

Kohlberg Capital Corporation Reports Third Quarter 2008 Financial Results

NEW YORK, Nov 10, 2008 (GlobeNewswire via COMTEX News Network) -- Kohlberg Capital Corporation (Nasdaq:KCAP) announced financial results for the third quarter ended September 30, 2008.

Financial Highlights

- * Net investment income for the nine months ended September 30, 2008 of \$23.9 million, or \$1.20 per share. For the three months ended September 30, 2008, net investment income was \$7.5 million or \$0.35 per share.
- * For the nine months ended September 30, 2008, paid dividends of \$1.17 per share, consisting of a \$0.41 per share dividend paid in each of the first and second quarters and a \$0.35 per share dividend paid in the third quarter.
- * Net unrealized loss on investments of \$3.5 million, or \$0.16 per share, for the third quarter of 2008 and \$11.8 million, or \$0.59 per share, for the nine months ended September 30, 2008.
- * Net asset value per share of \$12.97 as of September 30, 2008 compared to \$13.14 as of June 30, 2008 and \$14.38 as of December 31, 2007.
- * At September 30, 2008, investment assets totaled \$525.8 million as compared to \$506.4 million at June 30, 2008.

"Despite a very challenging credit environment, our investment portfolio continued to produce steady cash flows and credit quality continued to be strong," said Dayl Pearson, president and chief executive officer. "We did reduce our dividend slightly due to the impact of LIBOR volatility on our CLO investments, a higher share count and a general concern about the credit and economic environment in 2009. We have continued our policy of only distributing up to our net investment income."

Operating Results

For the third quarter ended September 30, 2008, Kohlberg Capital reported total investment income of \$11.3 million compared to \$10.5 million in the year ago period. Net investment income for the third quarter was \$7.5 million, or \$0.35 per share, compared to \$6.1 million, or \$0.34 per share, reflecting the growth in the investment portfolio to \$525.8 million at September 30, 2008 from \$434.9 million at September 30, 2007, increased dividends earned on CLO fund securities and a \$1.0 million dividend payment from Katonah Debt Advisors, the Company's wholly-owned asset management company, partially offset by lower yields on the Company's loan and bond portfolio. Realized gains for the 2008 third quarter were approximately \$13,000.

Total investment income for the third quarter ended September 30, 2008 declined approximately \$937,000 as compared to the immediately preceding quarter ended June 30, 2008. Such decline is primarily as a result of decreased spreads on CLO fund securities due to the timing and level of the resetting of the benchmark interest rate for the underlying assets in each CLO Fund and the related CLO Fund bond liabilities which were offset in part by a dividend distribution from Katonah Debt Advisors.

For the nine months ended September 30, 2008, total investment income was \$37.9 million as compared to \$25.6 million in the same period last year. Net investment income was \$23.9 million, or \$1.20 per share, based on 19.9 million weighted average shares outstanding. The company paid dividends of \$1.17 per share for the nine months ended September 30, 2008. For the same period last year, the company reported net investment income of \$16.2 million, or \$0.90 per share, and distributed dividends of \$1.01 per share.

Net unrealized losses for the three months ended September 30, 2008 totaled approximately \$3.5 million reflecting

approximately \$6.1 million in decreased trading value of the company's middle market corporate loan and equity securities offset in part by approximately \$2.5 million in increased net value of CLO Fund securities and a \$129,000 increase in the market value of the company's investment in its wholly-owned asset management company, Katonah Debt Advisors. Fair value of securities continued to be negatively impacted by credit market conditions.

Investment Portfolio

Kohlberg Capital's portfolio fair value was \$525.8 million as of September 30, 2008. The following table shows the change in the company's portfolio by security type at September 30, 2008 as compared to the prior quarter ended June 30, 2008:

Security Type	September 30, 2008 (unaudited)			June 30, 2008 (unaudited)		
	Cost	Fair Value	% (1)	Cost	Fair Value	% (1)
Senior Secured Loan	\$239,487,184	\$228,796,876	44%	\$223,245,488	\$216,214,013	43%
Junior Secured Loan	142,120,506	128,673,064	24	136,744,636	125,317,627	25
Mezzanine Investment	33,427,413	31,184,747	6	33,057,899	31,933,121	6
Senior Subordinated Bond	3,008,457	2,287,500	--	3,008,716	2,287,500	--
Senior Unsecured Bond	5,228,150	4,800,000	1	5,196,812	4,940,000	1
CLO Fund Securities	66,008,021	59,695,236	11	65,630,476	56,843,236	11
Equity Securities	5,096,298	4,491,265	1	5,096,298	3,605,297	1
Affiliate Asset Managers	35,877,203	65,821,689	13	35,394,198	65,210,050	13
Total	\$530,253,232	\$525,750,377	100%	\$507,374,523	\$506,350,844	100%

(1) Represents percentage of total portfolio at fair value

The company's loan, bond and equity portfolio (excluding its investment in CLO Fund Securities and Affiliate Asset Managers discussed further below), as of September 30, 2008 totaled \$400.2 million at fair value of which 89% are secured loans. The cost of such investments was \$428.4 million, representing a fair value discount to cost of 6.6% or approximately \$1.32 per outstanding share. As of September 30, 2008, the company had no exposure to mortgage securities, consumer borrowings or related asset backed securities. The weighted average yield on the company's loan and bond portfolio at September 30, 2008 was approximately 8.1%.

The portfolio of middle market corporate loan and debt securities at quarter end, representing 76% of the total investment portfolio, was well-varied across 26 different industries and 93 different entities with an average balance per investment of approximately \$4.3 million. As of September 30, 2008, all but two issuers or approximately 1% of total investments at fair value

were current on their debt service obligations, which is unchanged from June 30, 2008.

Investment in CLO Fund Securities

As of September 30, 2008, the company's investment at fair value in CLO Fund securities was approximately \$59.7 million. The underlying assets in each of the CLO Funds are generally diversified secured and unsecured corporate debt and do not include any asset backed securities, such as those secured by commercial or residential mortgages. As of September 30, 2008 all of the CLO Funds in which the company held investments were not in default and continue to make cash distributions to all classes of investors holding their securities. For the twelve months ended September 30, 2008, the seasoned CLO Fund securities generated an approximate annualized 31% cash return on investment and an approximate annualized 46% cash return on the current fair value of such CLO Fund securities.

Investment in Asset Manager Affiliate

At September 30, 2008, the company's investment at fair value in affiliate asset managers, including Katonah Debt Advisors, was approximately \$65.8 million, representing a \$612,000 increase over the fair value at June 30, 2008. Katonah Debt Advisors' assets under management at September 30, 2008 totaled approximately \$2.3 billion, representing an approximate \$4.7 million increase compared to June 30, 2008.

Liquidity and Capital Resources

At September 30, 2008, Kohlberg Capital had cash and cash equivalents of \$40.2 million, total assets of \$581.0 million and stockholders' equity of \$276.5 million. The company's net asset value per common share was \$12.97. Debt outstanding under a \$275 million secured revolving credit facility was \$270.0 million, resulting in 202% asset coverage or a debt to equity ratio of 0.98.

During September 2008, the Company was notified by the lenders that the liquidity banks providing the underlying funding for the facility did not intend to renew their liquidity facility to the lenders unless the Company agreed to certain revised terms for the facility. As a result, the lenders proposed new terms to the Company in order to extend additional fundings under the Facility. The Company viewed such proposed terms as unfavorable and has opted to allow the facility to terminate in accordance with its terms. Accordingly, in accordance with the terms of the Facility, all principal and interest collected from the assets secured by the Facility are used to amortize the Facility through a termination date of September 30, 2010 (the "amortization period"). During the amortization period the interest rate will continue to be based on prevailing commercial paper rates plus 0.85% or, if the commercial paper market is at any time unavailable, prevailing LIBOR rates plus an applicable spread. The Company believes it has sufficient cash and liquid assets to fund normal operations and dividend distributions through the expected amortization period.

Valuation of Portfolio Investments

Kohlberg Capital's Board of Directors is ultimately and solely responsible for determining the fair value of portfolio investments on a quarterly basis in good faith. Duff & Phelps, LLC, an independent valuation firm, provided third party valuation consulting services to the company's Board of Directors which consisted of certain limited procedures that the company's Board of Directors identified and requested them to perform. Each quarter, the Company's Board of Directors asks Duff & Phelps, LLC to perform the limited procedures on the Company's investment in Katonah Debt Advisors and all the CLO Fund securities. In addition, Duff & Phelps, LLC performs its procedures on all illiquid junior and mezzanine securities such that they are reviewed at least once during a trailing twelve month period. Upon completion of the limited procedures, Duff & Phelps, LLC concluded that the fair value of those investments subjected to the limited procedures did not appear to be unreasonable.

Dividend

Generally, Kohlberg Capital seeks to fund dividends to shareholders from current earnings, primarily from net interest and dividend income generated by its investment portfolio and Katonah Debt Advisors' current earnings without a return of capital or a high reliance on realized capital gains. Kohlberg Capital declared a regular quarterly dividend of \$0.35 per share for the quarter ended September 30, 2008. The record date for this dividend was October 9, 2008 and the dividend was paid on October 28, 2008. For the nine months ended September 30, 2008, Kohlberg Capital's net investment income of \$1.20 per share covered its \$1.17 in dividends paid for the first, second, and third quarters.

The company has adopted a dividend reinvestment plan ("DRIP") that provides for reinvestment of our dividends on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if we declare a cash dividend, our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends. Please contact your broker or other financial intermediary for more information regarding the DRIP.

Share Repurchase Plan

In October, the Company's Board of Directors has approved a share repurchase plan. Under this plan, Kohlberg Capital may repurchase up to \$5.0 million of its common stock from time to time at the discretion of its senior management, when, in the view of management, the price of the Company's stock does not appropriately reflect its net asset value or future earnings prospects.

Distributable Income

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

Conference Call and Webcast

Kohlberg Capital will hold a conference call on Monday November 10, 2008 at 4:00 p.m. Eastern Standard Time to discuss its third quarter 2008 financial results. Shareholders, prospective shareholders and analysts are welcome to listen to the call or attend the webcast. The conference call dial-in number is 1-877-591-4949. A replay of the call will be available from 7:00 p.m. on November 10 until 11:59 p.m. Eastern time on November 20. The dial in number for the replay is 888-203-1112 and the conference ID is 7154297.

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

About Kohlberg Capital Corporation (KCAP)

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

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

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

Forward Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. The matters discussed in this press release, as well as in future oral and written statements by management of Kohlberg Capital Corporation, that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this press release should not be regarded as a representation by us that our plans or objectives will be achieved. Further information about factors that could affect our financial and other results is included in our filings with the Securities and Exchange Commission. We do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required to be reported under the rules and regulations of the Securities and Exchange Commission.

KOHLBERG CAPITAL CORPORATION
BALANCE SHEETS

	As of September 30, 2008	As of December 31, 2007
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	(unaudited)	
ASSETS		
Investments at fair value:		
Investments in debt securities (cost: 2008 - 423,271,710; 2007 - 423,439,764)	\$395,742,187	\$410,954,082
Investments in CLO fund securities managed by non-affiliates (cost: 2008 - 15,541,828; 2007 - 15,385,580)	10,670,000	9,900,000
Investments in CLO fund securities managed by affiliate (cost: 2008 - 50,466,193; 2007 - 20,675,684)	49,025,236	21,120,000
Investments in equity securities (cost: 2008 - 5,096,298; 2007 - 5,043,950)	4,491,265	4,752,250
Investments in asset manager affiliates (cost: 2008 - 35,877,203; 2007 - 33,469,995)	65,821,689	58,585,360
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Total Investments at fair value	525,750,377	505,311,692
Cash and cash equivalents	40,207,188	12,088,529
Restricted cash	8,024,985	7,114,364
Interest and dividends receivable	3,798,708	5,592,637
Due from affiliates	1,248,072	540,773
Other assets	1,956,675	2,493,964
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Total assets	\$580,986,005	\$533,141,959
	=====	=====
LIABILITIES		
Borrowings	270,000,000	255,000,000
Payable for open trades	23,147,846	5,905,000
Accounts Payable and accrued expenses	3,721,993	6,141,892
Dividend payable	7,586,831	7,026,903
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Total liabilities	\$304,456,670	\$274,073,795
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Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$.01 per share, 100,000,000 common shares authorized; 21,676,660 and 21,326,410 common shares issued and outstanding at September 30, 2008 and 18,017,699 issued and outstanding at December 31, 2007	213,264	180,177
Capital in excess of par value	282,789,209	253,253,152
Distributions in excess of net investment income	(1,361,655)	(1,661,884)
Accumulated net realized losses	(608,628)	--

Net unrealized appreciation (depreciation) on investments	(4,502,855)	7,296,719
Total stockholders' equity	\$276,529,335	\$259,068,164
Total liabilities and stockholders' equity	\$580,986,005	\$533,141,959
NET ASSET VALUE PER SHARE	\$ 12.97	\$ 14.38

KOHLBERG CAPITAL CORPORATION
STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Investment Income:				
Interest from investments in debt securities	\$ 7,925,084	\$ 8,542,653	\$ 25,089,244	\$ 19,624,938
Interest from cash and cash equivalents	57,330	141,535	200,902	425,630
Dividends from investments in CLO fund securities managed by non- affiliates	962,864	1,154,919	4,712,758	3,324,205
Dividends from investments in CLO fund securities managed by affiliate	1,248,378	534,137	5,175,570	1,790,876
Dividends from affiliate asset manager	1,000,000	--	1,350,000	--
Capital structuring service fees	134,897	110,000	1,398,445	430,526
Total investment income	11,328,553	10,483,244	37,926,919	25,596,175
Expenses:				
Interest and amortization				

of debt issuance costs	2,430,839	2,311,203	8,176,051	3,510,696
Compensation	747,339	1,399,717	3,456,054	3,133,903
Professional fees	367,367	406,377	1,287,441	1,785,105
Insurance	64,766	41,369	203,181	122,885
Administrative and other	263,898	254,200	914,917	873,904
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Total expenses	3,874,209	4,412,866	14,037,644	9,426,493
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Net Investment Income	7,454,344	6,070,378	23,889,275	16,169,682
Realized And Unrealized Gains (Losses) On Investments:				
Net realized gains (losses) from investment transactions	13,365	(52,203)	(608,628)	167,258
Net change in unrealized losses on debt securities	(6,968,233)	(7,959,601)	(15,043,841)	(7,854,708)
Net change in unrealized gains (losses) on equity securities	885,968	--	(313,333)	--
Net change in unrealized gains (losses) on CLO fund securities managed by affiliate	(657,815)	929,887	(1,885,273)	1,029,887
Net change in unrealized gains (losses) on CLO fund securities managed by non- affiliates	3,132,273	(2,701,130)	613,752	(3,751,130)
Net change in unrealized gains (losses) on affiliate asset manager				

investments	128,634	(971,020)	4,829,121	20,444,831
Net realized and unrealized gains (losses) on investments	(3,465,808)	(10,754,067)	(12,408,202)	10,036,138
Net Increase (Decrease) In Stockholders' Equity Resulting From Operations	\$ 3,988,536	\$ (4,683,689)	\$ 11,481,073	\$ 26,205,820
Earnings (losses) per Common Share--Basic	\$ 0.19	\$ (0.26)	\$ 0.58	\$ 1.46
Earnings (losses) per Common Share --Diluted	\$ 0.18	\$ (0.26)	\$ 0.57	\$ 1.46
Net Investment Income Per Common Share --Basic	\$ 0.35	\$ 0.34	\$ 1.20	\$ 0.90
Net Investment Income Per Common Share --Diluted	\$ 0.34	\$ 0.34	\$ 1.19	\$ 0.90
Net Investment Income and Net Realized Gains Per Common Share--Basic	\$ 0.35	\$ 0.33	\$ 1.17	\$ 0.91
Net Investment Income and Net Realized Gains Per Common Share-- Diluted	\$ 0.34	\$ 0.33	\$ 1.16	\$ 0.91
Weighted Average Shares of Common Stock Outstanding --Basic	21,299,431	17,989,460	19,897,521	17,965,590
Weighted Average				

Shares of Common Stock Outstanding --Diluted	21,649,681	17,989,460	20,021,709	18,001,345
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