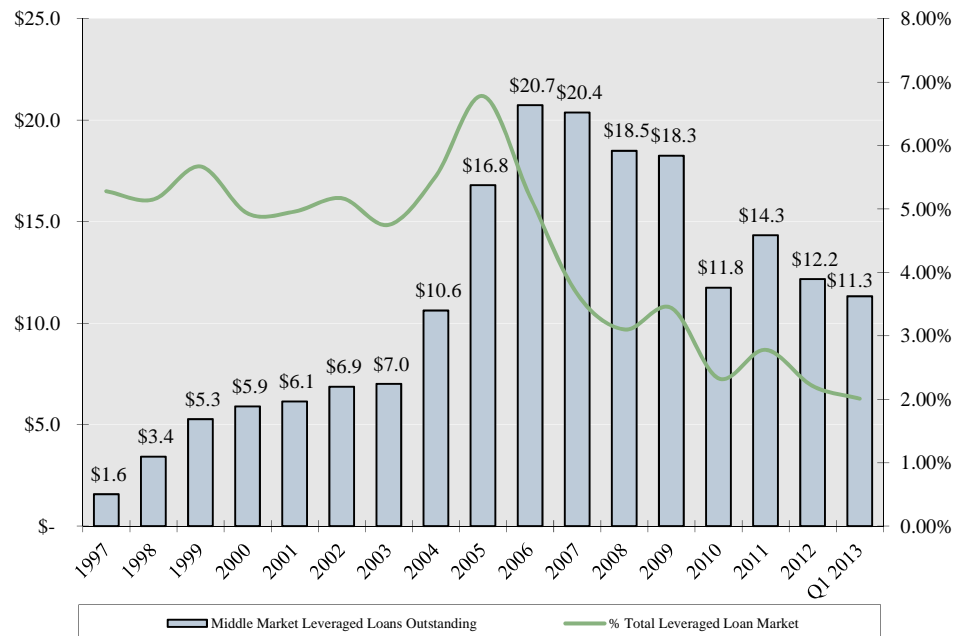
## General Characteristics

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

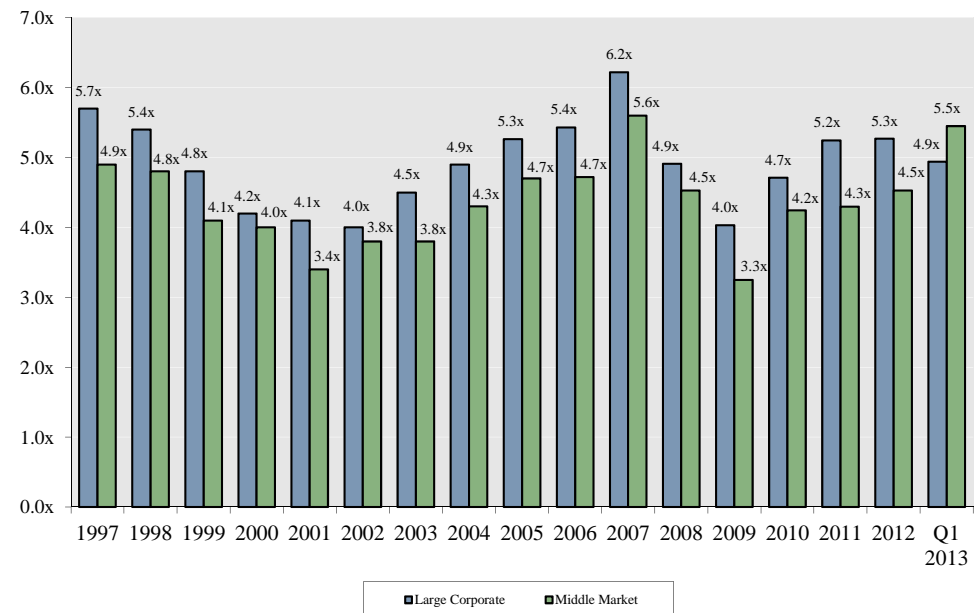
## Benefits

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

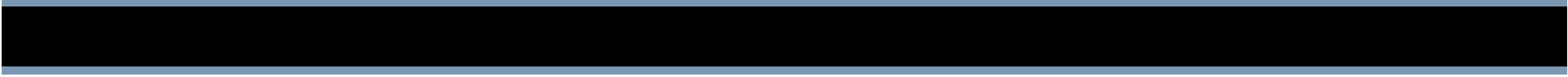
### Middle Market Leveraged Loans Outstanding



### Average Debt Multiples of LBO Loans



Source: Standard & Poor's LCD High End Middle Market Lending Review Q1 2013



**IV. Notes to the Investor Presentation**

# Notes to the Investor Presentation

<sup>(1)</sup> As of March 31, 2013.

<sup>(2)</sup> Dividend amount includes Q2 2013 dividend of \$0.26 declared on May 1, 2013 to be paid on July 2, 2013.

<sup>(3)</sup> Income statement data per share excludes the impact of diluted weighted average shares outstanding.

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

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

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

<sup>(7)</sup> As Adjusted: 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. The incremental incentive management fee is based on the formula the Company utilizes for each trailing four-fiscal quarter period, with the formula applied to the current quarter's incremental earnings, and without any reduction for incentive management fees paid during the prior three quarters. Amounts reflect the Company's ongoing operating results and are the most effective indicator of the Company's financial performance over time.

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

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

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

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

<sup>(11)</sup> Asset coverage ratio was 327% as of March 31, 2013.

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

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

*Note:* Schedules may diverge from public financials due to rounding.