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As filed with the Securities and Exchange Commission on October 6, 2006

Registration No. 333-136714

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-2

(Check appropriate box or boxes)

☐ **REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**
☒ **Pre-Effective Amendment No. 1**
☐ **Post-Effective Amendment No.**

KOHLBERG CAPITAL, LLC (1)

(Exact Name of Registrant as Specified in Charter)

295 Madison Avenue, 6th Floor
New York, New York 10017
(212) 455-8300
(Address and Telephone Number of Principal Executive Offices)

Dayl W. Pearson
Chief Executive Officer
Kohlberg Capital, LLC
295 Madison Avenue, 6th Floor
New York, New York 10017
(Name and Address of Agent for Service)

Copies to:

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Clifford Chance US LLP
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Telephone: (212) 878-8000
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Approximate Date of Proposed Public Offering:
As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. ☐

It is proposed that this filing will become effective (check appropriate box):

☐ When declared effective pursuant to Section 8(c).

If appropriate, check the following box:

☐ This amendment designates a new effective date for a previously filed registration statement.

☐ This Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act and the Securities Act registration number of the earlier effective registration statement for the same offering is

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount to be Registered (2)	Proposed Maximum Offering Price Per Share (3)	Proposed Maximum Aggregate Offering Price (2)(3)	Amount of Registration Fee (4)
Common Stock, $0.01 par value per share	15,525,000	$16.00	$248,400,000	$ 26,579

(1) In connection with this offering, Kohlberg Capital, LLC, a Delaware limited liability company, will convert, in accordance with Delaware law, to a Delaware corporation to be named Kohlberg Capital Corporation.
(2) Includes 2,025,000 shares of common stock that may be issued pursuant to the underwriters' option to purchase additional shares.
(3) Estimated solely for purposes of calculating the registration fee pursuant to section 457(a) under the Securities Act of 1933, as amended.
(4) $24,075 of such fee was paid in connection with the original filing of the registration statement on August 18, 2006.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated October 6, 2006

PROSPECTUS

13,500,000 Shares

KOHLBERG CAPITAL CORPORATION

Common Stock

We are an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended. We have been organized to continue and expand the middle market investment business and asset management business of Katonah Debt Advisors, L.L.C. ("Katonah Debt Advisors"), which we acquired, prior to our election to be regulated as a BDC, from affiliates of Kohlberg & Co., L.L.C. ("Kohlberg & Co."), a leading private equity firm focusing on middle market investing. We will use the proceeds of this offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans that were originated during 2006 by Katonah Debt Advisors' middle market lending group. Our middle market investment business will continue to originate, structure, finance and manage a portfolio of senior secured term loans and will also invest in mezzanine debt and selected equity securities in privately-held middle market companies. Our wholly-owned portfolio company, Katonah Debt Advisors, currently has approximately $1 billion of assets under management and will continue to manage collateralized debt obligation funds ("CDO Funds") which invest in broadly syndicated loans, high-yield bonds and other credit instruments. Following this offering, we will maintain a strategic relationship with Kohlberg & Co., whose affiliates received, prior to our election to be regulated as a BDC, an aggregate of 3,151,000 shares of our common stock and promissory notes in the aggregate principal amount of $5 million in exchange for contributing to us their ownership interests in Katonah Debt Advisors and in securities issued by CDO Funds managed by Katonah Debt Advisors and two other asset managers.

Our investment objective is to generate current income and capital appreciation from the investments made by our middle market business in senior secured term loans, mezzanine debt and selected equity investments in privately-held middle market companies. While our primary investment focus will be on making loans to, and selected equity investments in, privately-held middle market companies, we may invest up to 30% of our capital in other investments such as loans to larger, publicly-traded companies, high-yield bonds, distressed debt securities and debt and equity securities issued by CDO Funds managed by Katonah Debt Advisors or by other asset managers. We also expect to receive distributions of recurring fee income and to generate capital appreciation from our investment in the asset management business of Katonah Debt Advisors.

Our common stock has no history of trading. Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their net asset value. Our aggregate net asset value as of was $. If our shares trade at a discount to net asset value, it may increase the risks of loss for purchasers in this public offering. Purchasers in this offering will experience immediate dilution. See "Dilution" on page 35 for more information. We currently expect that the initial offering price per share of our common stock will be between $14 and $16. We have applied for listing of our common stock on The NASDAQ Global Market under the symbol "KCAP," subject to official notice of issuance.

Investing in our common stock involves risks. See " Risk Factors" beginning on page 13.

	Per Share	Total[2]
Public offering price	$	$
Sales load (underwriting discounts and commissions)	$	$
Proceeds to us, before expenses[1]	$	$

[1] Before deducting estimated expenses payable by us of approximately $2,000,000.

[2] We have granted the underwriters a 30-day option to purchase up to an additional 2,025,000 shares of common stock on the same terms and conditions set forth above if the underwriters sell more than 13,500,000 shares of common stock in this offering. If the underwriters exercise their option to purchase additional shares, the total public offering price will be $, the total sales load will be $ and the total proceeds to us, before expenses, will be $.

The underwriters have reserved up to 100,000 shares of our common stock for sale to our directors, officers and employees, at the public offering price.

This prospectus contains important information about us that you should know before investing in our common stock. Please read it before making an investment decision and keep if for future reference. After the completion of this offering, we will be required to file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information will be available free of charge by writing to Kohlberg Capital Corporation, 295 Madison Avenue, 6th Floor, New York, New York 10017, by telephone by calling collect at (212) 455-8300 or by visiting our website at *http://www.kohlbergcap.com*. Information contained in our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. You may also obtain information about us from the Securities and Exchange Commission's website (*http://www.sec.gov*).

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers Inc., on behalf of the underwriters, expects to deliver the shares on or about 2006.

LEHMAN BROTHERS **MERRILL LYNCH & CO.**

BMO CAPITAL MARKETS

BEAR, STEARNS & CO. INC.

A.G. EDWARDS

, 2006

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any dealer, salesperson or other person to provide you with different information or to make representations as to matters not stated in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell, or a solicitation of an offer to buy, any shares of common stock by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information in this prospectus is accurate only as of its date, and under no circumstances should the delivery of this prospectus or the sale of any common stock imply that the information in this prospectus is accurate as of any later date or that the affairs of Kohlberg Capital Corporation have not changed since the date hereof. Except as required under federal securities laws, such as in the event of a material change to the Company occurring prior to the completion of this offering, and the rules and regulations of the Securities and Exchange Commission, we do not have any intention to update this prospectus to reflect events or circumstances arising after the date of this prospectus, whether as a result of new information, future events or otherwise.

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Until 2006, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments for subscriptions.

PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus and may not contain all of the information that is important to you. You should read carefully the more detailed information set forth under "Risk Factors" and the other information included in this prospectus. Except as otherwise noted, all information in this prospectus assumes no exercise of the underwriters' option to purchase additional shares and assumes completion of the transactions described under "Restructuring". In this prospectus, unless the context otherwise requires, the "Company," "Kohlberg Capital" "we," "us" and "our" refer to Kohlberg Capital, LLC prior to the conversion described under "Restructuring" and Kohlberg Capital Corporation at and following such conversion, in each case together with our wholly-owned portfolio company Katonah Debt Advisors, and "Katonah Debt Advisors" refers to Katonah Debt Advisors, L.L.C., together with any additional direct or indirect wholly-owned subsidiaries that we organize in connection with the business of Katonah Debt Advisors.

OVERVIEW

We are an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). We have been organized to continue and expand the middle market investment business and asset management business of Katonah Debt Advisors, which we acquired, prior to our election to be regulated as a BDC, from affiliates of Kohlberg & Co., L.L.C. ("Kohlberg & Co."), a leading private equity firm with two decades of middle market investment experience. Our middle market investment business will continue to originate, structure, finance and manage a portfolio of senior secured term loans and will also invest in mezzanine debt and selected equity securities in privately-held middle market companies. Our wholly-owned portfolio company, Katonah Debt Advisors, currently has approximately $1 billion of assets under management and will continue to manage collateralized debt obligation funds ("CDO Funds") which invest in broadly syndicated loans, high-yield bonds and other credit instruments. We will use the proceeds of this offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans that were originated during 2006 by Katonah Debt Advisors' middle market lending group. Prior to the offering and our election to be regulated as a BDC, we issued 3,151,000 shares of our common stock and promissory notes in aggregate principal amount of $5 million to affiliates of Kohlberg & Co. to acquire 100% of the outstanding equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. Following this offering, we will maintain a strategic relationship with Kohlberg & Co. which includes its co-managing partners serving on our Board of Directors and our Investment Committee. Kohlberg & Co. will also provide us with referrals of middle market private equity investment opportunities. Our relationship with Kohlberg & Co. is an important part of our strategy.

Our investment objective is to generate current income and capital appreciation from the investments made by our middle market business in senior secured term loans, mezzanine debt and selected equity investments in privately-held middle market companies. While our primary investment focus will be on making loans to, and selected equity investments in, privately-held middle market companies, we may invest up to 30% of our capital in other investments such as loans to larger, publicly-traded companies, high-yield bonds, distressed debt securities and debt and equity securities issued by CDO Funds managed by Katonah Debt Advisors or by other asset managers. We also expect to receive distributions of recurring fee income and to generate capital appreciation from our investment in the asset management business of Katonah Debt Advisors. We believe that we will benefit from our ownership of Katonah Debt Advisors in three ways. First, Katonah Debt Advisors will serve as a source of investment opportunities and will give us the flexibility to make an investment either through the Company or through a CDO Fund managed by Katonah Debt Advisors or both. Second, we will be able to utilize the experienced team of credit analysts at Katonah Debt Advisors, who also serve as officers of the Company, to evaluate investments for our middle market business. Third, by making investments in CDO Funds raised by Katonah Debt Advisors in the future, on which we expect to receive a current cash return, we can help

Katonah Debt Advisors to raise these funds which in turn will increase its assets under management and resulting management fee income. In addition, we believe that we will derive substantial benefits from our strategic relationship with Kohlberg & Co. which will assist us in sourcing equity investment opportunities and whose co-managing partners will provide the benefit of their middle market experience through their participation in our Board of Directors and Investment Committee.

Including employees of our wholly-owned portfolio company Katonah Debt Advisors, some of whom also serve as officers of the Company, we employ an experienced team of 12 investment professionals and 16 total staff members. Dayl W. Pearson, our Chief Executive Officer ("CEO"), has been in the financial services industry for over 29 years. During the past 16 years, Mr. Pearson has focused almost exclusively in the middle market and has originated, structured and underwritten over $7 billion of debt and equity securities. R. Jon Corless, our Chief Investment Officer ("CIO"), has managed investment portfolios in excess of $4 billion at several institutions and has been responsible for managing portfolios of leveraged loans, high-yield bonds, mezzanine securities and middle market loans. E.A. Kratzman, our Vice President and the Managing Director of Katonah Debt Advisors and the portfolio manager for its Corporate Credit Group, has more than 30 years of credit and investment experience and has participated in fundraising for 15 funds investing in loans, high-yield bonds and credit derivatives with an aggregate value of approximately $4 billion. will serve as our Chief Financial Officer ("CFO") and as our Chief Compliance Officer ("CCO"). The Chairman of our Board of Directors and Investment Committee, Christopher Lacovara, is one of the three co-managing partners of Kohlberg & Co. and has been responsible for investing more than $500 million of equity capital in more than 25 leveraged buyouts and add-on acquisitions with an aggregate value of approximately $2 billion and has served on the boards of directors of numerous private and publicly-traded middle market companies. Mr. Lacovara has served on the management committees which supervised the operations of both Katonah Debt Advisors and Katonah Capital, L.L.C. ("Katonah Capital"), and has been the Kohlberg & Co. co-managing partner primarily responsible for the formation and continued operations of both Katonah Capital and Katonah Debt Advisors.

MIDDLE MARKET BUSINESS

Our middle market business is led by our CEO, Dayl W. Pearson, and our CIO, R. Jon Corless. Each of Messrs. Pearson and Corless has spent more than 15 years investing in the middle market and, before joining the Company, worked together at CIBC World Markets ("CIBC") and its affiliates for over eight years. Our management team maintains longstanding relationships with middle market private equity sponsors, lenders who work in small groups or "club" lenders, and sources of non-sponsored middle market transactions. Members of our senior management team have a proven track record of originating, structuring and managing middle market investments. Mr. Pearson has been involved in all aspects of middle market investing, including origination, negotiation of terms, portfolio management, restructuring and asset sales. Mr. Corless has over 25 years of financial industry experience and has been primarily a credit and risk management professional for the past 18 years responsible for several portfolios of highly leveraged loans and mezzanine securities including middle market assets. We expect to grow our management team by hiring additional professionals with experience investing in middle market senior debt, mezzanine debt and equity securities.

Our middle market investment team has experience assembling portfolios of middle market loans and investments and managing these portfolios through several credit cycles, including both attractive and stressed credit environments. Since March 2006, our middle market investment team has reviewed over 200 middle market investment opportunities while building the portfolio of first and second lien loans that we will acquire with the proceeds of this offering.

As a BDC, we will offer, and will provide upon request, managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services.

KATONAH DEBT ADVISORS

Katonah Debt Advisors is an asset manager that manages CDO Funds which invest in broadly syndicated senior loans, second lien loans, high-yield bonds, credit default swaps and other credit instruments. The securities issued by these CDO Funds are primarily held by third parties. We control Katonah Debt Advisors through our ownership of 100% of its equity interests. Katonah Debt Advisors is led by our Vice President and its Managing Director, E.A. Kratzman, who has more than 30 years of credit and investment experience. Mr. Kratzman also serves as a Vice President of the Company and a member of our Investment Committee. Katonah Debt Advisors is organized into two groups: the Corporate Credit Group and the Structured Products Group. The Corporate Credit Group structures and sponsors CDO Funds for which it serves as the asset manager and invests in syndicated term loans, high-yield bonds (rated lower than Baa3 by Moody's or lower than BBB- by Standard & Poor's) and credit default swaps. The Corporate Credit Group currently manages two CDO Funds with aggregate assets of approximately $800 million and is in the process of raising a third CDO Fund, expected to be $400 million in size, for which it has purchased $200 million in assets. The Structured Products Group structures, sponsors and invests in funds that invest primarily in the equity or mezzanine securities issued by CDO Funds. The Structured Products Group is in the process of raising a CDO Fund, which is expected to have between $200 million and $400 million of committed capital.

OUR STRATEGIC RELATIONSHIP WITH KOHLBERG & CO.

We believe that we will derive substantial benefits from our strategic relationship with Kohlberg & Co., as evidenced by the participation on our Board of Directors and Investment Committee of the three co-managing partners of Kohlberg & Co. Affiliates of Kohlberg & Co., including the co-managing partners of Kohlberg & Co. who will serve on our Board of Directors and Investment Committee, will own, in the aggregate and after giving effect to this offering, approximately 19% of our outstanding common stock, which they received, in lieu of cash, in exchange for the contribution to the Company of 100% of the equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. Founded in 1987, Kohlberg & Co. is a leading U.S. private equity firm which manages investment funds that acquire middle market companies. Since its inception, Kohlberg & Co. has organized five private equity funds, through which it has raised more than $2 billion of committed capital and completed more than 80 platform and add-on acquisitions with an aggregate value of more than $6 billion and has generated average annual returns on the investments made by private equity funds that it manages of approximately 30%. We have entered into a license and referral agreement with Kohlberg & Co. (the "License and Referral Agreement") pursuant to which Kohlberg & Co. has agreed to notify us of equity investments that are presented to Kohlberg & Co. but that it has determined in its sole discretion are not appropriate for any investment funds managed by Kohlberg & Co. or any of its affiliates, typically due to their small size or non-control nature, prior to making such investment opportunity available to any third party. Kohlberg & Co. has also granted us a royalty-free license to use the "Kohlberg" name, which we believe is one of the most widely recognized names in middle market investing, and will provide certain administrative services to us on a transitional basis following our acquisition of Katonah Debt Advisors.

COMPETITIVE ADVANTAGES

We believe that we can successfully compete with other providers of capital in the markets in which we compete for the following reasons:

Internally managed structure and significant management resources

We are internally managed by our executive officers under the supervision of our Board of Directors and do not depend on a third party investment advisor. As a result, we do not pay investment advisory fees and all of our income is available to pay our operating costs, including the costs associated with employing investment management professionals, and to make distributions to our shareholders. Including employees of Katonah Debt Advisors, some of whom also serve as officers of the Company we employ a team of 12 experienced investment

professionals with substantial experience in middle market lending, credit analysis, loan securitization, and portfolio administration. Our CEO, Dayl W. Pearson, our CIO, R. Jon Corless, and E.A. Kratzman, our Vice President and member of our Investment Committee and the Managing Director of Katonah Debt Advisors, have an average of over 28 years of credit and investment experience. The seven credit analysts employed by us and Katonah Debt Advisors average more than 15 years of experience.

We believe that we derive substantial benefits from our internally managed structure. First, because they are employed by us, the individuals responsible for managing our investments are dedicated solely to the success of our business. Our investment professionals do not serve as advisors to any other investment funds other than CDO Funds managed by our wholly-owned portfolio company Katonah Debt Advisors and therefore we do not compete with other investment funds for investment opportunities, although some investment opportunities may be allocated to funds managed by Katonah Debt Advisors. Second, through their participation in the Kohlberg Capital Corporation 2006 Equity Incentive Plan (our "Equity Incentive Plan"), a significant portion of the compensation of our senior managers is tied to the performance of our investments, resulting in an alignment of interests between our management and shareholders. Third, we expect to leverage our management resources and those of Katonah Debt Advisors across our portfolio of investments and the investments of the CDO Funds managed by Katonah Debt Advisors.

Multiple sourcing capabilities for assets

We have multiple sources of loans, mezzanine investments and equity investments. Through the industry relationships of our CEO and CIO, we believe that we will have the ability to participate in loans originated by other capital providers to middle market companies as well as to source assets directly from private equity sponsors and regional banks. We expect to add additional professional staff with a track record of originating senior loans and mezzanine and equity investments. Through Katonah Debt Advisors' Corporate Credit Group, we have the ability to acquire participations in selected syndicated secured and second lien term loans whose borrowers and investment returns meet our investment criteria. Through Katonah Debt Advisors' Structured Credit Products Group, we have the opportunity to invest in selected equity and mezzanine securities issued by CDO Funds, including those managed by Katonah Debt Advisors. Through our strategic relationship with Kohlberg & Co., we expect to have access to a variety of equity investments and mezzanine and other lending opportunities which are presented to Kohlberg & Co. but do not meet Kohlberg & Co.'s applicable investment criteria for reasons such as their small size or non-control nature.

Disciplined investment process

We will continue to employ the rigorous credit review process and due diligence intensive investment strategy which our senior management has developed over more than 20 years of lending. Due to our ability to source transactions through multiple channels, we expect to maintain a substantial pipeline of opportunities to allow comparative risk return analysis and selectivity. By focusing on the drivers of revenue and cash flow, we will develop our own underwriting cases and multiple stress case scenarios for each company analyzed. An event specific financial model reflecting company, industry and market variables will support each investment decision. We also expect to benefit from the credit and industry expertise of Katonah Debt Advisors' credit team, the members of which also serve as officers of the Company, and the co-managing partners of Kohlberg & Co. serving on our Board of Directors and Investment Committee.

Katonah Debt Advisors' credit platform

We expect that Katonah Debt Advisors will serve as a source of direct investment opportunities and cash flow. In addition, certain credit analysts employed by Katonah Debt Advisors who also serve as officers of the Company will serve as sources of credit analysis. Its credit team employs a highly rigorous process in selecting and reviewing investment opportunities for CDO Funds managed by Katonah Debt Advisors. We will have the opportunity to make investments in CDO Funds managed by Katonah Debt Advisors, which we would expect to

generate regular cash dividends or interest income. Katonah Debt Advisors also generates revenue through the fees it receives for managing CDO Funds and will distribute its income, after paying the expenses associated with its operations, including compensation of its employees, to us. Further, we may co-invest with CDO Funds managed by Katonah Debt Advisors when we believe it will be advantageous for us to do so.

Strategic relationship with Kohlberg & Co.

We believe that Kohlberg & Co. is one of the oldest and most well-known private equity firms focused on the middle market, and we expect to derive substantial benefits from our strategic relationship with Kohlberg & Co. Through the participation of the co-managing partners of Kohlberg & Co. on our Board of Directors and Investment Committee, we will have access to the expertise of these individuals in middle market leveraged investing, which we believe will enhance our capital raising, due diligence, investment selection and credit analysis. The Chairman of our Board of Directors and Investment Committee, Christopher Lacovara, has been the Kohlberg & Co. co-managing partner primarily responsible for establishing and providing oversight for the operations of both Katonah Debt Advisors and Katonah Capital. In addition, we have entered into a License and Referral Agreement with Kohlberg & Co. pursuant to which Kohlberg & Co. has agreed to notify us of equity investment opportunities that are presented to Kohlberg & Co. but that it determines in its sole discretion are not appropriate for any investment funds managed by Kohlberg & Co. or any of its affiliates, typically due to their small size or non-control nature, prior to making such investment opportunity available to third parties. Under this agreement, Kohlberg & Co. has also granted us a royalty-free license to use the “Kohlberg” name, which we believe is one of the most widely recognized names in middle market investing.

Significant equity ownership and alignment of incentives

Following the closing of this offering, our senior management team, the senior management team of Katonah Debt Advisors and affiliates of Kohlberg & Co. will together have a significant equity interest in the Company, ensuring that their incentives are strongly aligned with those of our shareholders. Affiliates of Kohlberg & Co., including the co-managing partners of Kohlberg & Co. who will serve on our Board of Directors and Investment Committee, will own, in the aggregate and after giving effect to this offering, approximately 19% of our outstanding common stock which they received, in lieu of cash, as partial consideration for the contribution to the Company of 100% of the equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. We expect that following the completion of this offering we will issue to our senior management team options to purchase shares of our common stock under our Equity Incentive Plan.

RESTRUCTURING

We were organized in August 2006 as a Delaware limited liability company. Kohlberg & Co. historically conducted its middle market lending business and asset management business through Katonah Debt Advisors, which is organized as a Delaware limited liability company. Prior to the completion of this offering, we will enter into a series of transactions designed to restructure our business in contemplation of this offering. See “Restructuring.”

RISK FACTORS

Investing in this offering involves risks. The following is a summary of certain risks that you should carefully consider before investing in our common stock. For a further discussion of these risk factors, please see “Risk Factors” beginning on page 13.

Risks Related to our Business

- We have no operating history.
- We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

- Our management team has no experience managing a BDC.
- We are dependent upon senior management personnel for our future success, and if we are unable to hire and retain qualified personnel or if we lose any member of our senior management team, our ability to achieve our investment objective could be significantly harmed.
- We operate in a highly competitive market for investment opportunities.
- There is a risk that we may not make distributions.
- Any unrealized losses we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income available for distribution.
- Many of our portfolio investments will be recorded at fair value as determined in good faith by our Board of Directors. As a result, there will be uncertainty as to the value of our investments.
- If we are unable to source investments effectively, we may be unable to achieve our investment objective.
- We may experience fluctuations in our quarterly and annual operating results.
- We will be exposed to risks associated with changes in interest rates.
- We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.
- If we incur additional debt, it could increase the risk of investing in our Company.
- Because we intend to distribute substantially all of our income and net realized capital gains to our stockholders, we will need additional capital to finance our growth.
- Our Board of Directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Risks Related to our Investments

- Our investments may be risky, and you could lose all or part of your investment.
- The equity in Katonah Debt Advisors and the subordinated securities in CDO Funds that we have acquired and the portfolio of first and second lien loans that we expect to acquire with the proceeds of this offering may be worth less than the amount we have paid for such assets.
- Economic recessions or downturns could impair our portfolio companies and harm our operating results.
- Defaults by our portfolio companies could harm our operating results.
- When we are a debt or minority equity investor in a portfolio company, which we expect will generally be the case, we may not be in a position to control the entity, and its management may make decisions that could decrease the value of our investment.
- Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.
- Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.
- There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.
- Investments in equity securities involve a substantial degree of risk.
- The lack of liquidity in our investments may adversely affect our business.
- We may lose all or a portion of the income we expect to receive from Katonah Debt Advisors.
- We may not receive any return on our investment in the CDO Funds in which we have invested.

- If we incur indebtedness or issue senior securities, we will be exposed to additional risks, including the typical risks associated with leverage.

Risks Related to Our Operation as a BDC

- Our ability to enter into transactions with our affiliates will be restricted.
- Regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital.
- Changes in the laws or regulations governing our business, or changes in the interpretations thereof, and any failure by us to comply with these laws or regulations, could negatively affect the profitability of our operations.
- If our primary investments are not deemed to be qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy.
- If we are unable to qualify for tax treatment as a RIC, we will be subject to corporate-level income tax, which will adversely affect our results of operations and financial condition.

Risks Related to this Offering

- Prior to this offering, there has been no public market for our common stock, and we cannot assure you that the market price of shares of our common stock will not decline following the offering.
- Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their net asset value.
- Our common stock price may be volatile and may fluctuate substantially.
- Investing in shares of our common stock may involve an above average degree of risk.
- Investors in this offering will incur immediate dilution upon the closing of the offering.
- If a substantial number of shares becomes available for sale and are sold in a short period of time, the market price of our common stock could decline.
- Our principal stockholders will continue to have substantial ownership in us after this offering and this could limit your ability to influence the outcome of key transactions, including a change of control.
- Certain provisions of the Delaware General Corporation Law and our certificate of incorporation and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

OUR CORPORATE INFORMATION

Our principal executive offices are located at 295 Madison Avenue, 6th Floor, New York, New York 10017, and our telephone number is (212) 455-8300. We maintain a website on the Internet at *http://www.kohlbergcap.com.* Information contained in our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

THE OFFERING

Common Stock offered by the Company	13,500,000 shares(1)(2)
Common Stock to be outstanding after the Offering	16,651,000 shares(1)
Use of proceeds	We will use approximately $185 million of the proceeds of this offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans from a special purpose vehicle organized by Katonah Debt Advisors. These funds will in turn be used by that special purpose entity to repay a credit facility through which these loans were acquired. The credit facility was provided to the special purpose entity by an affiliate of one of the underwriters in this offering. We intend to use the remainder of the net proceeds of this offering to invest in portfolio companies in accordance with our investment objective and strategy described in this prospectus and to pay our operating expenses. We estimate that it will take approximately 3 months to invest the remainder of the net proceeds of this offering consistent with our investment objective. See “Use of Proceeds.”
Listing	Our shares have no history of public trading. We have applied for listing of our shares of common stock on the The NASDAQ Global Market under the symbol “KCAP,” subject to official notice of issuance.
Trading at a Discount	Shares of closed-end investment companies, including BDCs, frequently trade at discounts to their net asset values and our stock may also be discounted in the market. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our net asset value.
Taxation	We intend to file an election to be treated for federal income tax purposes as a regulated investment company (a “RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), commencing with our first taxable year as a corporation. As a RIC, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. We may, from time to time, organize and

(1) Excludes 2,025,000 shares of common stock that may be issued pursuant to the underwriters’ option to purchase additional shares.
(2) At our request, the underwriters have reserved, at the public offering price, up to 100,000 shares of our common stock for sale to our directors, officers and employees.

	conduct the business of our portfolio company, Katonah Debt Advisors, through additional direct or indirect wholly-owned subsidiaries which may, in some cases, be taxable as corporations. To obtain and maintain our tax treatment as a RIC, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of the sum of our net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses, if any. See “Certain Federal Income Tax Considerations” and “Distributions.”
Distributions	We intend to pay quarterly dividends to our stockholders, commencing after the end of the first full fiscal quarter following the completion of this offering. Our quarterly dividends will be determined by our Board of Directors. See “Distributions.”
Dividend Reinvestment Plan	We have adopted a dividend reinvestment plan through which cash dividends are automatically reinvested in additional shares of our common stock, unless a stockholder opts out of the plan and elects to receive cash. Stockholders who receive distributions in the form of stock generally will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election. See “Dividend Reinvestment Plan.”
Leverage	In addition to the $5 million in aggregate principal amount of promissory notes that will be outstanding upon completion of this offering, we intend to borrow funds to make additional investments, including through a securitized revolving credit facility that we expect to enter into after the closing of this offering, and we may grant a security interest in our assets to a lender in connection with any such borrowings. We use this practice, which is known as “leverage,” to attempt to increase returns to our common stockholders. However, leverage involves significant risks. See “Risk Factors.” With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ will depend on our assessment of market and other factors at the time of any proposed borrowing.
Risk Factors	Investing in our common stock involves certain risks relating to our structure and our investment objective that you should consider before deciding whether to invest in our common stock. See “Risk Factors” for a discussion of factors you should carefully consider before deciding whether to invest in our common stock.

Certain Anti-Takeover Measures	Our charter and bylaws, as well as certain statutes and regulations, contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. This could delay or prevent a transaction that could give our stockholders the opportunity to realize a premium over the price for their securities. See "Description of Capital Stock."
Where You Can Find Additional Information	We have filed with the Securities and Exchange Commission, (the "SEC"), a registration statement on Form N-2, including any amendments thereto and related exhibits, under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of common stock offered by this prospectus. The registration statement contains additional information about us and the shares of common stock being offered by this prospectus.

After completion of this offering, our common stock will be registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and we will be required to file reports, proxy statements and other information with the SEC. This information will be available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website, at *http://www.sec.gov*, that contains reports, proxy and information statements, and other information regarding issuers, including us, that file documents electronically with the SEC.

FEES AND EXPENSES

The following table is intended to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary. The following table should not be considered a representation of our future expenses. Actual expenses may be greater or less than shown. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in the Company.

STOCKHOLDER TRANSACTION EXPENSES (as a percentage of the offering price)

Sales Load	7% (1)
Offering expenses	1% (2)
Dividend Reinvestment Plan Fees	— (3)

ANNUAL EXPENSES (as a percentage of net assets attributable to common stock) (4)

Operating Expenses	1.7% (5)
Interest Payments on Borrowed Funds	2.6% (6)
Other Expenses	0.2% (7)
Total Annual Expenses	4.5%(8)

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in the Company. These amounts are based upon payment by an investor of a 7% sales load (the underwriting discounts and commissions paid by the Company with respect to the common stock sold by the Company in this offering) and payment by the Company of operating expenses at the levels set forth in the table above which, except as indicated above, does not include leverage or related expenses.

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 125	$ 216	$ 307	$ 534

(1) The underwriting discounts and commissions with respect to the common stock sold in this offering, which are one-time fees paid by us to the underwriters in connection with this offering, are the only sales load paid in connection with this offering.

(2) The percentage reflects estimated offering expenses of approximately $2 million.

(3) The expenses associated with the administration of our dividend reinvestment plan are included in "Other Expenses." The participants in the dividend reinvestment plan will pay a pro rata share of brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see "Dividend Reinvestment Plan."

(4) "Net assets attributable to common stock" equals net assets (*i.e.*, total assets less total liabilities), which is estimated to be approximately $238 million immediately following completion of this offering.

(5) We do not have an investment adviser. We are internally managed by our executive officers under the supervision of our Board of Directors. As a result, we do not pay investment advisory fees. Instead we pay the operating costs associated with employing investment management professionals.

(6) We do not expect to incur significant leverage or to pay significant interest in respect thereof until we have outstanding borrowings under the securitized revolving credit facility, which we expect to enter into following completion of this offering. “Interest Payments on Borrowed Funds” represents an estimate of our annual interest expense based on payments to be made under the promissory notes issued to affiliates of Kohlberg & Co. and payments assumed to be made under a securitized revolving credit facility that we expect to enter into after the closing of this offering. This estimate assumes that we borrow for investment purposes an amount equal to 45% of our total assets at a per annum interest rate of approximately 5.9%. Actual interest payments may differ from the amount shown.

(7) “Other Expenses” include expenses associated with our Board of Directors and administrative expenses, including our compliance with various regulations which apply to us as a public company.

(8) “Total Annual Expenses” is the sum of “Operating Expenses,” “Other Expenses” and “Interest Payments on Borrowed Funds.”

The example should not be considered a representation of our future expenses, and actual expenses may be greater or lesser than those shown. Moreover, while the example assumes, as required by the applicable rules of the SEC, a 5% annual return, our performance will vary and may result in a return greater or lesser than 5%. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, participants in our dividend reinvestment plan may receive shares valued at the market price in effect at that time. This price may be at, above or below net asset value. See “Dividend Reinvestment Plan” for additional information regarding our dividend reinvestment plan.

RISK FACTORS

Investing in our common stock involves a high degree of risk. Before you invest in shares of our common stock, you should be aware of various risks, including those described below. You should carefully consider these risks, together with all of the other information included in this prospectus, before you decide whether to make an investment in our common stock. The risks set forth below are not the only risks we face. If any of the following risks occur, our business, financial condition and results of our operations could be materially adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to our Business

We have no operating history.

We have been organized to continue the middle market investment business and asset management business of Katonah Debt Advisors, which was organized in 2005. Katonah Debt Advisors commenced its asset management operations with the hiring of E.A. Kratzman, its Managing Director (who will also serve as our Vice President and a member of our Investment Committee), in June 2005 and began its middle market lending operations in March 2006 with the hiring of Dayl W. Pearson and R. John Corless, who will serve as our CEO and CIO, respectively. We have no operating history. As a result, we have no operating results that can demonstrate to you our ability to manage our business. We are subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that we will not achieve our investment objective and that the value of your investment in us could decline substantially.

Our management team has no experience managing a BDC.

The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs are required to invest at least 70% of their total assets in specified types of securities, primarily in private companies or thinly traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Our management team's lack of experience in managing a portfolio of assets under such constraints may hinder our ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objective. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. To obtain and maintain our tax treatment as a RIC under the Code, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of the sum of our net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses, if any. Failure to meet the requirements for tax treatment as a RIC would subject us to taxes, which would reduce the return on your investment. See "Election to Be Regulated as a Business Development Company and Regulated Investment Company" and "Certain Federal Income Tax Considerations." If we do not remain a BDC, we might be regulated as a closed-end investment management company under the 1940 Act, which would further decrease our operating flexibility and may prevent us from operating our business as described in this prospectus.

We are dependent upon senior management personnel for our future success, and if we are unable to hire and retain qualified personnel or if we lose any member of our senior management team, our ability to achieve our investment objective could be significantly harmed.

We depend on the members of our senior management, particularly our CEO, Dayl W. Pearson, and our CIO, R. Jon Corless, and our Vice President and the Managing Director of Katonah Debt Advisors, E.A. Kratzman as well as other key personnel for the identification, final selection, structuring, closing and monitoring of our investments. These employees have critical industry experience and relationships that we rely on to implement our business plan. Our future success will depend on the continued service of our senior management team and our Board of Directors. The departure of any of the members of our senior management, particularly, Messrs. Pearson, Corless or Kratzman, or a significant number of our senior personnel, could have a material

adverse effect on our ability to achieve our investment objective. As a result, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer.

We operate in a highly competitive market for investment opportunities.

A large number of entities will compete with us to make the types of investments that we plan to make in prospective portfolio companies. We will compete with a large number of private equity firms as well as other BDCs, investment funds, investment banks and other sources of financing, including traditional financial services companies, such as commercial banks and finance companies. Many of our competitors are substantially larger and have considerably greater financial, technical, marketing and other resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. This may enable some of our competitors to make commercial loans with interest rates that are comparable to or lower than the rates we typically offer. We may lose prospective portfolio companies if we do not match our competitors' pricing, terms and structure. If we do match our competitors' pricing, terms or structure, we may experience decreased net interest income and increased risk of credit losses. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, establish more relationships and build their market shares. Furthermore, many of our potential competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC. As a result of this competition, there can be no assurance that we will be able to identify and take advantage of attractive investment opportunities that we identify or that we will be able to fully invest our available capital. If we are not able to compete effectively, our business and financial condition and results of operations will be adversely affected.

There is a risk that we may not make distributions.

We intend to make distributions on a quarterly basis to our stockholders. 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. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. See "Distributions." Also, restrictions and provisions in any future credit facilities may limit our ability to make distributions. If we do not distribute a certain percentage of our income annually, we could fail to qualify for tax treatment as a RIC and we would be subject to corporate level federal income tax. See "Certain Federal Income Tax Considerations." We cannot assure you that you will receive distributions at a particular level or at all.

Any unrealized losses we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income available for distribution.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at the fair value as determined in good faith by our Board of Directors. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any unrealized losses in our loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods.

Many of our portfolio investments will be recorded at fair value as determined in good faith by our Board of Directors. As a result, there will be uncertainty as to the value of our investments.

Our investments are expected to consist primarily of securities issued by privately-held companies, the fair value of which is not readily determinable. In addition, we are not permitted to maintain a general reserve for anticipated loan losses. Instead, we are required by the 1940 Act to specifically value each investment and record an unrealized gain or loss for any asset that we believe has increased or decreased in value. We value these securities at fair value as determined in good faith by our Board of Directors, based on the recommendations of

the Valuation Committee of the Board of Directors. These valuations are initially prepared by our management and reviewed by our Valuation Committee which utilizes its best judgment in arriving at the fair value of these securities. However, the Board of Directors retains ultimate authority as to the appropriate valuation of each investment. Where appropriate, our Board of Directors may utilize the services of an independent valuation firm to aid it in determining fair value. The types of factors that may be considered in valuing our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly-traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain and may be based on estimates, our determinations of fair value may differ materially from the values that would be assessed if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

If we are unable to source investments effectively, we may be unable to achieve our investment objective.

Our ability to achieve our investment objective will depend on our senior management team's ability to identify, evaluate, finance and invest in suitable companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of our marketing capabilities, our management of the investment process, our ability to provide efficient services and our access to financing sources on acceptable terms. In addition to monitoring the performance of our existing investments, members of our management team and our investment professionals may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow the rate of investment. To grow, we will need to hire, train, supervise and manage new employees and to implement computer and other systems capable of effectively accommodating our growth. However, we cannot assure you that any such employees will contribute to the success of our business or that we will implement such systems effectively. Failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

We may experience fluctuations in our quarterly and annual operating results.

We could experience fluctuations in our quarterly and annual operating results due to a number of factors, some of which are beyond our control, including our ability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

We will be exposed to risks associated with changes in interest rates.

General interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest spreads on new investments could also have an adverse impact on our net interest income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates, including mezzanine securities and high-yield bonds, and also could increase our interest expense, thereby decreasing our net income. Also, an increase in interest rates available to investors could make investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

In accordance with generally accepted accounting principles and tax regulations, we include in income certain amounts that we have not yet received in cash, such as contracted payment-in-kind interest, which

represents contractual interest added to the loan balance and due at the end of the loan term. In addition to the cash yields received on our loans, in some instances, certain loans may also include any of the following: end of term payments, exit fees, balloon payment fees or prepayment fees. The increases in loan balances as a result of contracted payment-in-kind arrangements are included in income for the period in which such payment-in-kind interest was received, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income certain other amounts that we will not receive in cash. Any warrants that we receive in connection with our debt investments will generally be valued as part of the negotiation process with the particular portfolio company. As a result, a portion of the aggregate purchase price for the debt investments and warrants will be allocated to the warrants that we receive. This will generally result in "original issue discount" for tax purposes, which we must recognize as ordinary income, increasing the amounts we are required to distribute to qualify for the federal income tax benefits applicable to RICs. Because such original issue discount income would be not accompanied by cash, we would need to obtain cash from other sources to satisfy such distribution requirements. If we are unable to obtain cash from other sources to satisfy such distribution requirements, we may fail to qualify for tax treatment as a RIC and, thus, could become subject to a corporate-level income tax on all of our income. Other features of the debt instruments that we hold may also cause such instruments to generate original issue discount, resulting in a dividend distribution requirement in excess of current cash received. Since in certain cases 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 net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. If we are unable to met these distribution requirements, we will not qualify for tax treatment as a RIC or, even if such distribution requirement is satisfied, we may be subject to tax on the amount that is undistributed. Accordingly, we may have to sell some of our assets, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements and avoid tax. See "Certain Federal Income Tax Considerations."

If we incur additional debt, it could increase the risk of investing in our Company.

As of the date of this prospectus, we will have outstanding indebtedness of $5 million under promissory notes issued to affiliates of Kohlberg & Co. in connection with our acquisition of 100% of the equity of Katonah Debt Advisors. We expect, in the future, to borrow from, and issue senior debt securities to, banks, insurance companies and other lenders, including pursuant to a securitized revolving credit facility that we expect to enter into following completion of this offering. See "Obligations and Indebtedness." Lenders will have fixed dollar claims on our assets that are superior to the claims of our stockholders, and we may grant a security interest in our assets in connection with our borrowings. In the case of a liquidation event, those lenders would receive proceeds before our stockholders. In addition, borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more than it otherwise would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause the net asset value attributable to our common stock to decline more than it otherwise would have had we not leveraged. Similarly, any increase in our revenue in excess of interest expense on our borrowed funds would cause our net income to increase more than it would without the leverage. Any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on our common stock. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures.

As a BDC, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock we may issue in the future, of at least 200%. If this ratio declines below 200%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

Assumed Return on our Portfolio (Net of Expenses)	-10%	-5%	0%	5%	10%
Corresponding Return to Common Stockholder (1)	-23%	-14%	-5%	4%	13%

(1) Assumes that we borrow an amount equal to 45% of our total assets, which would result in, immediately following completion of this offering, approximately $433 million in total assets, approximately $195 million in debt outstanding, approximately $238 million in stockholders' equity and an average cost of funds of approximately 5.9%, which we assume to be the cost of funds of the securitized revolving credit facility we expect to enter into following completion of this offering. Actual interest payments may be different.

Because we intend to distribute substantially all of our income and net realized capital gains to our stockholders, we will need additional capital to finance our growth.

In order to qualify for tax treatment as a RIC, to avoid payment of excise taxes and to minimize or avoid payment of income taxes, we intend to distribute to our stockholders substantially all of our net ordinary income and realized net capital gains except for certain net long-term capital gains (which we may retain, pay applicable income taxes with respect thereto, and elect to treat as deemed distributions to our stockholders). As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. Because we will continue to need capital to grow our loan and investment portfolio, this limitation may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so. While we expect to be able to borrow and to issue additional debt and equity securities, we cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. In addition, as a BDC, we are generally not permitted to issue equity securities priced below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our net asset value could decline.

Our Board of Directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Our Board of Directors has the authority to modify or waive certain of our operating policies and strategies without prior notice (except as required by the 1940 Act) and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. Nevertheless, the effects may adversely affect our business and impact our ability to make distributions.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of 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. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company.

Risks Related to our Investments

Our investments may be risky, and you could lose all or part of your investment.

We will invest primarily in senior secured term loans, mezzanine debt and selected equity investments issued by middle market companies.

Senior Secured Loans. When we extend senior secured term loans, we will generally take a security interest in the available assets of these portfolio companies, including the equity interests of their subsidiaries, which we expect to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

Mezzanine Debt. Our mezzanine debt investments will generally be subordinated to senior loans and will generally be unsecured. This may result in an above average amount of risk and volatility or loss of principal.

These investments may entail additional risks that could adversely affect our investment returns. To the extent interest payments associated with such debt are deferred, such debt will be subject to greater fluctuations in value based on changes in interest rates, such debt could subject us to phantom income. Since we will generally not receive any cash prior to maturity of the debt, the investment will be of greater risk.

Equity Investments. We expect to make selected equity investments. In addition, when we invest in first and second lien senior loans or mezzanine debt, we may acquire warrants. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Risks Associated with Middle Market Companies. Investments in middle market companies also involve a number of significant risks, including:

- limited financial resources and being unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing on any guarantees we may have obtained in connection with our investment;
- shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- dependence on management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- less predictable operating results, being parties to litigation from time to time, engaging in rapidly changing businesses with products subject to a substantial risk of obsolescence, and requiring substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- difficulty accessing the capital markets to meet future capital needs; and
- generally less publicly available information about their businesses, operations and financial condition.

The equity in Katonah Debt Advisors and the subordinated securities in CDO Funds that we have acquired and the portfolio of first and second lien loans that we expect to acquire with the proceeds of this offering may be worth less than the amount we have paid for such assets.

We have acquired 100% of the equity of Katonah Debt Advisors and a portfolio of subordinated securities in CDO Funds managed by Katonah Debt Advisors and two other asset managers from individuals and entities affiliated with Kohlberg & Co. See "Restructuring". In addition, we will use the proceeds of this offering to acquire a portfolio of approximately $185 million of first and second lien loans from a special purpose vehicle formed by Katonah Debt Advisors. Our valuation of these assets may not reflect the value that could be obtained for these assets in a transaction with a third party. In addition, third party appraisals were not used in determining the value of these assets, and, as a result, the consideration paid by us may exceed the value that may be reflected in other valuation methodologies or appraisals or that may have been obtained in a transaction with a third party.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions may also decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

Defaults by our portfolio companies could harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other debt holders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its secured assets. Such events could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt that we hold and the value of any equity securities we own. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

When we are a debt or minority equity investor in a portfolio company, which we expect will generally be the case, we may not be in a position to control the entity, and its management may make decisions that could decrease the value of our investment.

We anticipate that most of our investments will be either debt or minority equity investments in our portfolio companies. Therefore, we will be subject to the risk that a portfolio company may make business decisions with which we disagree, and the shareholders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings. In addition, we will generally not be in a position to control any portfolio company by investing in its debt securities.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a

result, our results of operations could be materially adversely affected if one or more of our portfolio companies elects to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We invest primarily in debt securities issued by our portfolio companies. In some cases portfolio companies will be permitted to have other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders thereof are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we may have structured certain of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the size of our investment and the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken if we actually render significant managerial assistance.

Investments in equity securities involve a substantial degree of risk.

We may purchase common stock and other equity securities, including warrants. Although equity securities have historically generated higher average total returns than fixed-income securities over the long term, equity securities have also experienced significantly more volatility in those returns and in recent years have significantly under performed relative to fixed-income securities. The equity securities we acquire may fail to appreciate and may decline in value or become worthless, and our ability to recover our investment will depend on our portfolio company's success. Investments in equity securities involve a number of significant risks, including the risk of further dilution as a result of additional issuances, inability to access additional capital and failure to pay current distributions. Investments in preferred securities involve special risks, such as the risk of deferred distributions, credit risk, illiquidity and limited voting rights.

The lack of liquidity in our investments may adversely affect our business.

We expect to invest in securities issued by private companies. These securities may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly-traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. Our investments are usually subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market for such investments. The illiquidity of most of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

We may lose all or a portion of the income we expect to receive from Katonah Debt Advisors.

We expect to receive distributions of recurring fee income, after the payment of its expenses, from the asset management activities of our wholly-owned portfolio company, Katonah Debt Advisors. However, the existing asset management agreements pursuant to which Katonah Debt Advisors receives such fee income from the CDO Funds for which it serves as manager may be terminated for "cause" by the holders of a majority of the most senior class of securities issued by such CDO Funds and the holders of a majority of the subordinated securities issued by such CDO Funds. "Cause" is defined in the asset management agreements to include a material breach by Katonah Debt Advisors of the indenture governing the applicable CDO Fund, breaches by Katonah Debt Advisors of certain specified provisions of the indenture, material breaches of representations or warranties made by Katonah Debt Advisors, bankruptcy or insolvency of Katonah Debt Advisors, fraud or criminal activity on the part of Katonah Debt Advisors or an event of default under the indenture governing the CDO Funds. We expect that future asset management agreements will contain comparable provisions. Further, a significant portion of the asset management fees payable to Katonah Debt Advisors under the asset management agreements are subordinated to the prior payments of interest on the senior securities issued by the CDO Funds. If the asset management agreements are terminated or the CDO Funds do not generate enough income to pay the subordinated management fees, we will not receive the fee income that we expect to receive from Katonah Debt Advisors which will reduce income available to make distributions to our stockholders.

We may not receive any return on our investment in the CDO Funds in which we have invested.

We acquired subordinated securities in certain CDO Funds managed by Katonah Debt Advisors and other managers as part of the transactions described in "Restructuring." We expect to continue to acquire subordinated securities in the future in CDO Funds managed by Katonah Debt Advisors. These subordinated securities are the most junior class of securities issued by the CDO Funds and are subordinated in priority of payment to each other class of securities issued by these CDO Funds. Further, if there is an event of default under the indentures governing these CDO Funds, the holders of the most senior class of securities will be entitled to determine the remedies to be exercised under the indenture, including the sale and liquidation of the collateral. Finally, the subordinated securities are unsecured and rank behind all of the secured creditors, known or unknown, of the CDO Fund, including the holders of the senior securities issued by the CDO Fund.

If we incur indebtedness or issue senior securities, we will be exposed to additional risks, including the typical risks associated with leverage.

We may borrow funds or issue senior securities to make additional investments. With certain limited exceptions, we are only allowed to borrow amounts or issue senior securities such that our asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing or issuance. The amount of leverage that we employ will depend on our management's and our Board of Directors' assessment of market and other factors at the time of any proposed borrowing. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations of stockholders, including:

- a likelihood of greater volatility of net asset value and market price of our common stock than a comparable portfolio without leverage;
- exposure to increased risk of loss if we incur debt or issue senior securities to finance investments because a decrease in the value of our investments would have a greater negative impact on our returns and therefore the value of our common stock than if we did not use leverage;
- the likelihood that such debt or securities will be governed by an instrument containing covenants restricting our operating flexibility. These covenants may impose asset coverage or investment portfolio composition requirements that are more stringent than those imposed by the 1940 Act and could require us to liquidate investments at an inopportune time; and
- that we, and indirectly our stockholders, will bear the cost of leverage, including issuance and servicing costs (*i.e.*, interest).

Any requirement that we sell assets at a loss to redeem or pay interest or dividends on any leverage, or for other reasons, would reduce our net asset value and also make it difficult for the net asset value to recover. Our Board of Directors, in their judgment, nevertheless may determine to use leverage if they expect that the benefits to our stockholders of maintaining the leveraged position will outweigh the risks.

Risks Related to Our Operation as a BDC

Our ability to enter into transactions with our affiliates will be restricted.

We will be prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act and we will generally be prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors and, in some cases, the SEC. If a person acquires more than 25% of our voting securities, we will be prohibited from buying or selling any security from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. As a result of these restrictions, we will be prohibited from buying or selling any security from or to any portfolio company of a private equity fund managed by Kohlberg & Co. without the prior approval of the SEC.

Regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital.

Our business will require a substantial amount of capital in addition to the proceeds of this offering. We may acquire additional capital from the issuance of senior securities or other indebtedness, the issuance of additional shares of our common stock or from securitization transactions. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities or preferred securities, which we refer to collectively as "senior securities," and we may borrow money from banks or other financial institutions, up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities or incur indebtedness only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such issuance or incurrence. Our ability to pay dividends or issue additional senior securities would be restricted if our asset coverage ratio were not at least 200%. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous.

- *Senior Securities.* As a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred securities they would rank "senior" to common stock in our capital structure. Preferred stockholders would have separate voting rights and may have rights, preferences or privileges more favorable than those of our common stock. Furthermore, the issuance of preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common stockholders or otherwise be in your best interest.
- *Additional Common Stock.* Our Board of Directors may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a BDC, we are generally not able to issue our common stock at a price below net asset value without first obtaining required approvals from our stockholders and our independent directors. In any such case, the price at which our securities are to be issued and sold may not be less than a price, that in the determination of our Board of Directors, closely approximates the market value of such securities (less any commission or discount). We may also make rights offerings to our stockholders at prices per share less than the net asset value per share,

subject to the 1940 Act. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and you may experience dilution.

- *Securitization.* In addition to issuing securities to raise capital as described above, we anticipate that in the future we may securitize our loans to generate cash for funding new investments, including through a securitized revolving credit facility that we expect to enter into following completion of this offering. To securitize loans, we may create a wholly-owned subsidiary and contribute a pool of loans to the subsidiary. This could include the sale of interests in the subsidiary on a non-recourse basis to purchasers who we would expect to be willing to accept a lower interest rate to invest in investment grade loan pools, and we would retain a portion of the equity in the securitized pool of loans. An inability to successfully securitize our loan portfolio could limit our ability to grow our business and fully execute our business strategy and adversely affect our earnings, if any. Moreover, the successful securitization of our loan portfolio might expose us to losses as the residual loans in which we do not sell interests will tend to be those that are riskier and more apt to generate losses.

Changes in the laws or regulations governing our business, or changes in the interpretations thereof, and any failure by us to comply with these laws or regulations, could negatively affect the profitability of our operations.

Changes in the laws or regulations or the interpretations of the laws and regulations that govern BDCs, RICs or non-depository commercial lenders, could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, we may have to incur significant expenses in order to comply or we might have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business, results of operations or financial condition.

As discussed below, there is a risk that certain investments we intend to treat as qualifying assets will be determined to not be eligible for such treatment. Any such determination would have a material adverse effect on our business.

If our primary investments are not deemed to be qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. Currently, if we acquire debt or equity securities from an issuer that has outstanding marginable securities at the time we make an investment, these acquired assets generally cannot be treated as qualifying assets. This results from the definition of “eligible portfolio company” under the 1940 Act, which in part looks to whether a company has outstanding marginable securities. For a more detailed discussion of the definition of an “eligible portfolio company” and the marginable securities requirement, see “Regulation.”

Amendments promulgated in 1998 by the Federal Reserve expanded the definition of a marginable security under the Federal Reserve’s margin rules to include any non-equity security. Thus, any debt securities issued by any entity are marginable securities under the Federal Reserve’s current margin rules. As a result, the staff of the SEC has raised the question to the BDC industry as to whether a private company that has outstanding debt securities would qualify as an “eligible portfolio company” under the 1940 Act.

We believe that the senior loans and mezzanine investments that we propose to acquire should constitute qualifying assets because the privately held issuers will not, at the time of our investment, have outstanding marginable securities for the reasons set forth in this paragraph. First, we expect to make a large portion of our investments in companies that, to the extent they have any outstanding debt, have issued such debt on terms and in circumstances such that such debt should not, under existing legal precedent, be "securities" under the Exchange Act and therefore should not be deemed marginable securities under Regulation T. Second, we believe that, should a different position be taken such that those investments may be securities, they should still not be marginable securities. In particular, debt that does not trade in a public secondary market or is not rated investment grade is generally not a margin eligible security under the rules established by the self regulatory organizations, including the New York Stock Exchange and National Association of Securities Dealers, that govern the terms on which broker dealers may extend margin credit. Unless the questions raised by the amendments to Regulation T have been addressed by legislative, administrative or judicial action that contradicts our interpretation, we intend to treat as qualifying assets those senior loans and mezzanine investments that, at the time of our investment, are issued by an issuer that does not have outstanding a class of margin eligible securities. Likewise, we will treat equity securities issued by a portfolio company as qualifying assets if such securities are issued by a company that has no margin eligible securities outstanding at the time we purchase such securities.

To date, we do not believe that either the SEC or its staff has taken any position with respect to our analysis of the issues discussed above. We intend to adjust our investment focus as needed to comply with and/or take advantage of any future administrative position, judicial decision or legislative action.

If there were a court ruling or regulatory decision that conflicts with our interpretations, we could lose our status as a BDC or be precluded from investing in the manner described in this prospectus, either of which would have a material adverse effect on our business, financial condition and results of operations. Such a ruling or decision also may require that we dispose of investments that we made based on our interpretation of Regulation T. Such dispositions could have a material adverse effect on us and our stockholders. We may need to dispose of such investments quickly, which would make it difficult to dispose of such investments on favorable terms. In addition, because these types of investments will generally be illiquid, we may have difficulty in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss.

If we are unable to qualify for tax treatment as a RIC, we will be subject to corporate-level income tax, which will adversely affect our results of operations and financial condition.

Provided we qualify for tax treatment as a RIC, we can generally avoid corporate-level federal income taxes on income distributed to our stockholders as dividends. We will not qualify for this pass-through tax treatment, and thus will be subject to corporate-level federal income taxes, if we are unable to comply with the source of income, diversification and distribution requirements contained in the Code, or if we fail to maintain our election to be regulated as a BDC under the 1940 Act. If we fail to qualify for tax treatment as a RIC, the resulting taxes could substantially reduce our net assets, the amount of income available for distribution to our stockholders and the actual amount of our distributions. As such, our failure to qualify for tax treatment as a RIC would have a material adverse effect on us, the net asset value of our common stock and the total return obtainable from your investment in our common stock. We may, from time to time, organize and conduct the business of our portfolio company, Katonah Debt Advisors, through additional direct or indirect wholly-owned subsidiaries which may, in some cases, be taxable as corporations. For additional information see "Regulation" and "Certain Federal Income Tax Considerations."

Risks Related to this Offering

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that the market price of shares of our common stock will not decline following the offering.

Prior to this offering, there has been no public trading market for our common stock, and we cannot assure you that one will develop or be sustained after this offering. We cannot predict the prices at which our common stock will trade. The initial public offering price for our common stock will be determined through negotiations among us and the underwriters, and may not bear any relationship to the market price at which it will trade after this offering or to any other established criteria of our value. Shares of companies offered in an initial public offering often trade at a discount to the initial offering price due to sales loads, underwriting discounts and related offering expenses. Therefore, our common stock may be more appropriate for long-term investors than for investors with shorter term investment horizons and should not be treated as a trading vehicle.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their net asset value.

Shares of closed-end investment companies frequently trade at discounts to their net asset values and our stock may also be discounted in the market. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our net asset value. The risk of loss associated with this characteristic of closed-end investment companies may be greater for investors expecting to sell shares of common stock purchased in this offering soon after the offering. In addition, if our common stock trades below its net asset value, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining the approval of our stockholders and our independent directors.

Our common stock price may be volatile and may fluctuate substantially.

The trading price of our common stock following this offering may fluctuate substantially. The price of the common stock that will prevail in the market after this offering may be higher or lower than the price you pay and the liquidity of our common stock may be limited, in each case depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- our inability to deploy or invest our capital;
- fluctuations in interest rates;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- changes in regulatory policies or tax rules, particularly with respect to RICs or BDCs;
- loss of RIC tax treatment;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio;
- general economic conditions and trends; and
- departure of key personnel.

Investing in shares of our common stock may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk, volatility or loss of principal than alternative investment options. Our investments in portfolio companies may be highly speculative, and therefore, an investment in our common stock may not be suitable for investors with lower risk tolerance.

Investors in this offering will experience immediate dilution upon the closing of the offering.

If you purchase shares of our common stock in this offering, you will experience immediate dilution of $0.97 per share (based on the midpoint of the range set forth on the cover of this prospectus) because the price that you pay will be greater than the pro forma net asset value per share of the shares you acquire. This dilution is in large part due to the expenses incurred by us in connection with the consummation of this offering. Accordingly, investors in this offering will pay a price per share that exceeds the tangible book value per share after the closing of the offering. You may experience additional dilution upon the exercise of stock options to purchase common stock by our employees and directors under our stock option plan.

If a substantial number of shares becomes available for sale and are sold in a short period of time, the market price of our common stock could decline.

Upon completion of this offering we will have 16,651,000 shares of common stock outstanding (or 18,676,000 shares of common stock outstanding if the underwriters exercise their option to purchase additional shares). Following the offering, sales of substantial amounts of our common stock, or the availability of shares for sale, could adversely affect the prevailing market price of our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of equity securities should we desire to do so.

Our principal stockholders will continue to have substantial ownership in us after this offering and this could limit your ability to influence the outcome of key transactions, including a change of control.

After the completion of this offering and the other transactions described in this prospectus, and assuming no exercise of the underwriters' option to purchase additional shares, individuals and entities affiliated with Kohlberg & Co. will beneficially own, in the aggregate, approximately 19% of the outstanding shares of our common stock. James A. Kohlberg, the Vice-Chairman of our Board of Directors, is a founder and a co-managing partner of Kohlberg & Co. Christopher Lacovara, who serves as the Chairman of our Board of Directors and Investment Committee, and Samuel P. Frieder, who serves as a member of our Board of Directors and our Investment Committee, are also co-managing partners of Kohlberg & Co. Our Board of Directors and our Investment Committee must approve of the acquisition and disposition of our investments. As a result, these individuals may be able to exert influence over our management and policies. Affiliates of Kohlberg & Co. may also acquire additional shares of our equity securities in the future. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our Company, deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our Company or may ultimately affect the market price of our common stock.

Certain provisions of the Delaware General Corporation Law and our certificate of incorporation and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Delaware General Corporation Law, our certificate of incorporation and our bylaws contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti- takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price of our common stock. See "Description of Capital Stock—Delaware Law and Certain Certificate of Incorporation and Bylaw Provisions; Anti-Takeover Measures."

FORWARD-LOOKING STATEMENTS

The matters discussed in this prospectus, 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 prospectus should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this prospectus include statements as to:

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- our informal 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 ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax treatment;
- our ability to operate as a BDC and a RIC;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies, including Katonah Debt Advisors.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this prospectus, please see the discussion under “Risk Factors.” You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this prospectus.

RESTRUCTURING

Certain Acquisitions

We were organized in August 2006 as a Delaware limited liability company. Kohlberg & Co. historically conducted its middle market lending business and asset management business through Katonah Debt Advisors, which is organized as a Delaware limited liability company and, prior to the formation of Katonah Debt Advisors, through Katonah Capital. Prior to our election to be treated as a BDC, we, Kohlberg & Co. and certain affiliates of Kohlberg & Co. will have engaged in a series of restructuring transactions. These transactions are referred to in this prospectus as the "Restructuring." Unless otherwise noted or the context otherwise requires, the information included in this prospectus, assumes that the Restructuring will have been completed as described below.

Pursuant to agreements entered into on August 17, 2006 between the Company, James A. Kohlberg, one of our directors, and certain entities affiliated with Kohlberg & Co. (the "Contribution and Restructuring Agreements"), we completed the following acquisitions:

- *Acquisition of 100% of the outstanding equity of Katonah Debt Advisors*
  - We issued 1,893,000 common units and unsecured promissory notes in aggregate principal amount of $5 million (the "Promissory Notes") to James A. Kohlberg and an entity affiliated with Kohlberg & Co. to acquire 100% of the outstanding limited liability company interests of Katonah Debt Advisors. These common units will convert into shares of our common stock upon our conversion to a Delaware corporation as described below. These common shares have a value of approximately $28 million based on the mid-point of the initial public offering price range shown on the cover page of this prospectus.
  - We valued Katonah Debt Advisors at its fair market value as of the time of the acquisition, as determined by us in good faith. For purposes of this valuation, we estimated the annual run-rate distributable income of Katonah Debt Advisors from fees payable to it by CDO Funds managed by it at approximately $3 million on a pre-tax basis. This estimate was based on a full year of management fee revenue for all CDO Funds currently under management by Katonah Debt Advisors and annualized compensation expenses for all of Katonah Debt Advisors' employees, excluding those who will be employed by us immediately following this offering. Our valuation also considers that Katonah Debt Advisors has an aggregate of $1 billion in assets under management. This methodology may or may not reflect the value that could be obtained for Katonah Debt Advisors in a transaction with a third party. In addition, third party appraisals were not used in determining the value of Katonah Debt Advisors, and, as a result, the consideration paid by us may exceed or be less than the value that may be reflected in other valuation methodologies or appraisals or as may have been obtained in a transaction with a third party.

- *Acquisition of certain subordinated securities issued by CDO Funds managed by Katonah Debt Advisors and two other asset managers*
  - We issued 1,258,000 common units to certain entities beneficially owned by principals, employees and former employees of Kohlberg & Co. and its affiliates to acquire certain subordinated securities issued by CDO Funds managed by Katonah Debt Advisors and two other asset managers (the "CDO Fund Securities"). These common units will convert into shares of our common stock upon our conversion to a Delaware corporation as described below. These common shares have a value of approximately $19 million based on the mid-point of the initial public offering price range shown on the cover page of this prospectus.
  - For purposes of the acquisition of the CDO Fund Securities, in the case of CDO Fund Securities in CDO Funds formed within the last two years, we valued the CDO Fund Securities at their original cost to the entities affiliated with Kohlberg & Co. that contributed the CDO Fund Securities to us, and in the case of

all other CDO Fund Securities, their fair market value, as determined by our management. See “Portfolio Companies” for a description of the CDO Fund Securities.

The valuation of Katonah Debt Advisers and the CDO Fund Securities was fixed prior to the initial filing of the registration statement of which this prospectus is a part.

BDC Election

Prior to the completion of this offering, we will make an election to be regulated as a BDC.

Conversion to a Delaware Corporation.

Following our election to be regulated as a BDC and immediately prior to the issuance of common stock in this offering, we will file an election with the Secretary of State of the State of Delaware to convert from a Delaware limited liability company to a Delaware corporation in accordance with the procedure for such conversion in our limited liability company agreement and Delaware law. In connection with such conversion, each outstanding common unit described above will be, without any further action or consent required by the holders thereof, converted into an equivalent number of shares of our common stock.

Tax Election

We intend to file an election to be treated as a RIC under Subchapter M of the Code commencing with our first taxable year as a corporation.

Agreements with Kohlberg & Co. and Affiliates

We have entered into a License and Referral Agreement with Kohlberg & Co. pursuant to which Kohlberg & Co. has licensed to us, on a royalty free basis, the right to use the Kohlberg name. This agreement is terminable by Kohlberg & Co. at any time following the fifth anniversary of the date of the agreement and in specified other circumstances.

In addition, our License and Referral Agreement with Kohlberg & Co. provides that Kohlberg & Co. will notify us of equity investment opportunities that have been made available to Kohlberg & Co. and that Kohlberg & Co. has determined, in its sole discretion, are not appropriate for it or any investment funds managed by Kohlberg & Co. or any of its affiliates (generally as a result of the small size or non-control nature of the investment), prior to making such investment opportunity available to any third party.

We have also entered into a transition services agreement with Kohlberg & Co. pursuant to which Kohlberg & Co. will continue to provide accounting services, cash management and budgeting services, tax services, internal legal services, payroll administration and other human resource services and intellectual technology services for a period of up to six months from the date of this offering (the “Transition Services Agreement”). In addition, under this agreement and during this period, Kohlberg & Co. will continue the participation of our employees in Kohlberg & Co.’s medical, dental, retirement and other benefit plans until they can be transitioned to similar plans of the Company and will continue to maintain the participation of the Company in Kohlberg & Co. insurance programs until the Company has established its own insurance programs. Kohlberg & Co. will not receive any fees under the Transition Services Agreement and will receive only a reimbursement of expenses incurred in connection with providing these services.

Our portfolio company, Katonah Debt Advisors, has entered into an Assignment and Assumption Agreement with Katonah Capital pursuant to which it has assumed all of Katonah Capital’s rights and obligations under the lease agreement for our principal headquarters at 295 Madison Avenue, 6th Floor, New York, New York 10017. We have entered into an Overhead Allocation Agreement with Katonah Debt Advisors which provides for the sharing of the expenses under the lease agreement. In connection with this assignment and assumption of the lease, we expect to issue a letter of credit to the lessor to replace a letter of credit previously issued by Kohlberg & Co. under the original lease.

Portfolio Acquisition

Immediately following completion of this offering, we will use approximately $185 million of the net proceeds of the offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans that were originated during 2006 through a special purpose vehicle organized by Katonah Debt Advisors. These loans will be acquired by us for cash at their cost of acquisition by such special purpose vehicle. The purchase of these loans was financed with a credit facility provided by an affiliate of one of the underwriters in this offering and the proceeds that we will pay to the special purpose vehicle in order to acquire these loans will be used by that entity to repay the credit facility. Our Board of Directors has approved the portfolio acquisition and determined that (i) the terms thereof, including the consideration to be paid, are reasonable and fair to our shareholders and does not involve overreaching by any party and (ii) the acquisition is consistent with the interests of our shareholders and our investment policies.

ELECTION TO BE REGULATED AS A BUSINESS DEVELOPMENT COMPANY AND A REGULATED INVESTMENT COMPANY

Our elections to be regulated as a BDC and to be treated as a RIC will have a significant impact on our future operations:

We will report our investments at market value or fair value with changes in value reported through our statement of operations.

We will report all of our investments, including debt investments, at market value or, for investments that do not have a readily available market value, at their "fair value" as determined in good faith pursuant to procedures approved by our Board of Directors. Changes in these values will be reported through our statement of operations under the caption of "net unrealized appreciation (depreciation) on investments." See "Determination of Net Asset Value."

Our ability to use leverage as a means of financing our portfolio of investments will be limited.

As a BDC, we will be required to meet a coverage ratio of total assets to total senior securities of at least 200%. For this purpose, senior securities include all borrowings and any preferred stock we may issue in the future. Our ability to utilize leverage as a means of financing our portfolio of investments will be limited by this asset coverage test.

We intend to distribute substantially all of our net taxable income to our stockholders. We generally will be required to pay income taxes only on the portion of our taxable income and gains we do not distribute to stockholders (actually or constructively).

As a RIC, we intend to distribute to our stockholders substantially all of our net taxable income and the excess of realized net short-term capital gains over realized net long-term capital losses. In addition, we may retain certain net long-term capital gains and elect to treat such net capital gains as deemed distributed to our stockholders. If this happens, you will be treated as if you received an actual distribution of the capital gains and reinvested the net after-tax proceeds in us. You also would be eligible to claim a tax credit against your federal income tax liability (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we pay on the deemed distribution. See "Certain Federal Income Tax Considerations."

Provided we qualify for tax treatment as a RIC, we generally will be required to pay income taxes only on the portion of our net taxable income and gains that we do not distribute (actually or constructively).

We are required to comply with the provisions of the 1940 Act applicable to BDCs.

As a BDC, we will be required to have a majority of directors who are not "interested" persons under the 1940 Act. In addition, we will be required to comply with other applicable provisions of the 1940 Act, including adopting a code of ethics, fidelity bond and custody arrangements. See also "Regulation."

USE OF PROCEEDS

The net proceeds of the offering are estimated to be approximately $186 million ($215 million if the underwriters exercise their option to purchase additional shares in full) after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, in each case assuming an initial public offering price of $15.00 per share (the midpoint of the initial public offering range set forth on the front cover of this prospectus).

We will use approximately $185 million of the proceeds of this offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans from Ardsley CLO I Ltd., a special purpose vehicle organized by Katonah Debt Advisors. The purchase price paid by us will be used by such special purpose vehicle to repay the credit facility that was used to finance the purchase of the loans and which was provided by one of the underwriters in this offering. This purchase price for this portfolio represents the cost of acquisition of such loans by Ardsley CLO I Ltd. To the extent that the portfolio of investments held by Ardsley CLO I Ltd. at the time of the closing of the offering represents less than $185 million in aggregate principal amount at loans, we will acquire such lesser amount and will retain the net proceeds in excess of such amount for use as described below.

We intend to use the remainder of the net proceeds to invest in portfolio companies in accordance with our investment objective and strategy described in this prospectus and to pay our operating expenses. We estimate that we will invest the remainder of the net proceeds of this offering consistent with our investment objective shortly following completion of this offering, depending on the availability of attractive investment opportunities and market conditions. Pending the uses described above, including investment in accordance with our investment strategy, we intend to invest the net proceeds of this offering in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

DISTRIBUTIONS

We intend to distribute quarterly dividends to our stockholders. To avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of:

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

We will not be subject to excise taxes on amounts on which we are required to pay corporate income tax (such as retained realized net long-term capital gains in excess of net short-term capital losses, or "net capital gains"). In order to qualify for tax treatment as a RIC, we will be required to distribute to our stockholders with respect to each taxable year at least 90% of the sum of our net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. As a RIC, we intend to distribute to our stockholders substantially all of our net taxable income. In addition, we may retain for investment net capital gains and elect to treat such net capital gains as a deemed distribution. If this happens, you will be treated as if you received an actual distribution of the capital gains we retain and then reinvested the net after-tax proceeds in our common stock. You would be eligible to claim a tax credit against your federal income tax liability (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the capital gains deemed distributed to you. Please refer to "Certain Federal Income Tax Considerations" for further information regarding the consequences of our possible retention of net capital gains. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if we fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings. See "Regulation."

We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, cash dividends will be automatically reinvested in additional shares of our common stock unless the stockholder specifically "opts out" of the dividend reinvestment plan and chooses to receive cash dividends. See "Dividend Reinvestment Plan."

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2006:

- on an as adjusted basis after giving effect to the Restructuring;
- on a pro forma as adjusted basis to give effect to the sale of common stock in this offering at an assumed initial public offering price of $15 per share (which represents the mid-point of the initial public offering range set forth on the front cover of this prospectus), after deducting the estimated underwriting discounts and commissions and the estimated expenses of the offering payable by us, and the application of the net proceeds that we will receive from our sale of common stock in this offering as described under "Use of Proceeds."

This table should be read together with "Use of Proceeds" and "Discussion of Expected Operating Plans" included elsewhere in this prospectus.

	As of September 30, 2006	
	As Adjusted (in thousands)	Pro Forma As Adjusted (in thousands)
Cash and cash equivalents	$ 1	$ 1
Note Payable	5,000	5,000
Equity:		
Preferred Stock, $0.01 par value per share; 5,000,000 shares authorized, no shares issued and outstanding, as adjusted and pro forma as adjusted	—	—
Common Stock, $0.01 par value per share; 100,000,000 shares authorized; 3,152,672 shares issued and outstanding, as adjusted; 16,651,000 shares issued and outstanding, pro forma as adjusted	32	167
Additional Paid-in capital	47,235	233,425
Total stockholders' equity	47,267	233,592
Total capitalization	$ 52,268	$ 238,593

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the as-adjusted net asset value per share of our common stock immediately after the completion of this offering.

As of September 30, 2006, after giving effect to the Restructuring, the as-adjusted net asset value of our common stock would have been approximately $47 million, or approximately $15.00 per share. We determined net asset value per share before this offering by dividing the net asset value (total assets less total liabilities) by the number of shares of common stock to be outstanding after giving effect to the Restructuring.

After giving effect to the sale of our common stock in this offering assuming an initial public offering price of $15.00 per share (which represents the mid-point of the initial public offering range set forth on the cover page of this prospectus) and after deducting estimated sales load and estimated expenses of the offering payable by us, our as-adjusted net asset value as of September 30, 2006 would have been approximately $234 million, or $14.03 per share. This represents an immediate decrease in our net asset value per share of $0.97 to existing stockholders and dilution in net asset value per share of $0.97 to new investors who purchase shares in this offering.

The following table illustrates this per share dilution:

Assumed initial public offering price per share		$15.00
As adjusted net asset value per share as of September 30, 2006 after giving effect to the Restructuring	$15.00	
Decrease in net asset value per share attributable to new investors in this offering	$ 0.97	
As adjusted net asset value per share after this offering		$14.03
Dilution per share to new investors		$ 0.97

The following table summarizes, as of September 30, 2006, and after giving effect to the Restructuring, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and to be paid by new investors purchasing shares of common stock in this offering, at the initial public offering price of $15.00 per share (which represents the mid-point of the range set forth on the cover page of this prospectus) and before deducting the sales load and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	3,151,000	18.9%	$ 47,265,000(1)	18.9%	$ 15.00
New investors	13,500,000	81.1%	202,500,000	81.1%	$ 15.00
Total	16,651,000	100.0%	$249,765,000	100.0%	

(1) Represents the value of 3,151,000 shares of our common stock which, together with a $5 million promissory note, were issued in exchange for 100% of the equity of Katonah Debt Advisors and the CDO Fund Securities contributed to the Company in the Restructuring.

To the extent the underwriters exercise their option to purchase additional shares, there will be further dilution to new investors.

DISCUSSION OF EXPECTED OPERATING PLANS

In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking statements due to the factors discussed under "Risk Factors," "Forward-Looking Statements" and elsewhere in this prospectus.

Overview

We are an internally managed, non-diversified closed-end investment company that will provide debt and equity capital to middle market companies. Our investment objective is to generate current income and capital appreciation from the investments made by our middle market business in senior secured term loans, mezzanine debt and selected equity investments in privately-held middle market companies. We also expect to receive distributions of recurring fee income and to generate capital appreciation from our ownership of the asset management business of Katonah Debt Advisors.

Prior to the completion of this offering, we expect to file an election to be regulated as a BDC under the 1940 Act. In addition, we intend to elect to be treated as a RIC under Subchapter M of the Code commencing with our first taxable year as a corporation. Our election to be regulated as a BDC and to be treated as a RIC will have a significant impact on our future operations. See "Election To Be Regulated as a Business Development Company and a Regulated Investment Company."

Revenues

We plan to generate revenue in the form of interest income on debt securities and capital gains, if any, on warrants or other equity-related securities that we acquire in our portfolio companies. In addition, we expect to generate revenue in the form of commitment and facility fees and, to a lesser extent, due diligence fees. Any such fees will be generated in connection with our investments and recognized as earned or, in some cases, recognized over the life of the loan. We expect that our investments, whether in the form of a lead investment in the debt securities of a portfolio company or a participation in a syndicated financing, will generally range from $2.5 million to $25 million, with an average of $7.5 million to $15 million, until we raise additional capital. We expect these investments generally to have a term of between five and eight years and bear interest at various rates ranging from 2% to 10% over the prevailing market rates for riskless securities. Where applicable, we will seek to collateralize our investments by obtaining security interests in our portfolio companies' assets. Interest on debt securities will generally be payable monthly or quarterly, with amortization of principal typically occurring over the term of the security. In those limited instances where we choose to defer amortization of the loan for a period of time from the date of the initial investment, the principal amount of the debt securities and any accrued but unpaid interest will generally become due at the maturity date.

Distributable Income of Katonah Debt Advisors

We expect that our wholly-owned portfolio company, Katonah Debt Advisors, will distribute to us its net distributable income. We estimate that the annual run-rate distributable income of Katonah Debt Advisors will be approximately $3 million on a pre-tax basis. This estimate was based on a full year of management fee revenue for all CDO Funds currently under management by Katonah Debt Advisors and annualized compensation expenses for all of Katonah Debt Advisors' employees, excluding those who will be employed by us directly immediately following this offering.

Expenses

Because we are internally managed, we will pay the costs associated with employing investment management professionals and other employees as well as running our operations. Our primary operating expenses will include employee salaries and benefits, the costs of identifying, evaluating, negotiating, closing, monitoring and servicing our investments and our related overhead charges and expenses, including rental expense and any interest expense incurred in connection with borrowings we may make in the future.

Financial Condition, Liquidity and Capital Resources

We will generate cash primarily from the net proceeds of this offering and any future offerings of securities and cash flows from operations, including recurring fee income earned by Katonah Debt Advisors, and interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less from the time of investment. Our primary use of funds will be investments in portfolio companies. See "Use of Proceeds." In the future, we may also fund a portion of our investments through borrowings from banks and issuances of senior securities. After we have invested the net proceeds of this offering, we expect to raise additional capital to support our future growth through a securitized revolving credit facility, securitizations and future equity offerings.

We expect in the normal course of business to have unfunded commitments to extend credit. Unfunded commitments to provide funds to portfolio companies more than 60 days following the date of our balance sheet will not be reflected on that balance sheet. Our unfunded commitments may be significant from time to time. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as the on-balance sheet financial instruments that we hold.

In an effort to increase our returns and the number of loans that we can originate, we anticipate that we will enter into a securitized revolving credit facility after the closing of this offering. In addition, we plan to aggregate pools of funded loans using such conduits until a sufficiently large diversified pool of funded loans is created which can then be securitized. We do not intend to securitize any warrants or other equity securities that we receive in connection with any loans we make. There can be no assurance that we will be able to complete this securitization strategy or that it will be successful.

Distribution Policy

As a RIC, we intend to distribute quarterly dividends to our stockholders. If and as long as we qualify as a RIC, we will not be taxed on our net taxable ordinary income or realized net capital gains, to the extent that such taxable income and gains are distributed to stockholders on a timely basis. Annual taxable income and gains generally will differ from net income as determined for United States generally accepted accounting principles due to temporary and permanent timing differences in the recognition of income and expenses, returns of capital and net unrealized appreciation or depreciation, which are not included in taxable income. In order to qualify as a RIC under Subchapter M of the Code we must, in general, for each taxable year, (1) have in effect at all times during the taxable year an election to be regulated as a BDC, (2) derive at least 90% of our gross income from dividends, interest, gains from the sale of securities and other specified types of income, (3) meet asset diversification requirements as defined in the Code, and (4) distribute to stockholders at least 90% of our investment company taxable income as defined in the Code. We intend to take all steps necessary to qualify as a RIC, including distributing 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. See "Certain Federal Income Tax Considerations—Taxation as a Regulated Investment Company" and "Distributions."

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ from those estimates.

Valuation of Portfolio Investments. The most significant estimate inherent in the preparation of our financial statements will be the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded.

We will substantially invest in illiquid securities including debt and equity securities of primarily privately-held companies. We will value substantially all of our investments at fair value. We will determine fair value to be the amount for which an investment could be exchanged in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. Because of the inherent uncertainty of valuation, the Board of Directors' determined values may differ significantly from the values that would have been used had a ready market existed for the investments, and the differences could be material.

Loans and Debt Securities. For loans and debt securities, fair value will generally approximate amortized cost unless the borrower's enterprise value or overall financial condition or other factors lead to a determination of fair value at a different amount. As a general rule, we do not expect to value our loans or debt securities above cost, but loans and debt securities will be subject to fair value write-downs when the asset is considered impaired.

Equity and Equity-Related Securities. Our equity and equity-related securities in portfolio companies for which there is no liquid public market will be valued at fair value based on the enterprise value of the portfolio company, which will be determined using various factors, including cash flow from operations of the portfolio company and other pertinent factors, such as recent offers to purchase a portfolio company's securities or other liquidation events. The determined fair values will generally be discounted to account for restrictions on resale and minority ownership positions.

The value of our equity and equity-related securities in public companies for which market quotations are readily available will be based upon the closing public market price on the balance sheet date. Securities that carry certain restrictions on sale will typically be valued at a discount from the public market value of the security.

Our Board of Directors may consider other methods of accounting to value investments as appropriate in conformity with accounting principles generally accepted in the United States.

CDO Fund Securities. The securities issued by CDO Funds managed by Katonah Debt Advisors are primarily held by third parties. Our investments in CDO Funds (our "CDO Investments") are carried at fair value, which is based on a discounted cash flow model that utilizes prepayment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow and comparable yields for similar bonds and preferred shares/income notes, when available. We recognize unrealized appreciation or depreciation on our CDO Investments as comparable yields in the market change and/ or based on changes in estimated cash flows resulting from changes in prepayment or loss assumptions in the underlying collateral pool. As each CDO Investment ages, the expected amount of losses and the expected timing of recognition of such losses in the underlying collateral pool is updated and the revised cash flows are used in determining the fair value of the CDO Investment. We determine the fair value of our CDO Investments on an individual security-by-security basis.

Interest Income. Interest income will be recorded on the accrual basis to the extent that such amounts are expected to be collected.

Organizational and Offering Expenses. Organizational expenses will be expensed as incurred. Offering expenses will be charged against the proceeds of this offering.

Management Compensation. We may, from time to time, issue stock options under our Equity Incentive Plan to officers and employees for services rendered to us. We will follow Statement of Financial Accounting Standards No. 123 (revised 2004), *Accounting for Stock-Based Compensation*, a method by which the fair value of options granted will be expensed immediately. We are internally managed and therefore do not incur management fees payable to third parties.

Fee Income. Fee income will include fees, if any, for due diligence, structuring, commitment and facility fees, and fees, if any, for transaction services and management services rendered by us to portfolio companies and other third parties. Commitment and facility fees will be generally recognized as income over the life of the underlying loan, whereas due diligence, structuring, transaction service and management service fees will generally be recognized as income when the services are rendered.

OBLIGATIONS AND INDEBTEDNESS

Prior to completion of this offering, we will have outstanding promissory notes in aggregate principal amount of $5 million which we issued to James A. Kohlberg and an entity affiliated with Kohlberg & Co. as part of the purchase price for the acquisition of 100% of the outstanding limited liability company interests of Katonah Debt Advisors. The promissory notes accrue interest at the rate of 5.2% per annum and are payable in six equal monthly installments commencing in the first month following completion of this offering.

After the closing of this offering, we expect to enter into a securitized revolving credit facility (the "Facility") of up to $250 million. Advances under the Facility will be used by us to make additional investments. We expect that the Facility will be primarily secured by the loans acquired by us with the advances under the Facility. We expect that the Facility will bear interest at the commercial paper rate plus 0.75% and will have a term of three years. We expect that the pool of loans securing the Facility would need to meet certain eligibility criteria defined in the documents governing the Facility. One of the underwriters in this offering, or an affiliate of an underwriter in this offering, may be a lender under the Facility. There can be no assurance that we will be able to obtain this Facility on terms acceptable to us or at all, or that we will be able to borrow the amounts anticipated even if we are able to obtain such a Facility.

The portfolio that we expect to hold immediately following the completion of this offering must experience an annual rate of return of approximately 3% to cover annual interest payments on these obligations.

BUSINESS

OVERVIEW

We are an internally managed, non-diversified closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. We have been organized to continue and expand the middle market investment business and the asset management business of Katonah Debt Advisors, which we acquired, prior to our election to be regulated as a BDC, from affiliates of Kohlberg & Co., a leading private equity firm with two decades of middle market investment experience. Our middle market investment business will continue to originate, structure, finance and manage a portfolio of senior secured term loans and will also invest in mezzanine debt and selected equity securities in privately-held middle market companies. Our wholly-owned portfolio company, Katonah Debt Advisors, currently has approximately $1 billion of assets under management and will continue to manage CDO Funds which invest in broadly syndicated loans, high-yield bonds and other credit instruments. We will use the proceeds of this offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans that were originated during 2006 by Katonah Debt Advisors' middle market lending group. Prior to the offering and our election to be regulated as a BDC, we issued 3,151,000 shares of our common stock and promissory notes in the aggregate principal amount of $5 million to affiliates of Kohlberg & Co. to acquire 100% of the outstanding equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. Following this offering, we will maintain a strategic relationship with Kohlberg & Co. which includes its co-managing partners serving on our Board of Directors and our Investment Committee. Kohlberg & Co. will also provide us with referrals of middle market private equity investment opportunities. Our relationship with Kohlberg & Co. is an important part of our strategy.

Our investment objective is to generate current income and capital appreciation from the investments made by our middle market business in senior secured term loans, mezzanine debt and selected equity investments in privately-held middle market companies. While our primary investment focus will be on making loans to, and selected equity investments in, privately-held middle market companies, we may invest up to 30% of our capital in other investments such as loans to larger, publicly-traded companies, high-yield bonds, distressed debt securities and debt and equity securities issued by CDO Funds managed by Katonah Debt Advisors or by other asset managers. We also expect to receive distributions of recurring fee income and to generate capital appreciation from our investment in the asset management business of Katonah Debt Advisors. We believe that we will benefit from our ownership of Katonah Debt Advisors in three ways. First, Katonah Debt Advisors will serve as a source of investment opportunities and will give us the flexibility to make an investment either through the Company or through a CDO Fund managed by Katonah Debt Advisors or both. Second, we will be able to utilize the experienced team of credit analysts at Katonah Debt Advisors, who also serve as officers of the Company, to evaluate investments for our middle market business. Third, by making investments in CDO Funds raised by Katonah Debt Advisors in the future, on which we expect to receive a current cash return, we can help Katonah Debt Advisors to raise these funds which in turn will increase its assets under management and resulting management fee income. In addition, we believe that we will derive substantial benefits from our strategic relationship with Kohlberg & Co. which will assist us in sourcing equity investment opportunities and whose co-managing partners will provide the benefit of their middle market experience through their participation in our Board of Directors and Investment Committee.

Including employees of our wholly-owned portfolio company, Katonah Debt Advisors, some of whom also serve as officers of the Company, we employ an experienced team of 12 investment professionals and 16 total staff members. Dayl W. Pearson, our CEO, has been in the financial services industry for over 29 years. During the past 16 years, Mr. Pearson has focused almost exclusively in the middle market and has originated, structured and underwritten over $7 billion of debt and equity securities. R. Jon Corless, our CIO, has managed portfolios in excess of $4 billion at several institutions and has been responsible for managing portfolios of leveraged loans, high-yield bonds, mezzanine securities and middle market loans. E.A. Kratzman, our Vice President and the Managing Director of Katonah Debt Advisors and the portfolio manager for its Corporate Credit Group, has

more than 30 years of credit and investment experience and has participated in fundraising for 15 funds investing in loans, high-yield bonds and credit derivatives with an aggregate value of approximately $4 billion. will serve as our CFO and as our CCO. The Chairman of our Board of Directors and Investment Committee, Christopher Lacovara, is one of the three co-managing partners of Kohlberg & Co. and has been responsible for investing more than $500 million of equity capital in more than 25 leveraged buyouts and add-on acquisitions with an aggregate value of approximately $2 billion and has served on the boards of directors of numerous private and publicly-traded middle market companies. Mr. Lacovara has served on the management committees which supervised the operations of both Katonah Debt Advisors and Katonah Capital, and has been the Kohlberg & Co. co-managing partner primarily responsible for the formation and continued operations of both Katonah Capital and Katonah Debt Advisors.

BACKGROUND

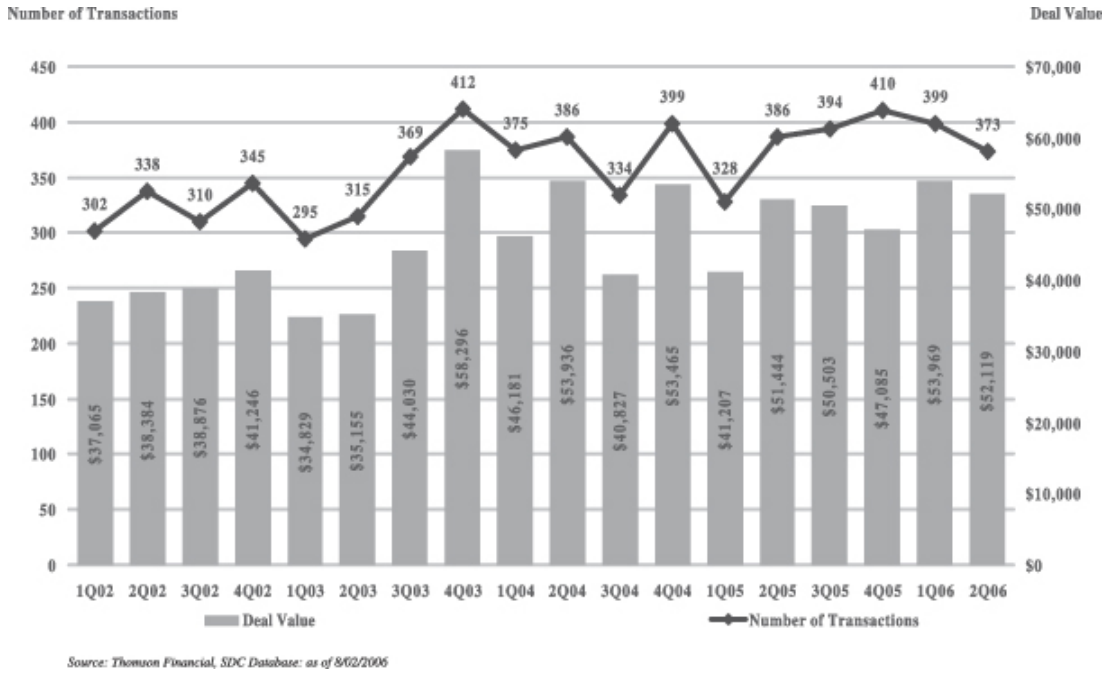
In 1999, affiliates of Kohlberg & Co. formed a lending platform called Katonah Capital to capitalize on the experience of Kohlberg & Co. in arranging and structuring debt financing for its own portfolio companies. From its inception through 2005, Katonah Capital organized six CDO Funds that raised in excess of $2 billion in capital to invest in below-investment-grade broadly syndicated loans, bonds and other credit instruments. In 2005, affiliates of Kohlberg & Co. organized Katonah Debt Advisors as a new platform to continue to manage CDOs investing in broadly syndicated loans and high-yield bonds, and to diversify into lending to middle market companies and investing in other types of credit instruments, and the operations of Katonah Capital were discontinued. In 2005 and 2006, Katonah Debt Advisors raised two CDO Funds with approximately $800 million in assets under management to invest in broadly syndicated loans and high-yield bonds. Katonah Debt Advisors is in the process of organizing a third CDO Fund expected to aggregate approximately $400 million in assets under management, of which approximately $200 million in assets have already been purchased, and an additional fund to invest in mezzanine and equity securities issued by CDO Funds. In March 2006, Katonah Debt Advisors hired Dayl W. Pearson and R. Jon Corless to head its middle market investment business. Since joining Katonah Debt Advisors, they have managed a special purpose vehicle that has invested approximately $185 million in middle market first and second lien loans which we intend to acquire with the proceeds of this offering.

MARKET OPPORTUNITY

We define the middle market as comprising companies with earnings before interest, taxes, depreciation and amortization, which we refer to as EBITDA, of $10 million to $50 million and/or total debt of $25 million to $150 million. We believe that many opportunities exist to provide loans to middle market companies due to:

- the large size of the market, with more than 15,000 companies;
- the high level of acquisition activity, with more than 1,200 transactions annually under $500 million during 2002, 2003 and 2004; and
- annual senior secured loan volume from 2000 to 2005 in the middle market in excess of $30 billion, according to Loan Pricing Corp.

The following chart illustrates the number and average transaction value of middle market acquisition transactions from the first quarter of 2002 through the second quarter of 2006:



Source: Thomson Financial, SDC Database: as of 8/02/2006

STRATEGY

Our investment objective is to generate current income and capital appreciation from the investments made by our middle market business in senior secured term loans, mezzanine debt and selected equity investments in privately-held middle market companies. We intend to grow our portfolio of assets by raising additional capital, including through the use of prudent leverage available to us. We will primarily invest in first and second lien term loans which, because of their priority in a company's capital structure, we expect will have lower default rates and higher rates of recovery of principal if there is a default and which we expect will create a stable stream of interest income. While our primary investment focus will be on making loans to, and selected equity investments in, privately-held middle market companies, we may invest up to 30% of our capital in other investments such as loans to larger, publicly-traded companies, high-yield bonds, distressed debt securities and debt and equity securities issued by CDO Funds managed by Katonah Debt Advisors or by other asset managers. In addition, we may also receive warrants or options to purchase common stock in connection with our debt investments.

Our middle market business will target companies that have strong historical cash flows, experienced management teams and identifiable and defendable market positions in industries with positive dynamics. Our senior management team has strong relationships with numerous middle market private equity sponsors and regional banks which will provide substantial opportunities for our purchase of participations in loans. We also have extensive relationships with the traditional middle market "club" lenders which will provide a source of direct lending opportunities. We will seek to manage risk through a rigorous credit and investment underwriting process and an active portfolio monitoring program. See "—Credit and Investment Process" and "—Credit Monitoring."

We expect to benefit from the resources and expertise of Katonah Debt Advisors in three ways. First, by working with the investment professionals at Katonah Debt Advisors, we will have multiple sources of

investment opportunities. We can maximize our investment scale and flexibility by selectively choosing to make an investment through the Company or through a CDO Fund managed by Katonah Debt Advisors, depending on the type of security, the type of transaction and other relevant factors. We expect that Katonah Debt Advisors will be our primary source of broadly syndicated non-investment grade loans, high-yield bonds, CDO equity and mezzanine investments and distressed debt. Second, the experienced team of credit analysts at Katonah Debt Advisors, the members of which also serve as officers of the Company, with specializations covering more than 20 industry groups, will assist us in reviewing potential investments and monitoring our portfolio. Third, we expect to continue to make investments in CDO Funds managed by Katonah Debt Advisors, which we believe will provide us with a current cash investment return. We further believe that these investments will provide Katonah Debt Advisors with greater opportunities to access new sources of capital which will ultimately increase Katonah Debt Advisors' assets under management and resulting management fee income.

Our strategic relationship with Kohlberg & Co. is also an important part of our overall strategy. We believe that the participation of the three co-managing partners of Kohlberg & Co. on our Board of Directors and Investment Committee will enhance our asset selection and portfolio performance and that Kohlberg & Co. will serve as our primary source of private equity opportunities. We also believe that the participation of the Kohlberg & Co. co-managing partners on our Investment Committee will enhance the due diligence and credit analysis of our lending operations.

MIDDLE MARKET BUSINESS

Our middle market business is led by our CEO, Dayl W. Pearson, and our CIO, R. Jon Corless. Each of Messrs. Pearson and Corless has spent more than 15 years investing in the middle market and, before joining the Company, worked together at CIBC and its affiliates for over eight years. Our management team maintains longstanding relationships with middle market private equity sponsors, lenders who work in small groups or "club" lenders and sources of non-sponsored middle market transactions. Members of our senior management team have a proven track record of originating, structuring and managing middle market investments. Mr. Pearson has been involved in all aspects of middle market investing, including origination, negotiation of terms, portfolio management, restructuring and asset sales. Mr. Corless has over 25 years of financial industry experience and has been primarily a credit and risk management professional for the past 18 years responsible for several portfolios of highly leveraged loans and mezzanine securities including middle market assets. We expect to grow our management team by hiring additional professionals with experience investing in middle market senior debt, mezzanine debt and equity securities.

Our middle market investment team has experience assembling portfolios of middle market loans and investments and managing these portfolios through several credit cycles, including both attractive and stressed credit environments. Since March 2006, our middle market investment team has reviewed over 200 middle market investment opportunities while building the portfolio of first and second lien loans that we will acquire with the proceeds of this offering.

As a BDC, we will offer, and will provide upon request, managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services.

KATONAH DEBT ADVISORS

Katonah Debt Advisors is an asset manager that manages CDO Funds which invest in broadly syndicated senior loans, second lien loans, high-yield bonds, credit default swaps and other credit instruments. The securities issued by these CDO Funds are primarily held by third parties. We control Katonah Debt Advisors through our ownership of 100% of its equity interests. Katonah Debt Advisors is led by our Vice President and its Managing Director, E.A. Kratzman, who has more than 30 years of credit and investment experience. Mr. Kratzman also serves as Vice President of the Company and a member of our Investment Committee. Katonah Debt Advisors is

organized into two groups: the Corporate Credit Group and the Structured Products Group. The Corporate Credit Group structures and sponsors CDO Funds for which it serves as the asset manager and invests in syndicated term loans, high-yield bonds (rated lower than Baa3 by Moody's or lower than BBB- by Standard & Poor's) and credit default swaps. The Corporate Credit Group currently manages two CDO Funds with aggregate assets of approximately $800 million and is in the process of raising a third CDO Fund, expected to be $400 million in size, for which it has purchased $200 million in assets. The Structured Products Group structures, sponsors and invests in funds that invest primarily in the equity or mezzanine securities issued by CDO Funds. The Structured Products Group is in the process of raising a CDO Fund which is expected to have between $200 million and $400 million of committed capital.

The CDO Funds managed by the Corporate Credit Group allow Katonah Debt Advisors to securitize portfolios of loan and bond investments and enhance the funds' return on capital by issuing debt for which the portfolios of investments serve as collateral. A typical CDO Fund portfolio managed by Katonah Debt Advisors consists primarily of broadly syndicated non-investment grade loans and high-yield bonds typically issued by large capitalization companies. Leveraged loans typically experience less market volatility than high-yield bonds, and also are generally secured by assets, thereby improving the likelihood of principal preservation. These funds currently earn an annual management fee of 0.50% of assets under management and an annual incentive fee of 20% of the profits of the fund, provided that the investment return of the CDO Fund has exceeded a hurdle rate of return.

The Corporate Credit Group participates in the market for senior secured syndicated term loans greater than $100 million, high-yield bonds (rated BBB or below) and credit default swaps. The investment portfolios managed by Katonah Debt Advisors typically carry an average overall credit quality of B1/Ba3 Moody's rating equivalent or B+/BB- Standard & Poor's rating equivalent. Katonah Debt Advisors believes that this ratings category generally provides the best risk/reward combination as well as more stable returns as compared with other lower rated assets. The markets in which Katonah Debt Advisors invests are large and generally offer considerable trading liquidity, with more than $1.5 trillion of syndicated loans issued annually. The strategy of the Corporate Credit Group is to select and maintain portfolios of syndicated loans, high-yield bonds, and credit default swaps which offer a balance of interest rate spreads and credit risks appropriate for CDO securitizations in order to maintain a stable, attractive level of current cash return to investors.

The Structured Products Group invests primarily in the equity or unrated debt securities issued by CDO Funds backed by corporate commercial loans or asset backed securities, and invests on a limited basis in the rated (BBB or BB) mezzanine securities in CDO Funds to provide current cash income and asset diversity. The market for equity and mezzanine securities issued by CDO Funds is large and diverse, with an estimated $268 billion of CDO securities issued in 2005 and more than $1 trillion of such securities outstanding. The strategy of the Structured Products Group is to target securities issued by CDO Funds managed by experienced collateral managers or emerging managers where due diligence suggests an attractive opportunity for long-term success. The Structured Products Group is in the process of raising a fund, which is expected to have between $200 million and $400 million of committed capital. We anticipate that funds managed by the Structured Products Group will earn a management fee of 1% of assets under management per annum and an incentive fee of 20% of profits, payable at the liquidation of the fund, provided that the investment return of the fund has exceeded a specified hurdle rate of return.

Katonah Debt Advisors employs an experienced team of nine investment professionals. E.A. Kratzman, Managing Director of Katonah Debt Advisors and portfolio manager for the Corporate Credit Group, has participated in the fundraising for 15 CDO Funds investing in loans, high-yield bonds and credit derivatives with an aggregate value of more than approximately $4 billion. Mr. Kratzman also serves as our Vice President and as a member of our Investment Committee, providing the benefit of his experience to the Company's lending activities. The two co-portfolio managers of the Structured Products Group each have more than 20 years of investment and securitization experience. In addition to investing funds managed by Katonah Debt Advisors, the portfolio managers in the Structured Credit Products Group, each of whom also serves as an officer of the

Company, will source and evaluate selected CDO equity and mezzanine investment opportunities for us and will assist us in identifying ways to optimize the use of our capital through securitizations of assets and other potential refinancing structures. The six credit analysts at Katonah Debt Advisors average more than 15 years of industry experience. Each analyst follows a specific set of industries, allowing them to develop deep insight and broad industry contacts. This credit team will review, when appropriate, loans sourced by us as well as investment opportunities for CDO Funds managed by Katonah Debt Advisors.

OUR STRATEGIC RELATIONSHIP WITH KOHLBERG & CO.

We believe that we will derive substantial benefits from our strategic relationship with Kohlberg & Co. as evidenced by the participation on our Board of Directors and Investment Committee of the three co-managing partners of Kohlberg & Co. Through such participation, we will have access to the expertise of these individuals in the middle market and leveraged investing, which we believe will enhance our capital raising, due diligence, investment selection and credit analysis. In addition, affiliates of Kohlberg & Co., including the co-managing partners of Kohlberg & Co. who will serve on our Board of Directors and Investment Committee, will own, in the aggregate and after giving effect to this offering, approximately 19% of our outstanding common stock, which they received, in lieu of cash, in exchange for the contribution to the Company of 100% of the equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. We have entered into a License and Referral Agreement with Kohlberg & Co. pursuant to which Kohlberg & Co. has agreed to notify us of equity investment opportunities that are presented to Kohlberg & Co. but that it has determined in its sole discretion are not appropriate for any investment funds managed by Kohlberg & Co. or any of its affiliates, typically due to their small size or non-control nature, prior to making such investment opportunity available to any third party. Kohlberg & Co. but that it has also granted us a royalty-free license to use the “Kohlberg” name, which we believe is one of the most widely recognized names in middle market investing, and will provide certain administrative services to us on a transitional basis after our offering.

Kohlberg & Co. is a leading U.S. private equity firm which manages investment funds that acquire middle market companies. Kohlberg & Co. was formed in 1987 by Jerome Kohlberg Jr., the senior founding partner of Kohlberg Kravis Roberts & Co. (“KKR”) and his son, James A. Kohlberg, at the time an executive with KKR. Since its inception, Kohlberg & Co. has organized five private equity funds, through which it has raised more than $2 billion of committed capital and completed more than 80 platform and add-on acquisitions with an aggregate value of more than $6 billion. Kohlberg & Co. is currently investing its fifth private equity fund, which typically targets control equity investments of greater than $40 million. Since its inception, Kohlberg & Co. has generated average annual returns on the investments made by private equity funds that it manages of approximately 30%. However, past performance is not a guarantee of future results and, because the types of investments we make differ from the investments made by those funds, it is very unlikely that we would achieve such a rate of return.

Investment funds managed by Kohlberg & Co. invest in middle market companies where Kohlberg & Co. believes it can work in partnership with senior management to identify growth opportunities and implement fundamental operating and strategic changes, resulting in substantial increases in revenue and cash flow. Kohlberg & Co. has 18 investment professionals and 32 employees. The three co-managing partners of Kohlberg & Co. who are members of our Board of Directors, two of whom are also members of our Investment Committee, average more than 20 years of investment banking and middle market investing experience, and have worked together across all of the firm’s private equity funds. They were also responsible for the formation of both Katonah Debt Advisors and Katonah Capital, and prior to our acquisition of Katonah Debt Advisors, provided oversight for the capital raising and investing operations of those entities.

Under the 1940 Act we will not be permitted to invest in any portfolio company in which Kohlberg & Co. or any fund that it manages has a pre-existing investment unless we obtain SEC exemptive relief.

COMPETITIVE ADVANTAGES

We believe that we can successfully compete with other providers of capital in the markets in which we compete for the following reasons:

Internally managed structure and significant management resources

We are internally managed by our executive officers under the supervision of our Board of Directors and do not depend on a third party investment advisor. As a result, we do not pay investment advisory fees and all of our income is available to pay our operating costs, including the costs associated with employing investment management professionals and to make distributions to our shareholders. Including employees of Katonah Debt Advisors, some of whom also serve as officers of the Company, we employ a team of 12 experienced investment professionals with substantial experience in middle market lending, credit analysis, loan securitization and portfolio administration. Our CEO, Dayl W. Pearson, our CIO, R. Jon Corless, and E.A. Kratzman, our Vice President and a member of our investment committee and the Managing Director of Katonah Debt Advisors, have an average of over 28 years of credit and investment experience. The seven credit analysts employed by us and Katonah Debt Advisors average more than 15 years of experience.

We believe that we derive substantial benefits from our internally managed structure. First, because they are employed by us, the individuals responsible for managing our investments are dedicated solely to the success of our business. Our investment professionals do not serve as advisors to any other investment funds other than the CDO Funds managed by our wholly-owned portfolio company Katonah Debt Advisors and therefore we do not compete with other investment funds for investment opportunities, although some investment opportunities may be allocated to funds managed by Katonah Debt Advisors. Second, through their participation in our Equity Incentive Plan, a significant portion of the compensation of our senior managers is tied to the performance of our investments, resulting in an alignment of interests between our management and shareholders. Third, we will expect to leverage our management resources and those of Katonah Debt Advisors across our portfolio of investments and the investments of the CDO Funds managed by Katonah Debt Advisors.

Multiple sourcing capabilities for assets

We have multiple sources of loans, mezzanine investments and equity investments. Through the industry relationships of our CEO and CIO, we believe that we will have the ability to participate in loans originated by other capital providers to middle market companies as well as to source assets directly from private equity sponsors and regional banks. We expect to add additional professional staff with a track record of originating senior loans and mezzanine and equity investments. Through Katonah Debt Advisors' Corporate Credit Group, we have the ability to acquire participations in selected syndicated secured and second lien term loans whose borrowers and investment returns meet our investment criteria. Through Katonah Debt Advisors' Structured Credit Products Group, we have the opportunity to invest in selected equity and mezzanine securities issued by CDO Funds, including those managed by Katonah Debt Advisors. Through our strategic relationship with Kohlberg & Co., we expect to have access to a variety of equity investments and mezzanine and other lending opportunities which are presented to Kohlberg & Co. but do not meet Kohlberg & Co.'s applicable investment criteria for reasons such as their small size or non-control nature.

Disciplined investment process

We will continue to employ the rigorous credit review process and due diligence intensive investment strategy which our senior management has developed over more than 20 years of lending. Due to our ability to source transactions through multiple channels, we expect to maintain a substantial pipeline of opportunities to allow comparative risk return analysis and selectivity. By focusing on the drivers of revenue and cash flow, we will develop our own underwriting cases and multiple stress case scenarios for each company analyzed. An event specific financial model reflecting company, industry and market variables will support each investment decision. We also expect to benefit from the credit and industry expertise of Katonah Debt Advisors' credit team, the members of which also serve as officers of the Company, and the co-managing partners of Kohlberg & Co. serving on our Board of Directors and Investment Committee.

Katonah Debt Advisors' credit platform

We expect that Katonah Debt Advisors will serve as a source of direct investment opportunities and cash flow. . In addition, certain credit analysts employed by Katonah Debt Advisors who also serve as officers of the Company will serve as sources of credit analysis. Katonah Debt Advisor's credit team employs a highly rigorous process in selecting and reviewing investment opportunities for CDO Funds managed by Katonah Debt Advisors We will have the opportunity to make investments in CDO Funds managed by Katonah Debt Advisors, which we would expect to generate regular cash dividends or interest income. Katonah Debt Advisors also generates revenue through the fees it receives for managing CDO Funds and will distribute its income, after paying the expenses associated with its operations, including compensation of its employees, to us. Further we may co-invest with CDO Funds managed by Katonah Debt Advisors when we believe it will be advantageous for us to do so.

Strategic relationship with Kohlberg & Co.

We believe that Kohlberg & Co. is one of the oldest and most well-known private equity firms focused on the middle market, and we expect to derive substantial benefits from our strategic relationship with Kohlberg & Co. Through the participation of the co-managing partners of Kohlberg & Co. on our Board of Directors and Investment Committee, we will have access to the expertise of these individuals in middle market leveraged investing, which we believe will enhance our capital raising, due diligence, investment selection and credit analysis. The Chairman of our Board of Directors and Investment Committee, Christopher Lacovara, has been the Kohlberg & Co. co-managing partner primarily responsible for establishing and providing oversight for the operations of both Katonah Debt Advisors and Katonah Capital. In addition, we have entered into a License and Referral Agreement with Kohlberg & Co. pursuant to which Kohlberg & Co. has agreed to notify us of equity investment opportunities that are presented to Kohlberg & Co. but that it determines in its sole discretion are not appropriate for any investment fund, managed by Kohlberg & Co. or any of its affiliates typically due to their small size or non-control nature, prior to making such investment oppurtunity available to any third party. Under this agreement, Kohlberg & Co. has also granted us a royalty-free license to use the "Kohlberg" name, which we believe is one of the most widely recognized names in middle market investing.

Significant equity ownership and alignment of incentives

Following the closing of this offering, our senior management team, the senior management team of Katonah Debt Advisors and affiliates of Kohlberg & Co. will together have a significant equity interest in the Company, ensuring that their incentives are strongly aligned with those of our shareholders. Affiliates of Kohlberg & Co., including the co-managing partners of Kohlberg & Co. who will serve on our Board of Directors and Investment Committee, will own, in the aggregate and after giving effect to this offering, approximately 19% of our outstanding common stock which they received, in lieu of cash, as partial consideration for the contribution to the Company of 100% of the equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. We expect that following the completion of this offering we will issue to our senior management team options to purchase shares of our common stock under our Equity Incentive Plan.

CREDIT AND INVESTMENT PROCESS

We will employ the same due diligence intensive investment strategy that our senior management team, Katonah Debt Advisors and Kohlberg & Co. have used over the past 20 years. Due to our ability to source transactions through multiple channels, we expect to maintain a substantial pipeline of opportunities to allow comparative risk return analysis and selectivity. By focusing on the drivers of revenue and cash flow, we will develop our own underwriting cases, and multiple stress case scenarios for each company analyzed.

We will focus on lending and investing opportunities in:

- companies with EBITDA of $10 to $50 million;
- companies with financing needs of $25 to $150 million;

- companies purchased by top tier equity sponsors;
- non-sponsored companies with successful management and systems;
- high-yield bonds and broadly syndicated loans to larger companies on a selective basis; and
- equity co-investment in companies where we see substantial opportunity for capital appreciation.

We expect to source investment opportunities from:

- private equity sponsors;
- regional investment banks for non-sponsored companies;
- other middle market lenders with whom we can “club” loans;
- Katonah Debt Advisors with regard to high-yield bonds and syndicated loans; and
- Kohlberg & Co. with regard to selected private equity investment opportunities.

The size of individual investments will vary according to their priority in a company’s capital structure, with larger investments in more secure positions in an effort to maximize capital preservation. We expect that the size of our investments and maturity dates will vary as follows:

- senior secured loans from $10 to 20 million maturing in five to seven years;
- second lien loans from $5 to 20 million maturing in six to eight years;
- senior unsecured loans $5 to 10 million maturing in six to eight years;
- mezzanine loans from $5 to 10 million maturing in seven to ten years; and
- equity investments from $1 to 5 million.

One of the key components to our credit analysis and investment process is our modeling and forecasting methodology, which we refer to as our Maximum Reasonable Adversity (“MRA”) model. This process was developed, and has been continuously used and updated over the last 20 years, by Mr. Kratzman, the Managing Director of Katonah Debt Advisors, who will also serve as our Vice President and as a member of our Investment Committee. The MRA case is defined as those adverse conditions or events that either or in combination might reasonably occur during the term of the investment. Using the MRA as the forecasting standard, we evaluate the borrower’s ability to maintain its business while covering, at a minimum, all contractually payable senior indebtedness.

In our experience, good credit judgment is based on a thorough understanding of both the qualitative and quantitative factors which determine a company’s performance. Our analysis begins with an understanding of the fundamentals of the industry in which a company operates, including the current economic environment and the outlook for the industry. We also focus on the company’s relative position within the industry and its historical ability to weather economic cycles. Other key qualitative factors include the experience and depth of the management team and the financial sponsor, if any.

Only after we have a comprehensive understanding of the qualitative factors do we focus on quantitative metrics. We believe that with the context provided by the qualitative analysis, we can gain a better understanding of a company’s financial performance. We will analyze a potential portfolio company’s sales growth and margins in the context of its competition as well as its ability to manage its working capital requirements and its ability to generate consistent cash flow. Based upon this historical analysis, we will develop a set of projections which represents a reasonable underwriting case of most likely outcomes for the company over the period of our investment. We will also look at a variety of potential downside cases to determine a company’s ability to service its debt in a stressed credit environment.

Qualitative Analysis

Elements of the qualitative analysis we will use in evaluating investment opportunities include the following:

- Industry fundamentals;
- Competitive position and market share;
- Past ability to work through historical down-cycles;
- Quality of financial and technology infrastructure;
- Asian sourcing risks and opportunities;
- Labor and union strategy;
- Technology risk;
- Diversity of customer base and product lines;
- Quality and experience of management;
- Quality of financial sponsor (if applicable); and
- Acquisition and integration history.

Quantitative Analysis

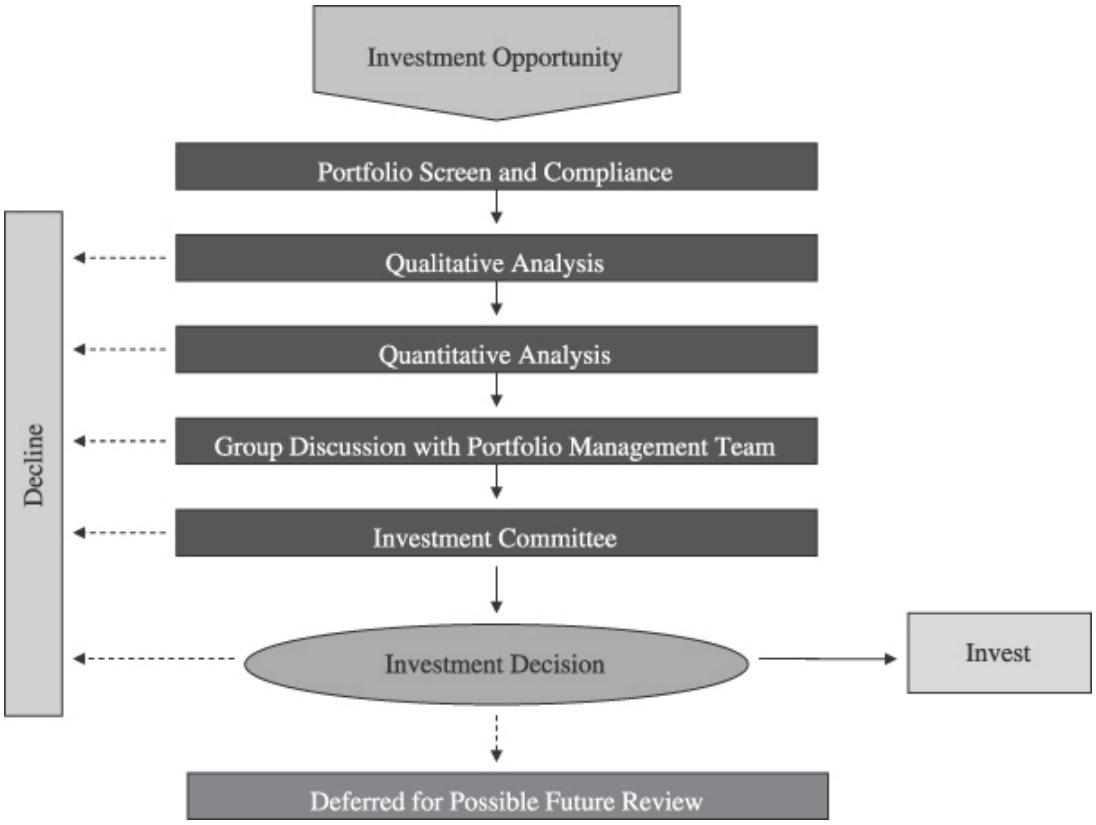
Elements of the quantitative analysis we will use in evaluating investment opportunities include the following:

- Income statement analysis of growth and margin trends;
- Balance sheet analysis of working capital efficiency;
- Cash flow analysis of capital expenditures and free cash flow;
- Financial ratio and market share standing among comparable companies;
- Financial projections: underwriting versus stress case;
- Event specific credit modeling;
- Whether the credit profile is improving, declining or is status quo;
- Future capital expenditure needs and asset sale plans;
- Downside protection to limit losses in an event of default;
- Risk adjusted returns and relative value analysis; and
- Enterprise and asset valuations.

The origination, structuring and credit approval process are fully integrated. Our credit team will be directly involved in all due diligence and analysis prior to the formal credit approval process.

Approval Process

The following chart illustrates our screening and approval process:



We will review potential investment opportunities and will conduct a due diligence investigation of each potential investment that passes our initial screening process. This due diligence investigation generally will include one or more on-site visits, a review of our historical and prospective financial information, interviews with management, employees, customers and vendors of the prospective portfolio company, and background checks and research on the prospective portfolio company's product, service or particular industry. Where appropriate, this will be conducted in conjunction with the relevant industry analysts from Katonah Debt Advisors who also serve as officers of the Company. Upon completion of the due diligence investigation, we will prepare a credit underwriting memorandum which will summarize the contemplated transaction, present the investment highlights, analyze the risk in the transaction and mitigating factors to those risks, analyze the prospective portfolio company's historical financial statements, financial projections, industry and management team. The underwriting team will then present this memorandum with its recommendations to our Investment Committee, which will initially consist of our Chairman, Christopher Lacovara of Kohlberg & Co., our CEO, Dayl W. Pearson, our CIO, R. Jon Corless, the Managing Director of Katonah Debt Advisors and our Vice President, E.A. Kratzman, and one additional co-managing partner of Kohlberg & Co. serving on our Board of Directors. The approval of a majority of the Investment Committee will be required for all investment of less than $15 million, and the unanimous approval of the Investment Committee will be required for investments of $15 million or greater.

CREDIT MONITORING

Our management team has significant experience monitoring portfolios of middle market investments and this is enhanced by the credit monitoring procedures of Katonah Debt Advisors. Our CEO was responsible for building the credit monitoring and portfolio management procedures at IBJ Schroder and our CIO has been involved in credit monitoring for over 15 years. Along with origination and credit analysis, portfolio management is one of the key elements of our business. Most of our investments will not be liquid and, therefore, we must prepare to act quickly if potential issues arise so that we can work closely with the management and private equity sponsor, if applicable, of the portfolio company to take any necessary remedial action quickly. In addition, most of our senior management team, including the credit team at Katonah Debt Advisors, have substantial workout and restructuring experience.

In order to assist us in detecting issues with portfolio companies as early as possible, we will perform a monthly financial analysis of each portfolio company. This analysis will typically include:

- reviewing financial statements with comparisons to prior year financial statements, as well as the current budget including key financial ratios such as debt/EBITDA, margins and fixed charge coverage;
- independently computing and verifying compliance with financial covenants;
- reviewing and analyzing monthly borrowing base, if any;
- a monthly discussion of MD&A with company management and the private equity sponsor, if applicable;
- determining if current performance could cause future financial covenant default;
- discussing prospects with the private equity sponsor, if applicable;
- determining if a portfolio company should be added to our “watch list” (companies to be reviewed in more depth);
- if company is not meeting expectations, reviewing original underwriting assumptions and determining if either enterprise value or asset value has deteriorated enough to warrant further action; and
- a monthly update to be reviewed by both the CIO and CEO.

OUR PEOPLE

In addition to our CEO and CIO, we currently employ a credit analyst, a director and a manager of portfolio administration, a manager of Information Technology and a manager of Investor Relations. We are in the process of hiring a CFO. As we grow, we will selectively add experienced staff both to enhance our sourcing of assets and our monitoring of portfolio companies. We have identified several potential experienced origination and portfolio management team members with whom members of our senior management have worked previously as possible additions to our team following the closing of this offering. In addition, we will add junior staffing as necessary.

Our wholly-owned portfolio company, Katonah Debt Advisors, employs a highly experienced team of nine investment professionals, all of whom are officers of the Company. The three portfolio managers at Katonah Debt Advisors average more than 20 years of credit, investment and securitization experience. The six credit analysts at Katonah Debt Advisors average more than 15 years of experience. Katonah Debt Advisors will continue to add to its staff as it increases its assets under management. We will utilize the Katonah Debt Advisors team to assist both our origination and credit evaluation and monitoring efforts.

COMPETITION

Our primary competitors provide financing to prospective portfolio companies and include commercial banks, specialty finance companies as well as hedge funds, structured investment funds and investment banks. Many of these entities have greater financial and managerial resources than we will have, and the 1940 Act imposes certain regulatory restrictions on us as a BDC to which many of our competitors are not subject. For additional information concerning the competitive risks we face, see “Risk Factors—We operate in a highly competitive market for investment opportunities.”

We believe that we provide a unique combination of an experienced middle market origination and credit team, an existing credit platform at Katonah Debt Advisors that includes experienced lenders with broad industry expertise and an Investment Committee that includes co-managing partners of Kohlberg & Co., a leading experienced and successful middle market private equity firm. We believe that this combination of resources provides us with a thorough credit process and multiple sources of investment opportunities to enhance our asset selection process.

CORPORATE STRUCTURE AND OFFICES

We were formed in August 2006 as a Delaware limited liability company. Prior to the issuance of shares of our common stock in this offering we will convert into a Delaware corporation. We are an internally managed, closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. See “Regulation.”

Our principal executive offices are located at 295 Madison Avenue, 6th Floor, New York, New York 10017.

LEGAL PROCEEDINGS

We are not a party to any pending legal proceedings.

PORTFOLIO COMPANIES

The following tables set forth certain information as of September 30, 2006 after giving effect to the Restructuring regarding each of our portfolio companies, including the portfolio of approximately $185 million in aggregate principal amount of investments, which we will acquire with the proceeds of this offering from a special purpose vehicle organized by Katonah Debt Advisors. Unless otherwise noted in these tables, the only relationship between us and each portfolio company is our investment in such portfolio company. No single investment (other than our investment in Katonah Debt Advisors) will represent more than 5% of our total assets after giving effect to this offering and the acquisition of the approximately $185 million portfolio with the proceeds of this offering. While we may make loans to or additional investments in these companies, we have no present plans to make any such loans or investments that would raise our investment in any other of these companies above 5% of total assets. Any such loans and investments will be made in accordance with our investment policies and procedures.

The following table sets forth information regarding the portfolio companies in which we currently have an investment:

Name and Address of Portfolio Company	Nature of Its Principal Business	Type of Securities Held by Us	Percentage of Class Held	Cost of Investment [1]	Fair Value of Investment [2]
Katonah Debt Advisors, L.L.C. 295 Madison Avenue, 6th Floor, New York, New York 10017	Asset Management	Membership Interests	100%	$33,395,000	$33,395,000
Katonah III, Ltd. c/o Deutsche Bank (Cayman) Limited P.O. Box 1984 GT Elizabethan Square Georgetown Grand Cayman Cayman Islands	CDO Fund	Preferred Stock	23.08%	4,500,000	4,500,000
Katonah IV, Ltd. c/o Deutsche Bank (Cayman) Limited P.O. Box 1984 GT Elizabethan Square Georgetown Grand Cayman Cayman Islands	CDO Fund	Preferred Stock	17.14%	3,150,000	3,150,000
Katonah V, Ltd. c/o Deutsche Bank (Cayman) Limited P.O. Box 1984 GT Elizabethan Square Georgetown Grand Cayman Cayman Islands	CDO Fund	Preferred Stock	26.67%	3,320,000	3,320,000
Katonah VII CLO, Ltd. c/o Maples Finance Limited P.O. Box 1093 GT Queensgate House South Church Street Georgetown Grand Cayman Cayman Islands	CDO Fund	Subordinated Securities	16.36%	4,500,000	4,500,000
Katonah VIII CLO, Ltd. c/o Maples Finance Limited P.O. Box 1093 GT Queensgate House South Church Street Georgetown Grand Cayman Cayman Islands	CDO Fund	Subordinated Securities	10.30%	3,400,000	3,400,000
Subtotal				**$52,265,000**	**$52,265,000**

The following table sets forth information regarding the approximately $185 million portfolio of investments that we will acquire with the proceeds of this offering.[3]

Name and Address of Portfolio Company	Nature of Its Principal Business	Type of Securities Held by Us	Terms of Loans to Portfolio Companies		Cost of Investment	Fair Value of Investment (2)
			Interest Rate LIBOR + %	Maturity		
AGA Medical Corporation	Healthcare, Education and Childcare	Senior Secured 1st Lien Term Loan	2.25%	04/28/13	$1,834,500	$ 1,834,500
Atlantic Marine Holding Company	Cargo Transport	Senior Secured 1st Lien Term Loan	2.50%	08/02/13	2,000,000	2,000,000
Bankruptcy Management Solutions, Inc.	Diversified/Conglomerate Service	Senior Secured 1st Lien Term Loan	2.75%	07/31/12	2,000,000	2,000,000
Bay Point Re Limited	Insurance	Senior Secured 1st Lien Term Loan	4.50%	12/31/10	3,027,500	3,027,500
Capital Automotive REIT	Automobile	Senior Secured 1st Lien Term Loan	1.75%	12/16/10	4,035,000	4,035,000
Caribe Information Investments Incorporated	Printing and Publishing	Senior Secured 1st Lien Term Loan	2.25%	03/31/13	4,500,000	4,500,000
Cast & Crew Payroll, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Senior Secured 1st Lien Term Loan	3.25%	9/25/12	$7,000,000	$ 7,000,000
Concord Re Limited	Insurance	Senior Secured 1st Lien Term Loan	4.25%	2/29/12	$3,000,000	$ 3,000,000
CST Industries, Inc.	Diversified/ Conglomerate Manufacturing	Senior Secured 1st Lien Term Loan	3.00%	08/31/13	1,000,000	1,000,000
Dayco Products LLC—(Mark IV)	Automobile	Senior Secured 2nd Lien Term Loan	5.75%	12/31/11	500,000	500,000
Delta Educational Systems, Inc.	Healthcare, Education and Childcare	Senior Secured 1st Lien Term Loan	3.50%	06/30/12	3,000,000	3,000,000
E.A. Viner International CO. (Oppenheimer)	Finance	Senior Secured 1st Lien Term Loan	2.75%	07/31/13	997,500	997,500
Flatiron Re Ltd.	Insurance	Senior Secured 1st Lien Term Loan	4.25%	12/29/10	5,980,000	5,980,000

Name and Address of Portfolio Company	Nature of Its Principal Business	Type of Securities Held by Us	Terms of Loans to Portfolio Companies		Cost of Investment	Fair Value of Investment (2)
			Interest Rate LIBOR + %	Maturity		
Gentiva Health Services, Inc.	Healthcare, Education and Childcare	Senior Secured 1st Lien Term Loan	2.25%	03/31/13	1,908,108	1,908,108
Ginn LA Conduit Lender, Inc.	Buildings and Real Estate	Senior Secured 1st Lien Term Loan	3.00%	06/08/11	3,993,143	3,993,143
Ginn LA Conduit Lender, Inc.	Buildings and Real Estate	Senior Secured 2nd Lien Term Loan	7.00%	06/08/12	1,000,000	1,000,000
Gleason Works	Machinery (Non-Agriculture, Non-Construction, Non-Electronic)	Senior Secured 1st Lien Term Loan	2.50%	06/30/13	2,000,000	2,000,000
HealthSouth Corporation	Healthcare, Education and Childcare	Senior Secured 1st Lien Term Loan	3.25%	03/10/13	3,003,722	3,003,722
Intrapac Corporation	Containers, Packaging and Glass	Senior Secured 1st Lien Term Loan	3.00%	05/18/12	4,010,000	4,010,000
Intrapac Corporation	Containers, Packaging and Glass	Senior Secured 2nd Lien Term Loan	7.00%	05/18/13	1,000,000	1,000,000
Jones Stephens Corp.	Buildings and Real Estate	Senior Secured 1st Lien Term Loan	3.75%	9/07/12	$6,996,200	$ 6,996,200
LBREP/L-Suncal Master I LLC	Buildings and Real Estate	Senior Secured 1st Lien Term Loan	3.25%	01/19/10	3,984,888	3,984,888
LBREP/L-Suncal Master I LLC	Buildings and Real Estate	Senior Secured 2nd Lien Term Loan	7.25%	01/18/11	2,015,000	2,015,000
Legacy Cabinets, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer	Senior Secured 1st Lien Term Loan	3.75%	8/18/12	$2,992,500	$ 2,992,500
LPL Holdings, Inc.	Finance	Senior Secured 1st Lien Term Loan	3.25%	06/28/13	3,033,609	3,033,609
LSP Kendall Energy, LLC	Utilities	Senior Secured 1st Lien Term Loan	2.00%	10/07/13	1,933,690	1,933,690
Metaldyne Corporation	Automobile	Senior Secured 1st Lien Term Loan	4.50%	12/31/09	2,040,000	2,040,000
Mirant North America, LLC	Utilities	Senior Secured 1st Lien Term Loan	1.75%	01/03/13	4,009,700	4,009,700

Name and Address of Portfolio Company	Nature of Its Principal Business	Type of Securities Held by Us	Terms of Loans to Portfolio Companies		Cost of Investment	Fair Value of Investment (2)
			Interest Rate LIBOR + %	Maturity		
Murray Energy Corporation	Mining, Steel, Iron and Non-Precious Metals	Senior Secured 1st Lien Term Loan	3.00%	01/28/10	2,019,873	2,019,873
Northeast Biofuels, LLC	Farming and Agriculture	Senior Secured 1st Lien Term Loan	3.25%	06/30/13	1,377,805	1,377,805
Northeast Biofuels, LLC	Farming and Agriculture	Synthetic Letter of Credit	3.25%	06/30/13	639,695	639,695
PAS Technologies Inc.	Aerospace and Defense	Senior Secured 1st Lien Term Loan	3.25%	06/30/11	4,841,884	4,841,884
Primus International Inc.	Aerospace and Defense	Senior Secured 1st Lien Term Loan	2.50%	06/07/12	3,500,000	3,500,000
Sorenson Communications, Inc.	Electronics	Senior Secured 1st Lien Term Loan	3.00%	08/31/13	3,000,000	3,000,000
Standard Steel, LLC	Cargo Transport	Senior Secured 1st Lien Term Loan	2.50%	06/30/12	3,991,667	3,991,667
Standard Steel, LLC	Cargo Transport	Senior Secured 2nd Lien Term Loan	6.00%	06/30/13	1,000,000	1,000,000
Stratus Technologies, Inc.	Electronics	Senior Secured 1st Lien Term Loan	3.00%	03/29/11	2,012,500	2,012,500
Thermal North America, Inc.	Utilities	Senior Secured 1st Lien Term Loan	1.75%	10/12/13	3,682,099	3,682,099
TLC Funding Corp.	Healthcare, Education and Childcare	Senior Secured 1st Lien Term Loan	3.00%	05/19/12	3,980,000	3,980,000
TransAxle LLC	Automobile	Senior Secured 1st Lien Term Loan	3.50%	09/30/12	$3,995,000	$ 3,995,000
Water Pik Technologies, Inc.	Personal and Non Durable Consumer Products (Mfg. Only)	Senior Secured 1st Lien Term Loan	2.25%	06/30/13	997,500	997,500
Water Pik Technologies, Inc.	Personal and Non Durable Consumer Products (Mfg. Only)	Senior Secured 2nd Lien Term Loan	6.50%	12/31/13	2,512,500	2,512,500

Name and Address of Portfolio Company	Nature of Its Principal Business	Type of Securities Held by Us	Terms of Loans to Portfolio Companies		Cost of Investment	Fair Value of Investment (2)
			Interest Rate LIBOR + %	Maturity		
WM. Bolthouse Farms, Inc.	Beverage, Food and Tobacco	Senior Secured 1st Lien Term Loan	2.50%	12/16/12	3,030,000	3,030,000
Wolf Hollow I, LP	Utilities	Senior Secured 2nd Lien Term Loan	4.50%	12/22/12	2,686,592	2,686,592
Subtotal					**$125,770,845**	**$125,770,845**
Grand Total					**$178,035,845**	**$178,035,845**

In addition to the portfolio of investments listed above, as of the date of this prospectus there are outstanding commitments to fund approximately $9 million in aggregate principal amount of additional loans, which are expected to close within 20 days. However, there can be no assurance that the special purpose vehicle organized by Katonah Debt Advisors will receive the allocation of any such loan initially allocated to it by the agent for such loan or that the loan will close within such 20 day period or at all.

(1) The purchase price for each investment represents the value of shares of our common stock and, in the case of Katonah Debt Advisors, a $5 million promissory note and assumes an initial public offering price of $15 per share, the mid-point of the initial public offering price range shown on the cover page of this prospectus

(2) Reflects the fair market value of all existing investments as of September 30, 2006, as determined by our Board of Directors.

(3) We expect that this portfolio of investments will consist of approximately $185 million in aggregate principal amount of loans as of the completion of this offering.

MANAGEMENT

Our business and affairs is managed under the direction of our Board of Directors. Our Board of Directors will elect our officers who will serve at its discretion. In connection with our election to be regulated as a BDC, we will establish our Board of Directors initially with seven members, three of whom will be "interested persons" as defined in Section 2(a)(19) of the 1940 Act and four of whom will not be interested persons and whom we refer to as our independent directors.

Directors and Executive Officers

Upon consummation of the Restructuring, our executive officers, directors and key employees and their positions will be as set forth below. The address for each executive officer and director will be c/o Kohlberg Capital Corporation, 295 Madison Avenue, 6th Floor, New York, New York 10017.

Name	Age	Position
Independent Directors:		
C. Turney Stevens, Jr.	56	Director
Albert G. Pastino	64	Director
C. Michael Jacobi	64	Director
		Director
Non-Independent Directors:		
Christopher Lacovara (1)	42	Chairman and Vice President
James A. Kohlberg (1)	48	Vice Chairman and Vice President
Samuel P. Frieder (1)	42	Director and Vice President
Executive Officers		
Dayl W. Pearson	52	Chief Executive Officer
		Chief Financial Officer and Chief Compliance Officer
E.A. Kratzman	54	Vice President; Managing Director of Katonah Debt Advisors
David J. Duncan	48	Vice President; Principal and Portfolio Manager of Katonah Debt Advisors
Philip E. Theoharides	42	Vice President; Principal and Portfolio Manager of Katonah Debt Advisors

(1) Messrs. Lacovara, Kohlberg and Frieder are interested persons, as defined in section 2(a)(19) of the 1940 Act, because they are officers of the company.

The following is a summary of certain biographical information concerning our directors, executive officers and key employees:

Independent Directors

C. Turney Stevens, Jr.

Mr. Stevens is a Founder and the Chairman and Chief Executive Officer of Harpeth Companies, LLC, a diversified financial services company that is the parent company of Harpeth Capital, LLC and Harpeth Consulting, LLC. Prior to founding Harpeth, Mr. Stevens was a founder and Chairman of Printing Arts America, Inc. From 1986 to 1994, Mr. Stevens served in various capacities at Rodgers Capital Corporation, a mid-market investment banking firm focused on mergers and acquisitions and private institutional equity transactions, including as President. In 1973, Mr. Stevens founded PlusMedia, Inc., a magazine publishing company that he later sold to a public company in 1982. Mr. Stevens began his career at Tennessee Securities, a Nashville investment banking firm, which was one of the region's leaders in helping to capitalize early-stage and growth-stage companies. Mr. Stevens graduated from David Lipscomb University in 1972 and received an Executive M.B.A. degree from the Owen Graduate School of Management at Vanderbilt University in 1981. He serves on various boards of directors of both for-profit and not-for-profit organizations.

Albert G. Pastino

Mr. Pastino is the Senior Managing Director at Amper Investment Banking ("AIB"), a NASD member investment bank focusing on private transactions for middle market companies. He founded AIB in 2004. AIB focuses on capital formation, mergers and acquisitions and strategic advisory and due diligence assignments. After leaving an affiliate of Kohlberg & Co. in , Mr. Pastino worked as an investor, Chief Financial Officer and Chief Operating Officer at a variety of companies and was involved in all aspects of financial and general management, reporting and fundraising for a variety of companies, including Aptegrity, Inc., Bolt, Inc., AmTec, Inc. and Square Earth, Inc. Mr. Pastino is a member of the Board of Trustees and Executive Committee of Saint Joseph's University, and a member of the Board of Directors of Crompco, Inc., an environmental testing company owned by a Massachusetts based private equity firm.

C. Michael Jacobi

Mr. Jacobi is the owner and President of Stable House, LLC, a company that is engaged in business consulting and real estate development. Before his time at Stable House, Mr. Jacobi served as the President, Chief Executive Officer and member of the board of directors of Katy Industries, Inc., a portfolio company of investment funds affiliated with Kohlberg & Co., from 2001 to 2004 which is involved in the manufacture and distribution of electrical and maintenance products. Mr. Jacobi was the President and CEO of Timex Corporation from 1993 to 1999, and he was a member of the board of directors of Timex Corporation from 1992 to 2000. Prior to 1993, he served Timex Corporation in senior positions in marketing, sales, finance and manufacturing. Mr. Jacobi received a B.S. from the University of Connecticut and he is a Certified Public Accountant. Mr. Jacobi is currently a member of the board of directors of Webster Financial Corporation, Corrections Corporation of America and Sturm Ruger & Co. He serves as the chairman of the audit committees of Webster Financial Corporation and Corrections Corporation of America.

Non-Independent Directors

Christopher Lacovara, Chairman and Vice President

Mr. Lacovara joined Kohlberg & Co. in 1988 and was named Principal in 1995 and co-managing partner in 2006. During his tenure at Kohlberg & Co., Mr. Lacovara has been responsible for investing more than $500 million in more than 25 leveraged buyouts and add-on acquisitions. From 1987 to 1988, he was an Associate in the Mergers and Acquisitions Department at Lazard Freres & Company. Prior to that he was a Financial Analyst in the Corporate Finance Department of Goldman, Sachs & Co. Mr. Lacovara received a B.A. in History from Harvard College, a Bachelor of Engineering & Science from Hofstra University and a Master of Science, Civil Engineering from Columbia University. Mr. Lacovara serves on the board of directors of a number of private companies as well as the Management Committee of Katonah Debt Advisors. Mr. Lacovara also serves on the board of directors of Katy Industries, Inc., Schawk, Inc. and Stanadyne Corp.

James A. Kohlberg, Vice Chairman and Vice President

Mr. Kohlberg is a co-founder and co-managing partner of Kohlberg & Co. Mr. Kohlberg has over 22 years experience in the buyout profession and from 1984 to 1987, was with KKR. Prior to joining KKR he was employed by Merrill Lynch & Co. Mr. Kohlberg received a B.A. from Golden Gate University and an M.B.A. from New York University. Mr. Kohlberg serves on the board of directors of numerous private companies, as well as the Management Committee of Katonah Debt Advisors. Mr. Kohlberg also serves on the board of directors of Katy Industries, Inc. and Stanadyne Corp.

Samuel P. Frieder, Director and Vice President

Mr. Frieder joined Kohlberg & Co. in 1989 and became a Principal in 1995 and co-managing partner in 2006. From 1988 to 1989 he was a senior associate in the Capital Funding Group at Security Pacific Business

Credit. Prior to that, he was a senior real estate analyst at Manufacturers Hanover Trust Company. Mr. Frieder received an A.B. from Harvard College. Mr. Frieder serves on the board of directors of a number of private companies as well as on the Management Committee of Katonah Debt Advisors. Mr. Frieder also serves on the board of directors of Katy Industries, Inc. and Stanadyne Corp.

Executive Officers

Dayl W. Pearson, Chief Executive Officer

Mr. Pearson has more than 25 years of banking experience and has focused primarily on middle market credit intensive transactions, completing over $7 billion of financings over the past 15 years. From 1997 to 2006, he was a Managing Director at CIBC in the Leveraged Finance and Sponsor Coverage Group specializing in middle market debt transactions. Mr. Pearson was responsible for originating and executing more than $3 billion of transactions including senior loans, high-yield securities, mezzanine investments and equity co-investments. Prior to joining CIBC, Mr. Pearson was instrumental in developing the middle market leveraged finance business of IBJ Schroder from 1992 through 1997. In 1995, he became responsible for the entire $500 million leveraged finance portfolio and was involved in approving all new senior and mezzanine commitments. Previously, he was a senior lending officer in First Fidelity Bank's middle market lending group primarily focused on restructurings and prior to that Mr. Pearson invested in distressed securities. Mr. Pearson began his career at Chase Manhattan Bank after receiving a B.A. from Claremont Men's College and an M.B.A. from the University of Chicago.

R. Jon Corless, Chief Investment Officer

Mr. Corless joined Katonah Debt Advisors in 2006 as part of its middle market team. Mr. Corless has over 30 years of experience in high-yield and leveraged credits. Prior to joining Katonah Debt Advisors, Mr. Corless was a Credit Risk Manager for Trimaran Debt Advisors, a CDO manager. Prior to joining Trimaran Debt Advisors, Mr. Corless spent 15 years as a Senior Credit Risk Manager for CIBC with risk management responsibility for media and telecommunications, high-yield, middle market, and mezzanine loan portfolios. Before joining CIBC, Mr. Corless worked at Banc of America Securities LLC in Corporate Finance and at Bankers Trust Company. Mr. Corless received a B.A. from Wesleyan University.

Key Employees

E.A. Kratzman, Vice President; Managing Director of Katonah Debt Advisors

Mr. Kratzman has primary responsibility for the overall management and direction of the business activities of Katonah Debt Advisors since May 2005. Mr. Kratzman oversees portfolio management, trading, structuring, analytics and operations at Katonah Debt Advisors and serves as chairman of the Investment Committee. Mr. Kratzman has previously been at Rabobank International in New York where he was the Head of CLO Management. Prior to that he was employed at First Union's Institutional Debt Management Group (IDM), where as Head of Portfolio Management and one of three co-founders, he was responsible for the development and execution of portfolio investment strategies as well as the management of portfolio management personnel. Mr. Kratzman has over nine years of experience in CDOs/CLOs across 17 funds totaling in excess of $5 billion. Prior to IDM, Mr. Kratzman was with Societe Generale, New York where he had, among other responsibilities, the senior credit signature for all real estate and leveraged finance transactions. Prior to joining Societe Generale in 1997, Mr. Kratzman was co-Head of the Asset Recovery Group at Deutsche Morgan Grenfell in New York. From 1985 to 1996, Mr. Kratzman was employed by Westpac Banking Corporation, both in New York and London, where he held numerous positions, including founding and managing its Southeast Corporate Banking Group and Real Estate Finance Group, and managing the Workout Division of Westpac Banking Corporation. From 1993 to 1997, Mr. Kratzman was Senior Vice President and Chief Credit Officer for the Americas Division. Mr. Kratzman has over 30 years of leveraged finance experience, including extensive workout

experience and has successfully completed the Citibank Credit Training Program. He holds a B.A. from Hobart College and an M.B.A. in finance from Rutgers University, and is a graduate of the Executive Management Program at J.L. Kellogg Graduate School of Management.

David J. Duncan, Vice President; Principal and Portfolio Managing of Katonah Debt Advisors

Mr. Duncan, the Co-Portfolio Manager of the Structured Products Fund at Katonah Debt Advisors, has approximately 25 years of experience in corporate and structured finance. Mr. Duncan was previously a Managing Principal of Redan Capital Advisors LLC ("Redan"), which offered structuring and capital raising services in the area of structured finance. Prior to founding Redan, Mr. Duncan was a Managing Director and Head of Origination and Structuring for CIBC's U.S. Asset Securitization Group, which managed four asset backed commercial paper conduits and also was co-Head of the CDO group that completed 50 CDO transactions and raised close to $35 billion in debt and equity capital. Mr. Duncan was also responsible for managing CIBC's approximately $2.5 billion CDO debt portfolio and its $450 million CDO equity portfolio. Prior to joining CIBC, Mr. Duncan spent 10 years in Citicorp's securitization group focusing on the origination and structuring of a wide variety of transactions and asset types. Mr. Duncan is a Chartered Accountant and worked in the audit practice of Touche Ross & Co. as well as relationship banking at The Bank of Montreal. Mr. Duncan has a B.Comm (Hons) degree from the University of Manitoba.

Philip E. Theoharides, Vice President; Principal and Portfolio Manager of Katonah Debt Advisors

Philip Theoharides, the Co-Portfolio Manager of the Structured Products Fund at Katonah Debt Advisors, has more than 20 years of corporate and structured finance experience. For two years prior to joining Katonah Debt Advisors in 2006, Mr. Theoharides was the Managing Principal of August Christian Capital Advisors LLC, a structured finance advisory firm, where he completed over $250 million in structured transactions. During 2002 and 2003, Mr. Theoharides was the Chief Operating Officer of Katonah Capital, the predecessor to Katonah Debt Advisors. From 1996 to 2002, Mr. Theoharides was a senior vice president at GE Capital where he implemented a CDO investment strategy and managed a portfolio of over $2 billion. For six years prior to that, Mr. Theoharides was a team leader in the structuring and management of over $5 billion in securitization transactions at Capital Markets Assurance Corporation. Mr. Theoharides began his career at National Westminster BankUSA and Chemical Bank. Mr. Theoharides received a B.S. from Skidmore College.

Board of Directors

Prior to the completion of this offering, the number of directors constituting our Board of Directors will be fixed at seven directors.

Our Board of Directors is divided into three classes. One class holds office initially for a term expiring at the annual meeting of stockholders to be held in 2007, a second class holds office initially for a term expiring at the annual meeting of stockholders to be held in 2008, and a third class holds office initially for a term expiring at the annual meeting of stockholders to be held in 2009. Each director holds office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. Messrs. Lacovara and Kohlberg's current term expires in 2009, Messrs. Frieder, Jacobi and Pastino's current term expires in 2008 and Messrs. Stevens and current term expires in 2007. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualify.

Compensation of Directors

As compensation for serving on our Board of Directors, each of our independent directors receives an annual fee of $25,000 and an additional $1,500 per meeting attended. Employee directors and non-independent

directors will not receive compensation for serving on our Board of Directors. Independent directors who serve on board committees will receive cash compensation in addition to the compensation they receive for service on our Board of Directors. The chairperson of our Audit Committee receives an additional $10,000 per year and the chairperson of each other committee of our Board of Directors receives an additional $5,000 per year and all committee members receive an additional $500 for each committee meeting they attend. In addition, we will reimburse our directors for their reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors.

In connection with this offering, we expect to apply for exemptive relief from the SEC to permit us to grant options to purchase our common stock to our independent directors as a portion of their compensation for service on our Board of Directors.

Committees of the Board of Directors

Audit Committee. Our Board of Directors has established an Audit Committee. The Audit Committee is comprised of , each of whom is an independent director and satisfies the independence requirements for purposes of The NASDAQ Global Market listing standards. Mr. Pastino serves as chairman of the Audit Committee. The Audit Committee is responsible for approving our independent registered public accounting firm, reviewing with our independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by our independent registered public accounting firm, reviewing the independence of our independent registered public accounting firm and reviewing the adequacy of our internal accounting controls.

Valuation Committee. Our Board of Directors has established a Valuation Committee. The Valuation Committee is comprised of . serves as chairman of the Valuation Committee. The Valuation Committee is responsible for reviewing and recommending to the full board the fair value of debt and equity securities that are not publicly traded. The Valuation Committee may utilize the services of an independent valuation firm in arriving at fair value of these securities.

Compensation Committee. Our Board of Directors has established a Compensation Committee. The Compensation Committee is comprised of , each of whom is an independent director and satisfies the independence requirements for purposes of The NASDAQ Global Market listing standards. serves as chairman of the Compensation Committee. The Compensation Committee determines compensation for our executive officers, in addition to administering our Equity Incentive Plan, which is described below.

Compensation of Executive Officers

We were formed in August 2006 and, as a result, we did not pay compensation during 2005. The following table sets forth information regarding the compensation expected to be earned by our directors and our three highest paid executive officers in all capacities during the fiscal year ending December 31, 2007.

As compensation for serving on our Board of Directors, each of our independent directors will receive an annual fee of $25,000. Non-independent directors will not receive compensation for serving on the board. Each chairperson of a board committee that is an independent director will receive an annual fee of $5,000 for each committee he or she chairs, with the exception that the chairperson of the Audit Committee will receive an annual fee of $10,000. The independent directors will also receive a fee of $1,500 for each board meeting they attend and $500 for each committee meeting they attend. In addition, we will reimburse our directors for their reasonable out-of-pocket expenses incurred in attending board and committee meetings.

No compensation will be paid to directors, in their capacity as such, who are non-independent directors.

Summary Compensation Table

Name	Aggregate Compensation from the Company	Pension or Retirement Benefits Accrued as Part of Company Expenses	Options Expected to be Granted	Directors' Fees by the Company
Independent Directors:				
C. Michael Jacobi	—	—	—	33,000
Albert G. Pastino	—	—	—	43,000
C. Turney Stevens	—	—	—	33,000
[ ]	—	—	—	33,000
Non-Independent Directors:				
Christopher Lacovara	(1)	(1)		(1)
James A. Kohlberg	(1)	(1)		(1)
Samuel P. Frieder	(1)	(1)		(1)
Executive Officers				
Dayl W. Pearson	$ 650,000(2)	29,000(2)		—
E.A. Kratzman	$ 800,000(2)(3)	29,000(2)		—
	—	29,000(2)		—

(1) Non-independent directors do not receive any cash compensation or pension or retirement benefits from the Company.

(2) We were formed in August 2006, and no compensation was paid in the fiscal year ended December 31, 2005. Amounts shown reflect our estimate of aggregate compensation to be paid in the fiscal year ending December 31, 2007. As of September 30, 2006, Katonah Debt Advisors had paid aggregate compensation of $177,308 and $812,500 to Messrs. Pearson and Kratzman, respectively, for the current fiscal year.

(3) Mr. Kratzman does not receive compensation as an officer of the Company. The amount shown reflects expected compensation to be paid to Mr. Kratzman by Katonah Debt Advisors.

Compensation of Portfolio Management Employees

Our portfolio is managed by our Investment Committee, consisting of Christopher Lacovara, Samuel P. Frieder, Dayl W. Pearson, R. Jon Corless and E.A. Kratzman. Messrs. Pearson, Corless and Kratzman are compensated in the form of annual salaries, annual cash bonuses based on performance and long-term compensation in the form of stock option grants. Messrs. Lacovara and Frieder will not receive any cash compensation for their service on the Investment Committee but will receive stock option grants.

Salaries and Annual Bonus

The Compensation Committee of our Board of Directors meets with our CEO to receive his recommendations regarding the salary and annual bonus for each member of the Investment Committee other than the CEO. The committee also considers the recent performance of our portfolio of investments and our profitability in light of general economic and competitive conditions. Based on this information and any other considerations it deems relevant, the Compensation Committee sets salaries and annual bonus guidelines in its sole discretion.

Long Term Compensation

Long-term performance-based compensation generally includes stock option grants under our Equity Incentive Plan. Stock option grants to each Investment Committee member are based on criteria established by the Compensation Committee, including responsibility level, salary level, committee member performance, overall investment portfolio performance and overall profitability.

Option Grants in Last Fiscal Year

There are no options currently outstanding on our capital stock. Please see the "Summary Compensation Table" for a description of options we intend to grant to our directors and named executive officers.

Equity Incentive Plan

Our Board of Directors and our current stockholders have approved our Equity Incentive Plan, for the purpose of attracting and retaining the services of executive officers, directors and other key employees. Under our Equity Incentive Plan, our Compensation Committee may award incentive stock options ("ISOs") within the meaning of Section 422 of the Code to employees, and nonstatutory stock options to employees and directors.

Under the Equity Incentive Plan, we have authorized for issuance up to 1,500,000 shares of common stock. Participants in the Equity Incentive Plan may receive awards of options to purchase our common stock, as determined by our Compensation Committee. Options granted under the Equity Incentive Plan generally may be exercised for a period of no more than ten years from the date of grant. Unless sooner terminated by our Board of Directors, the Equity Incentive Plan will terminate on the tenth anniversary of its adoption and no additional awards may be made under the Equity Incentive Plan after that date. The Equity Incentive Plan provides that all awards granted under the plan are subject to modification as required to ensure that such awards do not conflict with the requirements of the 1940 Act applicable to us.

Options granted under the Equity Incentive Plan will entitle the optionee, upon exercise, to purchase shares of common stock from us at a specified exercise price per share. ISOs must have a per share exercise price of no less than the fair market value of a share of common stock on the date of the grant or, if the optionee owns or is treated as owning (under Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of our stock, 110% of the fair market value of a share of stock on the date of the grant. Nonstatutory stock options granted under the Equity Incentive Plan must have a per share exercise price of no less than the fair market value of a share of common stock on the date of the grant. Options will not be transferable other than by laws of descent and distribution, or in the case of nonstatutory stock options, by gift, and will generally be exercisable during an optionee's lifetime only by the optionee.

Our Compensation Committee administers the Equity Incentive Plan and has the authority, subject to the provisions of the Equity Incentive Plan, to determine who will receive awards under the Equity Incentive Plan and the terms of such awards. Our Compensation Committee will be required to adjust the number of shares available for awards, the number of shares subject to outstanding awards and the exercise price for awards following the occurrence of certain specified events such as stock splits, dividends, distributions and recapitalizations. The exercise price of an option may be paid in the form of shares of stock that are already owned by such optionholder.

Upon specified covered transactions (as defined in the Equity Incentive Plan), all outstanding awards under the Equity Incentive Plan may either be assumed or substituted for by the surviving entity. If the surviving entity does not assume or substitute similar awards, the awards held by the participants will be accelerated in full and then terminated to the extent not exercised prior to the covered transaction.

Awards under the Equity Incentive Plan will be granted to our executive officers and other employees as determined by our Compensation Committee at the time of each issuance. In connection with this offering, we expect that our Compensation Committee will approve the grant of:

- an option to purchase an aggregate of shares of common stock to Mr. Lacovara;
- an option to Mr. Pearson to purchase shares of common stock;
- an option to to purchase shares of common stock;
- an option to Mr. Corless to purchase shares of common stock;
- an option to Mr. Kratzman to purchase shares of common stock;

The exercise price per share for all such options will be equal to the public offering price of our common stock in this offering. Including the foregoing anticipated grants, the outstanding options granted to our executive officers and other employees will represent approximately 5% of our fully-diluted equity capitalization following completion of this offering. We expect that, subject to compliance with applicable regulations governing BDCs, we will grant additional awards to our officers and employees following the closing of this offering. The options granted to our executive officers and employees in connection with this offering (including those granted following the closing of this offering described in the preceding sentence) will generally vest over three or four years. We expect that, subject to our receipt of exemptive relief from the SEC, we will grant options to our independent directors which will generally vest over two years.

Under current SEC rules and regulations applicable to BDCs, a BDC may not grant options to directors who are not officers or employees of the BDC. In connection with this offering, we expect to apply for exemptive relief from the SEC to permit us to grant options to purchase shares of our common stock to our independent directors as a portion of their compensation for service on our Board of Directors. Similarly, under the 1940 Act, BDCs cannot issue stock for services. In connection with this offering, we expect to apply for exemptive relief from the SEC to permit us to grant restricted stock or other non-option stock-based compensation in exchange for or in recognition of services. We cannot provide any assurance that we will receive the exemptive relief from the SEC in either case.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have entered into a License and Referral Agreement with Kohlberg & Co. pursuant to which Kohlberg & Co. has licensed to us, on a royalty free basis, the right to use the Kohlberg name. This agreement is terminable by Kohlberg & Co. at any time following the fifth anniversary of the date of the agreement and in specified other circumstances.

In addition, our License and Referral Agreement with Kohlberg & Co. provides that Kohlberg & Co. will notify us of equity investment opportunities that have been made available to Kohlberg & Co. but that Kohlberg & Co. has determined, in its sole discretion, are not appropriate for it or any investment fund managed by Kohlberg & Co. or any of its affiliates (generally as a result of the small size or non-control nature of the investment), prior to making such investment opportunity available to any third party.

We also have entered into a Transition Services Agreement with Kohlberg & Co. pursuant to which Kohlberg & Co. will continue to provide accounting and bookkeeping services, cash management and banking services, tax services, internal legal and administrative services, payroll administration and other human resource services, employee benefits and pension administration and intellectual technology services for a period of up to six months from the date of this offering. In addition, under this agreement and during this period, Kohlberg & Co. will continue to maintain the participation of the Company in Kohlberg & Co. insurance programs until the Company has established its own insurance programs. Kohlberg & Co. will not receive any fees under the Transition Services Agreement and will receive only a reimbursement of expenses incurred in connection with providing these services.

Our portfolio company, Katonah Debt Advisors, has entered into an Assignment and Assumption Agreement with Katonah Capital pursuant to which it has assumed all of Katonah Capital's rights and obligations under the lease agreement for our principal headquarters at 295 Madison Avenue, 6th Floor, New York, New York 10017. We have entered into an Overhead Allocation Agreement with Katonah Debt Advisors which provides for the sharing of the expenses under the lease agreement. In connection with this assignment and assumption of the lease, we expect to issue a letter of credit to the lessor to replace a letter of credit previously issued by Kohlberg & Co. under the original lease.

Immediately following completion of this offering, certain entities and affiliates of Kohlberg & Co. will own an aggregate of 19% of our outstanding common stock. See "Restructuring."

We will use the net proceeds of this offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans that were originated during 2006 by Katonah Debt Advisors' middle market lending group and are held by a special purpose vehicle organized by Katonah Debt Advisors. These loans will be acquired by us for cash at their cost of acquisition by such special purpose vehicle. The purchase of these loans was financed with a credit facility provided by an affiliate of one of the underwriters in this offering and the proceeds that we will pay to the special purpose vehicle in order to acquire these loans will be used by that entity to repay the facility.

Under the 1940 Act we will not be permitted to invest in any portfolio company in which Kohlberg & Co. or any affiliate has a pre-existing investment unless we obtain SEC exemptive relief.

CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

Immediately prior to the completion of this offering, we will have 3,151,000 shares of common stock outstanding, all of which will be beneficially owned by the stockholders listed in the table below. At that time, we will have no other shares of capital stock outstanding. After this offering, no person will be deemed to control us, as such term is defined in the 1940 Act.

The following table sets forth, as of September 30, 2006 information with respect to the beneficial ownership of our common stock after giving effect to the Restructuring by:

- each person known to us to beneficially own more than 5% of the outstanding shares of our common stock;
- each of our directors and each executive officers; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of September 30, 2006 are deemed to be outstanding and beneficially owned by the person holding such options or warrants. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Percentage of beneficial ownership is based on (i) 3,151,000 shares of common stock outstanding as of September 30, 2006 after giving effect to the Restructuring, and (ii) 16,651,000 shares of common stock to be outstanding after the offering.

Unless otherwise indicated, to our knowledge, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder, except to the extent authority is shared by spouses under applicable law, and maintains an address of c/o Kohlberg Capital Corporation, 295 Madison Avenue, 6th Floor, New York, New York 10017.

	Shares of Common Stock Beneficially Owned			
Name and Address	Number of Shares	Percentage of Class Before Offering	Percentage of Class After Offering	Dollar Range of Equity Securities
Principal Stockholders:				
KAT Associates, LLC	264,493	8.4%	1.6%	
Directors and Executive Officers:				
C. Michael Jacobi	—	—	—	—
Albert G. Pastino	—	—	—	—
C. Turney Stevens	—	—	—	—
James A. Kohlberg (1)	2,017,164	64.0%	12.1%	›$ 100,000
Christopher Lacovara (2)(3)	334,519	10.6%	2.0%	›$ 100,000
Samuel P. Frieder (2)	334,519	10.6%	2.0%	›$ 100,000
E.A. Kratzman (3)	67,554	2.1%	*	›$ 100,000
(3)	—	—	—	—
Dayl W. Pearson (3)	—	—	—	—
R. Jon Corless (3)	—	—	—	—
David J. Duncan (3)	—	—	—	—
Philip Theoharides	—	—	—	—
Directors and Executive Officers as a Group (10 persons)			16.5%	›$ 100,000
	2,753,756	87.4%		

* Less than 1%.

(1) Includes 1,258,000 shares of common stock held by the KKAT Entities as follows: 300,000 shares of common stock held by KKAT Acquisition Company III, LLC, 210,000 shares of common stock held by

KKAT Acquisition Company IV, LLC, 221,333 shares of common stock held by KKAT Acquisition Company V, LLC, 300,000 shares of common stock held by KKAT Acquisition Company VII, LLC and 226,667 shares of common stock held by KKAT Acquisition Company VIII, LLC, as to which Mr. Kohlberg has both voting and dispositive power. Mr. Kohlberg disclaims beneficial ownership of the shares held by KKAT Acquisition Company III, LLC, KKAT Acquisition Company IV, LLC, KKAT Acquisition Company V, LLC, KKAT Acquisition Company VII, LLC and KKAT Acquisition Company VIII, LLC (collectively, the "KKAT Entities"), except to the extent of his pecuniary interest therein.

(2) Excludes shares of common stock held by the KKAT Entities. Messrs. Lacovara and Frieder are members of the KKAT Entities and therefore may have a pecuniary interest in certain of the shares held by the KKAT Entities. Messrs. Lacovara and Frieder disclaim beneficial ownership of the shares held by the KKAT Entities except to the extent of their respective pecuniary interests therein.

(3) Excludes shares of common stock issuable upon the exercise of options expected to be granted in connection with this offering. See "Management—Equity Incentive Plan."

DETERMINATION OF NET ASSET VALUE

We determine the net asset value per share of our common stock quarterly. The net asset value per share is equal to the value of our total assets minus liabilities and any preferred stock outstanding divided by the total number of shares of common stock outstanding. As of the date of this prospectus, we do not have any preferred stock outstanding.

Value, as defined in Section 2(a)(41) of 1940 Act, is (1) the market price for those securities for which a market quotation is readily available and (2) for all other securities and assets, fair value as determined in good faith by our Board of Directors, based on the recommendations of the Valuation Committee of the Board of Directors. Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment. Preliminary valuation conclusions will then be documented and discussed with our senior management. The Valuation Committee of our board of directors will review these preliminary valuations and make recommendations to our Board of Directors. Where appropriate, the Valuation Committee may utilize an independent valuation firm selected by the Board of Directors. The Board of Directors will discuss valuations and will determine the fair value of each investment in our portfolio in good faith based on the recommendations of the Valuation Committee.

Since there is typically no readily available market value for the investments in our portfolio, we value substantially all of our investments at fair value. Because of the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined under our procedures may differ significantly from the values that would have been used had a ready market existed for the investments, and the differences could be material.

There is no single standard for determining fair value. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment. Unlike banks, we are not permitted to provide a general reserve for anticipated loan losses. Instead, we must determine the fair value of each individual investment on a quarterly basis. We will record unrealized depreciation on investments when we believe that an investment has decreased in value, including where collection of a loan or realization of an equity security is doubtful. Conversely, we will record unrealized appreciation if we believe that as a result our investment has appreciated in value, for example, because the underlying portfolio company has appreciated in value.

As a BDC, we invest primarily in illiquid securities, including loans to and warrants of private companies and interests in other illiquid securities, such as interests in the underlying CDO Funds. Our investments are generally subject to restrictions on resale and generally have no established trading market. Because of the type of investments that we make and the nature of our business, our valuation process requires an analysis of various factors. Our valuation methodology includes the examination of, among other things, the underlying investment performance, financial condition and market changing events that impact valuation.

With respect to private debt and equity investments, each investment is valued using industry valuation benchmarks, and, where appropriate, such as valuing private warrants, the input value in our valuation model may be assigned a discount reflecting the illiquid nature of the investment and our minority, non-control position. When a qualifying external event such as a significant purchase transaction, public offering or subsequent loan or warrant sale occurs, the pricing indicated by the external event will be considered in determining our private debt or equity valuation. Securities that are traded in the over-the-counter market or on a stock exchange generally will be valued at the prevailing bid price on the valuation date. However, restricted or thinly traded public securities may be valued at discounts from the public market value due to the restrictions on sale.

Our CDO Investments are carried at fair value, which is based on a discounted cash flow model that utilizes prepayment and loss assumptions based on historical experience and projected performance, economic factors,

the characteristics of the underlying cash flow and comparable yields for similar bonds and preferred shares/income notes, when available. We recognize unrealized appreciation or depreciation on our CDO Investments as comparable yields in the market change and/ or based on changes in estimated cash flows resulting from changes in prepayment or loss assumptions in the underlying collateral pool. As each CDO Investment ages, the expected amount of losses and the expected timing of recognition of such losses in the underlying collateral pool is updated and the revised cash flows are used in determining the fair value of the CDO Investment. We determine the fair value of our CDO Investments on an individual security-by-security basis.

DIVIDEND REINVESTMENT PLAN

We will adopt a dividend reinvestment plan that provides for reinvestment of our distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our Board of Directors authorizes, and we declare, a cash dividend, then 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.

No action will be required on the part of a registered stockholder to have their cash dividend reinvested in shares of our common stock. A registered stockholder may elect to receive an entire dividend in cash by notifying American Stock Transfer & Trust Company, the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date for dividends to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than ten days prior to the record date, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends in cash by notifying their broker or other financial intermediary of their election.

We intend to use primarily newly issued shares to implement the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of our common stock at the close of regular trading on The NASDAQ Global Market on the dividend payment date. Market price per share on that date will be the closing price for such shares on The NASDAQ Global Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

There will be no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator's fees under the plan will be paid by us. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $15.00 transaction fee plus a $0.10 per share brokerage commission from the proceeds.

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at www.amstock.com, by filling out the transaction request form located at bottom of their statement and sending it to the plan administrator at the address set forth below or by calling the plan administrator at 1-866-668-8564.

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. All correspondence concerning the plan should be directed to the plan administrator by mail at American Stock Transfer & Trust Company, Attn. Dividend Reinvestment Department, P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or by telephone at 1-866-668-8564.

REGULATION

The following discussion is a general summary of some of the material prohibitions and restrictions governing BDCs generally. It does not purport to be a complete description of all the laws and regulations affecting BDCs.

A BDC is a unique kind of investment company that primarily focuses on investing in or lending to private companies and making managerial assistance available to them. A BDC provides stockholders with the ability to retain the liquidity of a publicly traded stock, while sharing in the possible benefits of investing in emerging-growth or expansion-stage privately-owned companies. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their directors and officers and principal underwriters and certain other related persons and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of (i) 67% or more of such company's shares present at a meeting or represented by proxy if more than 50% of the outstanding shares of such company are present or represented by proxy or (ii) more than 50% of the outstanding shares of such company.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, or "qualifying assets," unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

- Securities of an "eligible portfolio company" purchased in transactions not involving any public offering. An "eligible portfolio company" is defined in the 1940 Act as any issuer which:
  - (a) is organized under the laws of, and has its principal place of business in, the United States;
  - (b) is not an investment company (other than a small business investment company wholly-owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
  - (c) satisfies any of the following:
    - (i) does not have outstanding any class of securities with respect to which a broker or dealer may extend margin credit;
    - (ii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or
    - (iii) is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million.
- Securities of any eligible portfolio company that we control;
- Securities purchased in a private transaction from a U.S. issuer that is not an investment company and is in bankruptcy and subject to reorganization;
- Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the conversion of warrants or rights relating to such securities; and
- Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

See “Risk Factors—If our primary investments are not deemed to be qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy” above for a discussion of the possible impact of the Federal Reserve’s 1998 amendments to its margin rules on the definition of “eligible portfolio company.”

Significant Managerial Assistance

A BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described above. However, to count portfolio securities as qualifying assets for the purpose of the 70% test, the BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company through monitoring of portfolio company operations, selective participation in board and management meetings, consulting with and advising a portfolio company’s officers or other organizational or financial guidance.

Temporary Investments

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that at least 70% of our assets are qualifying assets. Typically, we will invest in U.S. treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the diversification tests imposed on us by the Code to qualify for tax treatment as a RIC for federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. We will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities; Coverage Ratio

We will be permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any dividend distribution to our stockholders or the repurchase of certain of our securities, unless we meet the applicable asset coverage ratios at the time of the dividend distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes. For a discussion of the risks associated with the resulting leverage, see “Risk Factors—If we incur additional debt, it could increase the risk of investing in our Company.”

Code of Ethics

We will adopt and maintain a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the

code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. Our code of ethics will generally not permit investments by our employees in securities that may be purchased or held by us. We may be prohibited under the 1940 Act from conducting certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, the prior approval of the SEC. For information on how to obtain a copy of the code of ethics, see "Available Information."

Privacy Principles

We are committed to maintaining the privacy of our stockholders and safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders, although some non-public personal information of our stockholders may become available to us. We do not disclose any non-public personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary to service stockholder accounts, such as to a transfer agent.

We restrict access to non-public personal information about our stockholders to our employees with a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders.

Proxy Voting Policies and Procedures

Although most of the securities we hold will not be voting securities, we expect that some of our investments will entitle us to vote proxies. We vote proxies relating to our portfolio securities in the best interest of our stockholders. We review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by us. Although we generally vote against proposals that we believe may have a negative impact on our portfolio securities, we may vote for such a proposal if we believe there exists a compelling long-term reason to do so.

Our proxy voting decisions are made by our investment committee, which is responsible for monitoring each of our investments. To ensure that our vote is not the product of a conflict of interest, we require that (1) anyone involved in the decision making process disclose to our CCO any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (2) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal to reduce any attempted influence from interested parties.

Other

We will be periodically examined by the SEC for compliance with the 1940 Act.

We will not "concentrate" our investments, that is, invest 25% or more of our assets in any particular industry (determined at the time of investment).

We will be required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from indemnifying any director or officer against any liability to our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We are required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation. We will designate , our CFO, to be our CCO to be responsible for administering these policies and procedures.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material federal income tax considerations applicable to us and to an investment in our shares. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, regulated investment companies, dealers in securities, pension plans and trusts, and financial institutions. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as in effect as of the date of this prospectus and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service (the "IRS") regarding this offering. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets in which we do not currently intend to invest.

A "U.S. stockholder" generally is a beneficial owner of shares of our common stock who is for federal income tax purposes:

- a citizen or individual resident of the United States including an alien individual who is a lawful permanent resident of the United States or meets the "substantial presence" test in Section 7701(b) of the Code;
- a corporation or other entity taxable as a corporation, for federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof;
- a trust over which a court in the U.S. has primary supervision over its administration or over which U.S. persons have control; or
- an estate, the income of which is subject to federal income taxation regardless of its source.

A "Non-U.S. stockholder" is a beneficial owner of shares of our common stock that is neither a U.S. stockholder nor a partnership for federal income tax purposes. If a partnership (including an entity treated as a partnership for federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder who is a partner of a partnership holding shares of our common stock should consult his, her or its tax advisors with respect to the purchase, ownership and disposition of shares of our common stock. Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

Election to be Taxed as a Regulated Investment Company

As a BDC, we intend to elect to be treated as a RIC under Subchapter M of the Code commencing with our first taxable year as a corporation. As a RIC, we generally will not have to pay corporate-level taxes on any income or gains that we distribute to our stockholders as dividends. To qualify for tax treatment as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to obtain the federal income tax benefits allowable to RICs, we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally the sum of our net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses (the "Annual Distribution Requirement").

Taxation as a Regulated Investment Company

For any taxable year in which we qualify as a RIC and satisfy the Annual Distribution Requirement, we generally will not be subject to federal income tax on the portion of our investment company taxable income and net capital gain (*i.e.*, net realized long-term capital gains in excess of net realized short-term capital losses) we distribute to stockholders with respect to that year. We will be subject to federal income tax at the regular corporate rates on any net ordinary income or capital gain not distributed (or deemed distributed) to our stockholders. As a RIC, we will be subject to a 4% nondeductible federal excise tax on certain net taxable undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary income for each calendar year, (2) 98% of our capital gain net income for the 1-year period ending October 31 in that calendar year and (3) any net income realized, but not distributed, in the preceding year. We will not be subject to excise taxes on amounts on which we are required to pay corporate income tax (such as retained net capital gains). We currently intend to make sufficient distributions each taxable year and/or pay sufficient corporate income tax to avoid any excise tax liability, although we reserve the right to pay an excise tax rather than make an additional distribution when circumstances warrant (e.g., the payment of an excise tax amount that we deem to be de minimis).

To qualify for tax treatment as a RIC for federal income tax purposes, in addition to satisfying the Annual Distribution Requirement, we must, among other things:

- have in effect at all times during each taxable year an election to be regulated as a BDC under the 1940 Act;
- derive in each taxable year at least 90% of our gross income from (a) dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities, or other income derived with respect to our business of investing in such stock or securities and (b) net income derived from an interest in a "qualified publicly traded partnership" (all such income "Qualifying Income"); and
- diversify our holdings so that at the end of each quarter of the taxable year: at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of such issuer; and no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of (a) one issuer, (b) securities of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (c) securities of one or more "qualified publicly traded partnerships" (the "Diversification Tests").

We may organize and conduct the business of Katonah Debt Advisors through additional direct or indirect wholly-owned subsidiaries of the Company. Some of the wholly-owned subsidiaries may be treated as corporations for federal income tax purposes. As a result, such subsidiaries will be subject to tax at regular corporate rates. We will recognize income from these subsidiaries to the extent that we receive dividends and distributions of capital from these subsidiaries. Some of the wholly-owned subsidiaries may be treated as disregarded entities for federal income tax purposes. As a result, we will directly recognize fee income earned by these subsidiaries. Fee income that we recognize directly through entities that are treated as disregarded entities for federal tax purposes will generally not constitute Qualifying Income. We intend to monitor our recognition of fee income to ensure that at least 90% of our gross income in each taxable year is Qualifying Income.

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind interest or, in certain cases, increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for

the year of accrual, we may be required to make a distribution to our stockholders to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount. We could also be subject to a federal income tax (including interest charges) on distributions received from investments in passive foreign investment companies "PFICs" (defined below) or on proceeds received from the disposition of shares in PFICs, which tax cannot be eliminated by making distributions to our shareholders. A PFIC is any foreign corporation in which (i) 75% or more of the gross income for the taxable year is passive income, or (ii) the average percentage of the assets (generally by value, but by adjusted tax basis in certain cases) that produce or are held for the production of passive income is at least 50%. Generally, passive income for this purpose means dividends, interest (including income equivalent to interest), royalties, rents, annuities, the excess of gains over losses from certain property transactions and commodities transactions, and foreign currency gains. Passive income for this purpose does not include rents and royalties received by the foreign corporation from active business and certain income received from related persons. If we are in a position to treat and so treat such a PFIC as a "qualified electing fund" ("QEF") we will be required to include our share of the company's income and net capital gain annually, regardless of whether we receive any distribution from the company. Alternately, we may make an election to mark the gains (and to a limited extent losses) in such holdings "to the market" as though we had sold and repurchased our holdings in those PFICs on the last day of our taxable year. Such gains and losses are treated as ordinary income and loss. The QEF and mark-to-market elections may have the effect of accelerating the recognition of income (without the receipt of cash) and increasing the amount required to be distributed for us to avoid taxation.

We may also invest in "controlled foreign corporations" ("CFCs"). A non-U.S. corporation will be a CFC if "U.S. Shareholders" (i.e., each U.S. investor that owns (directly or by attribution) 10% or more of the interests in the non-U.S. corporation (by vote)) own (directly or by attribution) more than 50% (by vote or value) of the outstanding interests of the non-U.S. corporation. If we are a U.S. Shareholder with respect to a non-U.S. corporation, we will be required each year to include in income our pro rata share of the corporation's "Subpart F income" (as defined in the Code). Therefore, investments in CFCs may have the effect of accelerating the recognition of income (without the receipt of cash) and increasing the amount required to be distributed for us to avoid taxation.

We are authorized to borrow funds and to sell assets to satisfy the Annual Distribution Requirement and to avoid any excise tax liability. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Regulation—Senior Securities; Coverage Ratio." Moreover, our ability to dispose of assets to meet the Annual Distribution Requirement and to avoid any excise tax liability may be limited by (1) the illiquid nature of our portfolio, or (2) other requirements relating to our tax treatment as a RIC, including the Diversification Tests. If we dispose of assets to meet the Annual Distribution Requirements and to avoid any excise tax liability, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

Gain or loss realized by us from the sale or exchange of warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant. Our transactions in options, futures contracts, hedging transactions and forward contracts will be subject to special tax rules, the effect of which may be to accelerate income to us, defer losses, cause adjustments to the holding periods of our investments, convert long-term capital gains into short-term capital gains, convert short-term capital losses into long-term capital losses or have other tax consequences. These rules could affect the amount, timing and character of distributions to stockholders. We do not currently intend to engage in these types of transactions.

A RIC is not permitted to deduct expenses in excess of its "investment company taxable income" (which is, generally, ordinary income plus net short-term capital gains in excess of net long-term capital losses). If our expenses in a given year exceed investment company taxable income (e.g., as the result of large amounts of equity-based compensation), we would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years. In addition, expenses can be used only to

offset investment company taxable income, not net capital gain (that is, the excess of net long-term capital gains over the net short-term capital losses). Due to these limits on the deductibility of expenses, we may for tax purposes have aggregate taxable income over a period of several years that we are required to distribute and that is taxable to our stockholders even if such income is greater than the net income we actually earned during those years in the aggregate. Such required distributions may be made from our cash assets or by liquidation of investments, if necessary. We may realize gains or losses from such liquidations. In the event we realize net capital gains from such transactions, you may receive a larger capital gain distribution than you would have received in the absence of such transactions. Assuming we qualify for tax treatment as a RIC, our corporate-level federal income tax should be substantially reduced or eliminated, and, as explained above, a portion of our distributions or deemed distributions may be characterized as long-term capital gain in the hands of stockholders. See "Election to be Taxed as a Regulated Investment Company" above. Except as otherwise provided, the remainder of this discussion assumes that we qualify for tax treatment as a RIC and have satisfied the Annual Distribution Requirement.

Failure to Qualify as a Regulated Investment Company

If we failed to qualify for treatment as a RIC (including if our Board of Directors elected to temporarily or permanently revoke our RIC election), we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would distributions be required to be made. Such distributions would be taxable to our stockholders as dividend income to the extent of our current and accumulated earnings and profits and (if made in a taxable year beginning before January 1, 2011) provided certain holding period and other requirements were met, could potentially qualify for treatment as "qualified dividend income" in the hands of stockholders taxed as individuals eligible for the 15% maximum rate. Subject to certain limitations under the Code, corporate distributees may be eligible for the dividends received deduction with respect to our dividend distributions. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year in which we failed to qualify for tax treatment as a RIC. Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the nonqualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify for tax treatment as a RIC that are recognized within the subsequent 10 years, unless we made a special election to pay corporate-level tax on such built-in gain at the time of our requalification as a RIC.

Taxation of U.S. Stockholders

For federal income tax purposes, distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our "investment company taxable income" (which is, generally, our ordinary income plus net realized short-term capital gains in excess of net realized long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock through our dividend reinvestment plan. For taxable years beginning before January 1, 2011, to the extent such distributions paid by us are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions may be designated by us as "qualified dividend income" eligible to be taxed in the hands of non-corporate stockholders at the rates applicable to long-term capital gains, provided holding period and other requirements are met at both the stockholder and company levels. In this regard, it is anticipated that distributions paid by us generally will not be attributable to dividends and, therefore, generally will not be qualified dividend income. Distributions of our net capital gains (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly designated by us as "capital gain dividends" will be taxable to a U.S. stockholder as long-term capital gains (currently at a maximum rate of 15% in the case of individuals, trusts or estates), regardless of the U.S. stockholder's holding period for his, her or its common stock and regardless of whether paid in cash or

reinvested in additional common stock. Distributions in excess of our current and accumulated earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

We may retain some or all of our realized net long-term capital gains in excess of realized net short-term capital losses and designate the retained net capital gains as a "deemed distribution." In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder's cost basis for his, her or its common stock. Since we expect to pay tax on any retained net capital gains at our regular corporate tax rate, and since that rate is in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder's other federal income tax obligations or may be refunded to the extent it exceeds a stockholder's liability for federal income tax. A stockholder that is not subject to federal income tax or otherwise required to file a federal income tax return would be required to file a federal income tax return on the appropriate form to claim a refund for the taxes we paid. For federal income tax purposes, the tax basis of shares owned by a stockholder will be increased by an amount equal to the difference between the amount of undistributed capital gains included in the stockholder's gross income and the tax deemed paid by the stockholder as described in this paragraph. To utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a "deemed distribution." We may also make actual distributions to our stockholders of some or all of realized net long-term capital gains in excess of realized net short-term capital losses.

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the dividend was declared. A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of his, her or its shares of our common stock. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the U.S. stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. In such a case, the basis of the newly purchased shares will be adjusted to reflect the disallowed loss. For taxable years beginning before January 1, 2011, individual U.S. stockholders are subject to a maximum federal income tax rate of 15% on their net capital gain (*i.e.*, the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year) including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to federal income tax on net capital gain at the maximum 35% rate also applied to ordinary income. Non-corporate stockholders with net capital losses for a year (*i.e.*, capital losses in excess of capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year ($1,500 for married individuals filing separately); any net capital losses of a non-corporate stockholder in excess of $3,000 ($1,500 for married individuals filing separately)

generally may be carried forward and used in subsequent years as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

Distributions are taxable to stockholders even if they are paid from income or gains earned by us before a stockholder's investment (and thus were included in the price the stockholder paid). If an investor purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though economically, it may represent a return of his, her or its investment. Distributions are taxable whether stockholders receive them in cash or reinvest them in additional shares through the Dividend Reinvestment Plan. A stockholder whose distributions are reinvested in shares will be treated as having received a dividend equal to either (i) the fair market value of the shares issued to the stockholder (if we issue new shares), or (ii) the amount of cash allocated to the stockholder for the purchase of shares on its behalf (if we purchase shares on the open market). We will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions generally will be reported to the IRS (including the amount of dividends, if any, eligible for the 15% "qualified dividend income" rate). Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation. Dividends distributed by us generally will not be eligible for the corporate dividends-received deduction or the preferential rate applicable to "qualified dividend income."

We may be required to withhold federal income tax ("backup withholding"), currently at a rate of 28%, from all taxable distributions to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding, or (2) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's federal income tax liability, provided that proper information is provided to the IRS. Under Treasury regulations, if a stockholder recognizes a loss with respect to our shares of $2 million or more for an individual stockholder or $10 million for a corporate stockholder, the stockholder must file with the IRS a disclosure statement on Form 8886. Direct stockholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, stockholders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to stockholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether a taxpayer's treatment of the loss is proper. Stockholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

Taxation of Non-U.S. Stockholders

Whether an investment in the shares is appropriate for a non-U.S. stockholder will depend upon that person's particular circumstances. non-U.S. stockholders should consult their tax advisors before investing in our common stock. In general, dividend distributions (other than certain distributions derived from net long-term capital gains, certain interest income and short term capital gains, as described below) paid by us to a non-U.S. stockholder are subject to withholding of federal income tax at a rate of 30% (or lower applicable treaty rate) even if they are funded by income or gains that, if paid to a non-U.S. stockholder directly, would not be subject to withholding. If the distributions are effectively connected with a U.S. trade or business of the non-U.S. stockholder, (and, if an income tax treaty applies, attributable to a permanent establishment in the United States), we will not be required to withhold federal tax if the non-U.S. stockholder complies with applicable certification and disclosure requirements, although the distributions will be subject to federal income tax at the rates applicable to U.S. stockholders. (Special certification requirements apply to a non-U.S. stockholder that is a foreign partnership or a foreign trust and such entities are urged to consult their tax advisors.) For taxable years beginning prior to January 1, 2008, except as provided below, we generally will not be required to withhold any

amounts with respect to certain distributions of (1) U.S.-source interest income that meets certain requirements, and (2) net short-term capital gains in excess of net long-term capital losses, in each case to the extent we properly designate such distributions. We intend to make such designations. In respect of distributions described in clause (1) above, however, we will be required to withhold amounts with respect to distributions to a non-U.S. stockholder:

- that has not provided a satisfactory statement that the beneficial owner is not a U.S. person;
- to the extent that the dividend is attributable to certain interest on an obligation if the non-U.S. stockholder is the issuer or is a 10% stockholder of the issuer;
- that is within certain foreign countries that have inadequate information exchange with the United States; or
- to the extent the dividend is attributable to interest paid by a person that is a related person of the non-U.S. stockholder and the non-U.S. stockholder is a "controlled foreign corporation" for federal income tax purposes.

Actual or deemed distributions of our net capital gain to a non-U.S. stockholder, and gains realized by a non-U.S. stockholder upon the sale of our common stock, will not be subject to federal withholding tax and generally will not be subject to federal income tax unless the distributions or gain, as the case may be, are effectively connected with a U.S. trade or business of the non-U.S. stockholder (and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the non-U.S. stockholder in the U.S.), or in the case of an individual stockholder, the stockholder is present in the U.S. for a period or periods aggregating 183 days or more during the year of the sale or capital gain dividend and certain other conditions are met. If we distribute our net capital gain in the form of deemed rather than actual distributions, a non-U.S. stockholder will be entitled to a federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. To obtain the refund, the non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a federal income tax return even if the non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a federal income tax return. For a corporate non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected to a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate if provided for by an applicable treaty).

A non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal tax, may be subject to information reporting and backup withholding of federal income tax on dividends unless the non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN (or an acceptable substitute or successor form) or otherwise meets documentary evidence requirements for establishing that it is a non-U.S. stockholder or otherwise establishes an exemption from backup withholding. Investment in the shares may not be appropriate for a non-U.S. stockholder. non-U.S. persons should consult their tax advisors with respect to the federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in the shares.

DESCRIPTION OF CAPITAL STOCK

The following description is based on relevant portions of the Delaware General Corporation Law and on our certificate of incorporation and bylaws. This summary may not contain all of the information that is important to you, and we refer you to the Delaware General Corporation Law and our certificate of incorporation and bylaws, each of which will be effective prior to the completion of this offering, for a more detailed description of the provisions summarized below.

Stock

As of the date of completion of this offering, our authorized capital stock will consist of 100,000,000 shares of common stock, par value $0.01 per share, of which immediately after this offering 16,651,000 shares will be outstanding, and 5,000,000 shares of preferred stock, par value $0.01 per share, none of which will be outstanding immediately after this offering. There is currently no market for our common stock, and we can offer no assurances that a market for our shares will develop in the future. We have reserved the symbol “KCAP” for the listing of our common stock on The NASDAQ Global Market. A total of 1,500,000 shares of our common stock will have been authorized for issuance under the Equity Incentive Plan prior to the completion of this offering. Under Delaware law, our stockholders will not be personally liable for our debts or obligations solely based on their ownership of our common stock.

Set forth below is a chart describing the classes of our securities to be outstanding as of the date of the completion of this offering (assuming no exercise of the underwriters’ option to purchase additional shares):

(1)	(2)	(3)	(4)
Title of Class	Amount Authorized	Amount Held by Us or for our Account	Amount Outstanding Exclusive of Amount Under Column (3)
Common Stock	100,000,000	—	16,651,000
Preferred Stock	5,000,000	—	—

Common Stock

Under the terms of our certificate of incorporation, to be effective prior to the completion of this offering, all shares of our common stock will have equal rights as to earnings, assets, dividends and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of funds legally available therefor. Shares of our common stock will have no preemptive, exchange, conversion or redemption rights and will be freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. In the event of our liquidation, dissolution or winding up, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of any series preferred stock that might be outstanding at that time. Each share of our common stock will be entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. The holders of common stock will possess exclusive voting power except (i) as provided with respect to any other class or series of stock or (ii) as may be required by the 1940 Act if we fail to meet certain asset coverage requirements. There will be no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock will be able elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

Preferred Stock

Under the terms of our certificate of incorporation, which will be effective prior to the completion of this offering, our Board of Directors will be authorized to issue shares of preferred stock in one or more series without stockholder approval. The Board of Directors will have the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences of each series of preferred stock.

Every issuance of preferred stock will be required to comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are unpaid in an amount equal to two full years' dividends, and to continue to be so represented until all dividends in arrears shall have been paid or otherwise provided for. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. Although, at this time, we do not expect to issue preferred stock, we believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

Registration Rights

In connection with our Restructuring, we entered into a registration rights agreement with certain affiliates of Kohlberg & Co. who hold shares of our common stock. Pursuant to the registration rights agreement, we have agreed that, upon demand by the holders of a specified percentage of these shares, we will file a registration statement to cover resales of the shares of common stock held by the requesting stockholders, including with respect to the 100,000 shares of our common stock held by certain directors and other stockholders that are not subject to any lock-up in connection with this offering. In addition, pursuant to the registration rights agreement, we have agreed to grant these holders piggyback registration rights to include the shares held by these holders in any registration statement that we file for newly issued shares of our common stock, subject to certain exceptions. All expenses incurred in connection with these registrations will be borne by the Company. Immediately following this offering, holders of approximately 3,151,000 shares of our common stock will be entitled to have such shares included in any such registration statement and 100,000 shares included therein will not be subject to any lock-up agreement.

We will use our best efforts to cause any such demand registration statement to be declared effective by the SEC on or prior to the 90th day following the filing of such registration statement with the SEC, subject to the exceptions provided for in the registration rights agreement.

The securities held by these holders will cease to be registrable securities and therefore we will not be required to include these securities in any such registration statement on the earlier of (i) the date on which such shares have been registered effectively pursuant to the Securities Act and, in the case of an underwritten offering, disposed of in accordance with the registration statement relating to it, (ii) the date on which either such shares have been distributed to the public pursuant to Rule 144 or may be sold pursuant to Rule 144(k) under the Securities Act, (iii) the date on which such shares are sold to us, or (iv) the date on which all registrable securities held by any such holder may be sold in a three-month period without registration under the Securities Act pursuant to Rule 144 under the Securities Act.

The foregoing summary of certain provisions of the registration rights agreement may not include all of the provisions that are important to you and is subject to, and qualified in its entirety by reference to, the provisions of the registration rights agreement. Copies of the registration rights agreement are available as set forth under the heading "Available Information."

Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses

Under our certificate of incorporation, which will be effective prior to the completion of this offering, we will fully indemnify any person who was or is involved in any actual or threatened action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, including service with respect to an

employee benefit plan, against all expense, liability and loss (including attorneys' fees and related disbursements), judgments, fines, excise taxes or penalties under the Employee Retirement Income Security Act of 1974, as amended, penalties and amounts paid or to be paid in settlement, actually and reasonably incurred by such person in connection with such action, suit or proceeding, except with respect to any matter as to which such person shall have been finally adjudicated in a decision on the merits in any such action, suit or other proceeding not to have acted in good faith in the reasonable belief that such person's action was in our best interests or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Our certificate of incorporation also will provide that our directors will not be personally liable for monetary damages to us for breaches of their fiduciary duty as directors, except for a breach of their duty of loyalty to us or our stockholders, for acts or omissions not in good faith in the reasonable belief that the action was in the best interests of the Company or which involve intentional misconduct or a knowing violation of law, for authorization of illegal dividends or redemptions or for any transaction from which the director derived an improper personal benefit. So long as we are regulated under the 1940 Act, the above indemnification and limitation of liability will be limited by the 1940 Act or by any valid rule, regulation or order of the SEC thereunder. The 1940 Act provides, among other things, that a company may not indemnify any director or officer against liability to it or its stockholders to which he or she might otherwise be subject by reason of his or her willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

Delaware law also provides that indemnification permitted under the law shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise.

Our certificate of incorporation, which will be effective prior to the completion of this offering, will permit us to secure insurance on behalf of any person who is or was or has agreed to become a director or officer of our company or is or was serving at our request as a director or officer of another enterprise for any liability arising out of his or her actions, regardless of whether the Delaware General Corporation Law would permit indemnification. We will have obtained liability insurance for our officers and directors as of the date of the completion of this offering.

Delaware Law and Certain Certificate of Incorporation And Bylaw Provisions; Anti-Takeover Measures

As of the date of the completion of this offering, we will be subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a "business combination" with "interested stockholders" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes certain mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to exceptions, an "interested stockholder" is a person who, together with his, her or its affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock. Our certificate of incorporation and bylaws will provide that:

- the Board of Directors be divided into three classes, as nearly equal in size as possible, with staggered three-year terms;
- directors may be removed only for cause by the affirmative vote of the holders of 75% of the shares of our capital stock entitled to vote; and
- any vacancy on the Board of Directors, however the vacancy occurs, including a vacancy due to an enlargement of the board, may only be filled by vote of the directors then in office.

The classification of our Board of Directors and the limitations on removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire us, or of discouraging a third party from acquiring us.

Our certificate of incorporation and bylaws, which will be effective prior to the completion of this offering, will also provide that:

- any action required or permitted to be taken by the stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting; and
- special meetings of the stockholders may only be called by our Board of Directors, chairman or CEO.

Our bylaws, which will be effective prior to the completion of this offering, will provide that, in order for any matter to be considered "properly brought" before a meeting, a stockholder must comply with requirements regarding advance notice to us. These provisions could delay, until the next stockholders' meeting, stockholder actions which are favored by the holders of a majority of our outstanding voting securities. These provisions may also discourage another person or entity from making a tender offer for our common stock, because such person or entity, even if it acquired a majority of our outstanding voting securities, would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders meeting, and not by written consent.

Delaware's law generally provides that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws requires a greater percentage. Under our certificate of incorporation and bylaws, which will be effective prior to the completion of this offering, the affirmative vote of the holders of at least 75% of the shares of our capital stock entitled to vote will be required to amend or repeal any of the provisions of our bylaws. Moreover, our bylaws will provide that generally, a majority of the shares of our capital stock issued and outstanding and entitled to vote will be able to amend our certificate of incorporation. However, the vote of at least 75% of the shares of our capital stock then outstanding and entitled to vote in the election of directors, voting together as a single class, will be required to amend or repeal any provision of the certificate of incorporation pertaining to the Board of Directors, limitation of liability, indemnification, stockholder action or amendments to the certificate of incorporation, to approve a proposal to convert, whether by merger or otherwise, from a closed-end company to an open-end company or to approve a proposal to effect our liquidation or dissolution. However, if such amendment or proposal is approved by at least 75% of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by the stockholders entitled to cast a majority of the votes entitled to be cast on such matter. The "continuing directors" will be defined in our certificate of incorporation as our directors at the time of the completion of this offering as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on our Board of Directors. The stockholder vote with respect to our certificate of incorporation or bylaws would be in addition to any separate class vote that might in the future be required under the terms of any series preferred stock that might be outstanding at the time any such changes are submitted to stockholders. In addition, our certificate of incorporation will permit our Board of Directors to amend or repeal our bylaws by a majority vote.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to the completion of this offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could adversely affect the market price of our common stock and could impair our future ability to raise capital through the sale of our equity securities.

We, our executive officers and directors and certain other stockholders have agreed with the underwriters not to sell any shares of our common stock that we or they own for a period of either 360 days or 180 days from the date of this prospectus, as described below. This agreement, referred to as a "lock-up agreement," may be waived by Lehman Brothers, Inc. as representative of the underwriters. Notwithstanding the foregoing, we have agreed, and are permitted pursuant to the terms of the lock-up agreements, to file a shelf registration statement covering all of the shares of our common stock and warrants (and all of the shares of common stock underlying the warrants) outstanding prior to this offering shortly after the completion of this offering. See "Description of Capital Stock —Registration Rights."

Upon the completion of this offering, as a result of the issuance of 13,500,000 shares of common stock, we will have 16,651,000 shares of our common stock outstanding, of which 3,151,000 shares will be "restricted" securities under the meaning of Rule 144 promulgated under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including exemptions contained in Rule 144. Pursuant to a registration rights agreement, we have agreed to file a registration statement in respect of the shares of common stock that are restricted securities.

In general, under Rule 144 as currently in effect, if one year has elapsed since the date of acquisition of restricted securities from us or any of our affiliates, the holder of such restricted securities can sell such securities; provided that the number of securities sold by such person within any three-month period cannot exceed the greater of:

- 1% of the total number of securities then outstanding, or
- the average weekly trading volume of our securities during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 also are subject to certain manner of sale provisions, notice requirements and the availability of current public information about us. If two years have elapsed since the date of acquisition of restricted securities from us or any of our affiliates and the holder is not one of our affiliates at any time during the three months preceding the proposed sale, such person can sell such securities in the public market under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements. No assurance can be given as to (1) the likelihood that an active market for our common stock will develop, (2) the liquidity of any such market, (3) the ability of our stockholders to sell our securities or (4) the prices that stockholders may obtain for any of our securities. No prediction can be made as to the effect, if any, that future sales of securities, or the availability of securities for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of our securities, or the perception that such sales could occur, may affect adversely prevailing market prices of the common stock. See "Risk Factors—Risks Related to this Offering."

Lock-Up Agreements

Our executive officers and directors and certain of our other stockholders who hold in the aggregate 1,628,507 shares of our common stock will be subject to agreements with the underwriters that restrict their ability to transfer shares of our common stock, other than with respect to an aggregate of 100,000 shares of our common stock held by such stockholders that will not be subject to any lock-up restriction, for a period of up to

360 days from the date of this prospectus. We and all of our other stockholders who received shares of our common stock in the Restructuring will be subject to agreements with the underwriters that restrict our and their ability to transfer shares of our common stock for a period of up to 180 days from the date of this prospectus. After all of the lock-up agreements expire, an aggregate of 3,151,000 additional shares will be eligible for sale in the public market in accordance with Rule 144 under the Securities Act. These lock-up agreements provide that these persons will not offer, sell, contract to sell, pledge (other than to us), hedge or otherwise dispose of our common stock or any securities convertible into or exchangeable for our common stock, owned by them for a period specified in the agreement without the prior written consent of Lehman Brothers Inc.

Stock Options

As of the completion of this offering, there will be options to purchase 1,000,000 shares of our common stock outstanding under our Equity Incentive Plan. All of these shares will be eligible for sale in the public market from time to time, subject to vesting provisions, Rule 144 volume limitations applicable to our affiliates and, in the case of some of the options, the expiration of lock-up agreements.

We intend to file a registration statement under the Securities Act covering 1,500,000 shares of common stock reserved for issuance under our Equity Incentive Plan. The registration statement is expected to be filed, subject to compliance with any applicable lock-up agreement, as soon as practicable after the completion of this offering.

BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we will generally acquire and dispose of our investments in privately negotiated transactions, we will infrequently use brokers in the normal course of our business. Subject to policies established by our Board of Directors, we do not expect to execute transactions through any particular broker or dealer, but will seek to obtain the best net results for us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we will generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided.

UNDERWRITING

Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are the joint-book-running managers. Lehman Brothers Inc. is acting as a representative. Other co-managers include BMO Capital Markets Corp., Bear, Stearns & Co. Inc., A.G. Edwards & Sons, Inc. and Stifel, Nicolaus & Company, Incorporated. Under the terms of an underwriting agreement, each of the underwriters named below has severally agreed to purchase the respective number of shares of common stock shown opposite its name.

Underwriters	Number of Shares
Lehman Brothers Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
BMO Capital Markets Corp.	
Bear, Stearns & Co. Inc.	
A.G. Edwards & Sons, Inc.	
Stifel, Nicolaus & Company, Incorporated	
Total	13,500,000

The underwriting agreement provides that the underwriters' obligation to purchase the common stock depends on the satisfaction of the conditions contained in the underwriting agreement, including:

- the obligation to purchase all shares of common stock offered hereby (other than those shares of common stock covered by their option to purchase additional shares as described below), if any of the shares are purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in our business or in the financial markets; and
- we deliver customary closing documents to the underwriters.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay us for the shares.

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

The representative of the underwriter has advised us that the underwriters propose to offer the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus and to selected dealers, which may include the underwriters, at such public offering price less a selling concession not in excess of $ per share. After the offering, the representative may change the offering price and other selling terms.

The expenses of the offering that are payable by us are estimated to be $2 million (excluding underwriting discounts and commissions).

Option to Purchase Additional Shares

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus to purchase, from time to time, in whole or in part, up to an aggregate of 2,025,000 shares, at the public offering price less underwriting discounts and commissions. This option may be exercised if the underwriters sell more than 13,500,000 shares in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional shares based on the underwriters' underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting section.

Lock-Up Agreements

We, our executive officers and directors and certain other stockholders, have agreed that, other than with respect to an aggregate of 100,000 shares of our common stock held by certain of our directors and stockholders, without the prior written consent of Lehman Brothers Inc., we and they will not directly or indirectly, (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of common stock (including, without limitation, shares of common stock that may be deemed to be beneficially owned by us or them in accordance with the rules and regulations of the SEC and shares of common stock that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for common stock, (2) enter into any swap or other derivatives transaction agreement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any common stock or securities convertible or exchangeable into common stock or any of our other securities or (4) publicly disclose the intention to do any of the foregoing for a period of 360 days, in the case of our directors, officers and certain of our stockholders who hold in the aggregate 1,628,507 shares of our common stock, and 180 days in the case of the Company and all of our stockholders who received shares of our common stock in the Restructuring after the date of this prospectus in the case of the Company, our executive officers and directors and certain other stockholders.

The restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the restricted period we issue an earnings release or announce material news or a material event relating to us occurs; or
- prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the restricted period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or occurrence of a material event, unless such extension is waived in writing by Lehman Brothers Inc.

Lehman Brothers Inc., in its sole discretion, may release the common stock subject to lock-up agreements in whole or in part at any time with or without notice. When determining whether or not to release shares of common stock from lock-up agreements, Lehman Brothers Inc. will consider, among other factors, the stockholder's reasons for requesting the release, the number of shares of common stock and other securities for which the release is being requested and market conditions at the time. Lehman Brothers Inc. has advised us that it has no present intent to release the lock-ups prior to the expiration of the applicable restricted period described above.

Indemnification

We have agreed to indemnify the underwriters against liabilities relating to the offering, including liabilities under the Securities Act and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization and Short Positions

The underwriters may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the shares of our common stock, in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Syndicate covering transactions involve purchases of the shares in the open market after the distribution has been completed in order to cover syndicate short positions.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the shares originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions and covering transactions may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The NASDAQ Global Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representative will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet or through other online services maintained by one or more of the underwriters participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representative on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter’s web site and any information contained in any other web site maintained by an underwriter is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter in its capacity as underwriter and should not be relied upon by investors.

Listing

We have applied to list our common stock on The NASDAQ Global Market under the symbol “KCAP,” subject to official notice of issuance.

Stamp Taxes

If you purchase shares of common stock offered by this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering per share price listed on the cover page of this prospectus. Accordingly, we urge you to consult a tax advisor with respect to whether you may be required to pay those taxes or charges, as well as any other tax consequences that may arise under the laws of the country of purchase.

Relationships

An affiliate of Lehman Brothers Inc. is a lender under a credit facility to a special purpose vehicle organized by Katonah Debt Advisers, which was used to finance the acquisition of approximately $185 million in aggregate principal amount of first and second lien loans. We will acquire this portfolio of loans with the proceeds of this offering, and the proceeds that we will pay to the special purpose vehicle will in turn be used to repay the credit facility.

The underwriters and their affiliates may in the future perform investment banking or financial advisory services for us and our affiliates from time to time for which they may receive customary fees and expenses. The underwriters may also, from time to time, engage in transactions with or perform services for us and our affiliates in the ordinary course of their business, including as lender for a securitized revolving credit facility which we expect to enter into after the closing of this offering.

CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

Our securities are held under a custody agreement with US Bank National Association. The address of the custodian is U.S. Bank National Association, Corporate Trust Services, One Federal Street, 3rd Floor, Boston, MA 02110. The transfer agent and registrar for our common stock, American Stock Transfer & Trust Company, will act as our transfer agent, dividend paying and reinvestment agent and registrar. The principal business address of the transfer agent is 59 Maiden Lane, New York, New York 10038.

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for us by Ropes & Gray LLP, Boston, Massachusetts. Certain legal matters in connection with the offering will be passed upon for the underwriters by Clifford Chance US LLP, New York, New York.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have engaged Deloitte & Touche LLP as our independent registered public accounting firm.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to our shares of common stock offered by this prospectus. The registration statement contains additional information about us and our shares of common stock being offered by this prospectus.

Upon completion of this offering, we will file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement of which this prospectus forms a part and the related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102. In addition, the SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC at *http://www.sec.gov*.

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13,500,000 Shares

KOHLBERG CAPITAL CORPORATION

Common Stock

PROSPECTUS

, 2006

LEHMAN BROTHERS

MERRILL LYNCH & CO.

BMO CAPITAL MARKETS

BEAR, STEARNS & CO. INC.

A.G. EDWARDS

STIFEL NICOLAUS

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PART C—OTHER INFORMATION

Item 25. Financial Statements and Exhibits

1. *Financial Statements*

Not applicable.

2. *Exhibits*

Exhibit Number	Description
a	Form of Certificate of Incorporation of Kohlberg Capital Corporation (the "Company").
b	Form of Bylaws of the Company.
d.1	Specimen certificate of the Company's common stock, par value $0.01 per share.
d.2	Form of Registration Rights Agreement.**
e	Form of Dividend Reinvestment Plan.**
h	Form of Underwriting Agreement between the Company, Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated as representatives of the underwriters named therein.**
i.1	Form of the 2006 Equity Incentive Plan.**
i.2	Form of Stock Option Agreement for Officers.**
j	Form of Custody Agreement between the Company and US Bank National Association.**
k.1	Form of Registrar, Transfer Agency and Services Agreement between the Company and American Stock Transfer & Trust Company.**
k.2	Form of Irrevocable Exchange and Subscription Agreement—Katonah Debt Advisors, dated August 17, 2006 between Katonah Capital, LLC (the "Registrant"), James A. Kohlberg and KAT Associates LLC.
k.3	Form of Irrevocable Exchange and Subscription Agreement—CDO Securities, dated August 17, 2006 between the Registrant, KKAT Acquisition Company III, LLC, KKAT Acquisition Company IV, LLC, KKAT Acquisition Company V, LLC, KKAT Acquisition Company VII, LLC and KKAT Acquisition Company VIII, LLC.
k.4	Form of Transition Services Agreement between the Company and Kohlberg & Company, LLC.
k.5	Form of License and Referral Agreement between the Company and Kohlberg & Company, LLC.
k.6	Form of Overhead Allocation Agreement between the Company and Katonah Debt Advisors, LLC.**
l	Opinion of Ropes & Gray LLP, counsel to the Registrant.**
n.1	Consent of James A. Kohlberg pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.2	Consent of Christopher Lacovara pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.3	Consent of Samuel P. Frieder pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.4	Consent of C. Turney Stevens, Jr. pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.
n.5	Consent of Albert G. Pastino pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.
n.6	Consent of C. Michael Jacobi pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.

Exhibit Number	Description
n.7	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
n.8	Consent of Ropes & Gray LLP, counsel to the Registrant (included in Exhibit l).**
r	Code of Ethics of the Company adopted under Rule 17j-1.**

* Previously filed.
** To be filed by amendment.

Item 26. Marketing Arrangements

The information contained under the heading "Underwriting" in this Registration Statement is incorporated herein by reference.

Item 27. Other Expenses of Issuance and Distribution

The following table sets forth the estimated expenses payable by us in connection with the offering (excluding underwriting discounts and commissions):

	Amount
SEC registration fee	$ 26,579
NASD filing fee	25,340
The NASDAQ Global Market listing fee	105,000
Accounting fees and expenses	250,000
Legal fees and expenses	1,250,000
Printing expenses	200,000
Blue sky qualification fees and expenses	5,000
Transfer Agent's fee	10,000
Miscellaneous	128,081
Total	$ 2,000,000

The amounts set forth above, except for the Securities and Exchange Commission, National Association of Securities Dealers, Inc. and The NASDAQ Global Market fees, are in each case estimated. All of the expenses set forth above shall be borne by the Registrant.

Item 28. Persons Controlled by or Under Common Control

The information contained under the heading "Control Persons and Principal Stockholders" is incorporated herein by reference.

Item 29. Number of Holders of Securities

The following table sets forth the number of record holders of the Registrant's common equity at , 2006.

Title of Class	Number of Record Holders
Common Units	

Item 30. Indemnification

The information contained under the heading "Description of Capital Stock—Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses" is incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the

provisions described above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person in the successful defense of an action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Prior to the completion of this offering, the Registrant will carry liability insurance for the benefit of its directors and officers (other than with respect to claims resulting from the willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office) on a claims-made basis of up to $10 million.

We have agreed to indemnify the underwriters against specified liabilities for actions taken in their capacities as such, including liabilities under the Securities Act.

Item 31. Business and Other Connections of Investment Adviser

Not applicable.

Item 32. Location of Accounts and Records

Following the election to be treated as a business development company, the Registrant will maintain physical possession of each account, book or other document required to be maintained by Section 31(a) of the Investment Company Act of 1940, as amended, and the rules and regulations thereunder at the offices of:

(1) The Registrant, 295 Madison Avenue, 6th Floor, New York, New York 10017;

(2) The Custodian, U.S. Bank National Association, Corporate Trust Services, One Federal Street, 3rd Floor, Boston, MA 02110; and

(3) The Transfer Agent, American Stock Transfer & Trust Company, 59 Maiden Lane, New York, New York 10038.

Item 33. Management Services

Not applicable.

Item 34. Undertakings

1. The Registrant undertakes to suspend the offering of shares until the prospectus is amended if (1) subsequent to the effective date of this registration statement, the net asset value declines more than ten percent from the net asset value as of the effective date of this registration statement or (2) the net asset value increases to an amount greater than the net proceeds as stated in the prospectus.

2. The Registrant undertakes that:

(a) for the purpose of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant under Rule 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(b) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, and State of New York, on the 6th day of October 2006.

KOHLBERG CAPITAL, LLC

By: /s/ DAYL W. PEARSON
Name: **Dayl W. Pearson**
Title: **Chief Executive Officer**

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAYL W. PEARSON **DAYL W. PEARSON**	Chief Executive Officer (principal executive, financial and accounting officer)	October 6, 2006
* **JAMES A. KOHLBERG**	Member of the Board of Managers	October 6, 2006
* **SAMUEL P. FRIEDER**	Member of the Board of Managers	October 6, 2006
* **CHRISTOPHER LACOVARA**	Member of the Board of Managers	October 6, 2006

The undersigned, by signing his name hereto, does sign and execute this Amendment No. 1 to the registration statement pursuant to the Power of Attorney executed by the above named directors of the Registrant and previously filed with the Securities and Exchange Commission on behalf of such directors.

*By: /s/ DAYL W. PEARSON **DAYL W. PEARSON**	Attorney-in-fact	October 6, 2006

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INDEX OF EXHIBITS

Exhibit Number	Description
a	Form of Certificate of Incorporation of Kohlberg Capital Corporation (the "Company").
b	Form of Bylaws of the Company.
d.1	Specimen certificate of the Company's common stock, par value $0.01 per share.
d.2	Form of Registration Rights Agreement.**
e	Form of Dividend Reinvestment Plan.**
h	Form of Underwriting Agreement between the Company, Lehman Brothers Inc. and Merrill Lynch, Pierce Fenner & Smith incorporated as representatives of the underwriters named therein.**
i.1	Form of the 2006 Equity Incentive Plan.**
i.2	Form of Stock Option Agreement for Officers.**
j	Form of Custody Agreement between the Company and US Bank National Association.**
k.1	Form of Registrar, Transfer Agency and Services Agreement between the Company and American Stock Transfer & Trust Company.**
k.2	Form of Irrevocable Exchange and Subscription Agreement—Katonah Debt Advisors, dated August 17, 2006 between Katonah Capital, LLC (the "Registrant"), James A. Kohlberg and KAT Associates LLC.
k.3	Form of Irrevocable Exchange and Subscription Agreement—CDO Securities, dated August 17, 2006 between the Registrant, KKAT Acquisition Company III, LLC, KKAT Acquisition Company IV, LLC, KKAT Acquisition Company V, LLC, KKAT Acquisition Company VII, LLC and KKAT Acquisition Company VIII, LLC.
k.4	Form of Transition Services Agreement between the Company and Kohlberg & Company, LLC.
k.5	Form of License and Referral Agreement between the Company and Kohlberg & Company, LLC.
k.6	Form of Overhead Allocation Agreement between the Company and Katonah Debt Advisors, LLC.**
l	Opinion of Ropes & Gray LLP, counsel to the Registrant.**
n.1	Consent of James A. Kohlberg pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.2	Consent of Christopher Lacovara pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.3	Consent of Samuel P. Frieder pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.4	Consent of C. Turney Stevens, Jr. pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.
n.5	Consent of Albert G. Pastino pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.
n.6	Consent of C. Michael Jacobi pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.
n.7	Consent of Deloitte & Touche, LLP, Independent Registered Public Accounting Firm.
n.8	Consent of Ropes & Gray LLP, counsel to the Registrant (included in Exhibit l).**
r	Code of Ethics of the Company adopted under Rule 17j-1.**

* Previously filed.
** To be filed by amendment.

Exhibit A

CERTIFICATE OF INCORPORATION
OF
KOHLBERG CAPITAL CORPORATION

ARTICLE I
NAME

The name of the Corporation is Kohlberg Capital Corporation (the "Corporation").

ARTICLE II
REGISTERED OFFICE AND AGENT

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III
PURPOSE

The purpose of the Corporation is to conduct and carry on the business of a business development company and to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law (the "DGCL").

ARTICLE IV
CAPITAL STOCK

The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 105,000,000 shares, of which: (i) 100,000,000 shares, par value $0.01 per share, shall be shares of common stock (the "Common Stock"); and (ii) 5,000,000 shares, par value $0.01 per share, shall be shares of preferred stock (the "Preferred Stock").

(A) **Common Stock**. Except as (1) otherwise required by laws of the State of Delaware or (2) expressly provided in this Certificate of Incorporation (as amended from time to time), each share of Common Stock shall have the same powers, rights and privileges and shall rank equally, share ratably and be identical in all respects as to all matters. The shares of Common Stock shall not have any preemptive rights whatsoever.

(1) Dividends. Subject to the provisions of the laws of the State of Delaware and the rights of the shares of then outstanding Preferred Stock, and to the other provisions of this Certificate of Incorporation (as amended from time to time), holders of shares of Common Stock shall be entitled to receive equally, on a per share basis, such dividends and other distributions in cash, securities or other property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

(2) Voting Rights. At every annual or special meeting of stockholders of the Corporation, each record holder of Common Stock shall be entitled to cast one (1) vote for each share of Common Stock standing in such holder's name on the stock transfer records of the Corporation for the election of directors and on matters submitted to a vote of stockholders of the Corporation. Except as provided with respect to any other class or series of capital stock of the Corporation hereafter classified or reclassified or as required by the Investment Company Act of 1940, as amended (together with the rules and regulations thereunder, the "1940 Act"), the exclusive voting power for all purposes shall solely be vested with the holders of Common Stock. There shall be no cumulative voting.

(3) Liquidation Rights. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the Corporation's debts and other liabilities, including amounts payable upon shares of then outstanding Preferred Stock entitled to a preference on distributions in the dissolution, liquidation, or winding up of the Corporation, if any, over holders of Common Stock, upon such dissolution, liquidation or winding up, the remaining net assets of the Corporation shall be distributed among holders of shares of Common Stock equally on a per share basis. A merger or consolidation of the Corporation with or into any other corporation or other entity, or a sale or conveyance of all or any part of the assets of the Corporation (which shall not in fact result in the liquidation of the Corporation and the distribution of assets to its stockholders) shall not be deemed to be a voluntary or involuntary liquidation or dissolution or winding up of the Corporation within the meaning of this paragraph (A)(3).

(4) Number. Irrespective of the provisions of Section 242(b)(2) of the DGCL, the number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Corporation's capital stock entitled to vote, without the separate vote of the holders of the Common Stock as a class.

(B) Preferred Stock. The Board of Directors is authorized, subject to limitations prescribed by law, to provide by resolution or resolutions for the issuance of shares of Preferred Stock in one or more series, to establish the number of shares to be included in each such series, and to fix the rights, voting powers (if any), designations, preferences, privileges, restrictions, and other rights including, but not limited to, dividend rights, conversion rights, redemption privileges and liquidation preferences, if any, of the shares of each such series, and any qualifications, limitations or restrictions thereof. Irrespective of the provisions of Section 242(b)(2) of the DGCL, the number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Corporation's capital stock entitled to vote, without the separate vote of the holders of the Preferred Stock as a class.

ARTICLE V
BOARD OF DIRECTORS

(A) **Management**. The business and affairs of the Corporation shall be managed by or under the direction of the board of directors of the Corporation (the "Board of Directors"). The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by laws of the State of Delaware, the 1940 Act or this Certificate of Incorporation directed or required to be exercised or done by the stockholders.

(B) **Number of Directors**. The number of directors of the Corporation shall be fixed from time to time by, or in the manner provided in, the Bylaws, but shall never be less than the minimum number required by the 1940 Act.

(C) **Classified Board**. On the first date that the Corporation shall have more than twenty stockholders of record, the Board of Directors shall be divided into three classes, designated Class I, Class II and Class III, as nearly equal in number as possible and no class shall include less than one director. The term of office of directors of one class shall expire at each annual meeting of stockholders, and in all cases as to each director when such director's successor shall be elected and shall qualify or upon such director's earlier resignation, removal from office, death or incapacity. Additional directorships resulting from an increase in number of directors shall be apportioned among the classes as equally as possible by the Board of Directors. In the event of any decrease in the number of directors, all classes of directors shall be decreased equally as nearly as possible by the Board of Directors. The initial term of office of directors of Class I shall expire at the annual meeting of stockholders in 2007; that of Class II shall expire at the annual meeting in 2008; and that of Class III shall expire at the annual meeting in 2009; and in all cases as to each director when such director's successor shall be elected and shall qualify or upon such director's earlier resignation, removal from office, death or incapacity. At each annual meeting of stockholders, beginning with the annual meeting of stockholders in 2007, the number of directors equal to the number of directors of the class whose term expires at the time of such meeting (or, if less, the number of directors properly nominated and qualified for election) shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of election.

(D) **Newly-Created Directorships and Vacancies**. The Board of Directors is expressly authorized to change the number of directors in any or all of the classes without the consent of the stockholders. Subject to the applicable requirements of the 1940 Act and the rights of the shares of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the number of directors or any vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or any other cause may only be filled by the Board of Directors, provided that a quorum is then in office and present, or by a majority of the directors then in office, if less than a quorum is then in office, or by the sole remaining director. Directors elected to fill a newly created directorship or other vacancies shall hold office for the remainder of the full term of the class of directors in which the new

directorship was created or the vacancy occurred and until such director's successor has been elected and has qualified.

(E) **Removal of Directors**. Subject to the rights of the shares of any series of Preferred Stock then outstanding, any director may be removed from office at any time, but only for cause, at a meeting called for that purpose, and only by the affirmative vote of the holders of at least 75% of the shares of the Corporation's capital stock then outstanding and entitled to vote in the election of directors, voting together as a single class.

(F) **Rights of Holders of Preferred Stock**. Notwithstanding the foregoing provisions of this Article V, whenever the holders of one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately or together by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorship shall be governed by the rights of such Preferred Stock as set forth in the certificate of incorporation or certificate of designations governing such series.

(G) **Written Ballot Not Required**. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall otherwise provide.

(H) **Bylaws**. The Board of Directors is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation. Any Bylaws made by the directors under the powers conferred hereby may be amended or repealed by the Board of Directors or by the stockholders of the Corporation. Notwithstanding the foregoing and anything contained in this Certificate of Incorporation to the contrary, the Bylaws of the Corporation shall not be amended or repealed by the stockholders, and no provision inconsistent therewith shall be adopted by the stockholders, without the affirmative vote of the holders of 75% of the shares of the Corporation's capital stock then outstanding and entitled to vote in the election of directors, voting together as a single class.

ARTICLE VI
LIMITATION OF LIABILITY

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is hereafter amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended. Any repeal or modification of this Article VI by the stockholders of the Corporation or otherwise shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification. Notwithstanding the foregoing and Article VII, for so long as the Corporation is registered or subject to regulation under the 1940 Act, neither this

Certificate of Incorporation nor the Bylaws of the Corporation shall limit the liability of, or permit the indemnification of, any director or officer of the Corporation for actions or matters for which such limitation or indemnification by the Corporation is prohibited by the 1940 Act or by any valid rule, regulation or order of the Securities and Exchange Commission thereunder.

ARTICLE VII
INDEMNIFICATION

Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "Proceeding"), by reason of the fact that such person is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "Indemnitee"), whether the basis of such Proceeding is alleged action in an official capacity as a director or officer or in any other capacity while so serving, shall, subject to Article VI hereto, be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), or by other applicable law as then in effect, against all expense, liability and loss (including attorneys' fees and related disbursements, judgments, fines, excise taxes or penalties under the Employee Retirement Income Security Act of 1974, as amended from time to time ("ERISA"), penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such Indemnitee in connection therewith, except with respect to any matter as to which such Indemnitee shall have been finally adjudicated in a decision on the merits in any such action, suit or other proceeding (a) not to have acted in good faith in the reasonable belief that such Indemnitee's action was in the best interests of the Corporation or (b) to be liable to the Corporation or its stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Indemnittee's office. Such indemnification shall continue as to a person who has ceased to be a director, officer, partner, member or trustee and shall inure to the benefit of his or her estate, heirs, executors and administrators. Each person who is or was serving as a director or officer of a subsidiary of the Corporation, or of any company or other entity in which the Corporation has invested, shall be deemed to be serving, or have served, at the request of the Corporation.

(A) **Procedure**. Subject to applicable law, any indemnification (but not advancement of expenses) under this Article VII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment). Such determination shall be made with respect to a person who is a director or officer at the time of such determination (a) by a majority vote of the directors who were not parties to

such proceeding and who are not "interested persons" (as defined in the 1940 Act) (the "Disinterested Directors"), even though less than a quorum, (b) by a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, even though less than a quorum, (c) if there are no such Disinterested Directors, or if such Disinterested Directors so direct, by independent legal counsel in a written opinion, based on a review of readily available facts (but not a full trial-type inquiry), that there is reason to believe such person ultimately will be entitled to indemnification or (d) by the stockholders.

(B) **Advances for Expenses**. Expenses (including attorneys' fees, costs and charges) incurred by a director or officer of the Corporation in defending a Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in this Article VII. The majority of the Disinterested Directors may, in the manner set forth above, and upon approval of such director or officer of the Corporation, authorize the Corporation's counsel to represent such person, in any Proceeding, whether or not the Corporation is a party to such Proceeding.

(C) **Procedure for Indemnification**. Any indemnification or advance of expenses (including attorney's fees, costs and charges) under this Article VII shall be made promptly, and in any event within 60 days upon the written request of the director or officer (and, in the case of advance of expenses, receipt of a written undertaking by or on behalf of the Indemnitee to repay such amount if it shall ultimately be determined that such Indemnitee is not entitled to be indemnified therefor pursuant to the terms of this Article VII). The right to indemnification or advances as granted by this Article VII shall be enforceable by the director or officer in any court of competent jurisdiction, if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within 60 days. Such person's costs and expenses incurred in connection with successfully establishing such person's right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of expenses (including attorney's fees, costs and charges) under this Article VII where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, its independent legal counsel and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because such person has met the applicable standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), nor the fact

that there has been an actual determination by the Corporation (including its Board of Directors, its independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(D) **Other Rights; Continuation of Right to Indemnification**. The indemnification and advancement of expenses provided by this Article VII shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, and shall continue as to a person who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administers of such person. All rights to indemnification under this Article VII shall be deemed to be a contract between the Corporation and each director or officer of the Corporation who serves or served in such capacity at any time while this Article VII is in effect. Any repeal or modification of this Article VII or any repeal or modification of relevant provisions of the DGCL or any other applicable laws shall not in any way diminish any rights to indemnification of such director or officer or the obligations of the Corporation arising hereunder with respect to any Proceeding arising out of, or relating to, any actions, transactions or facts occurring prior to the final adoption of such modification or repeal. For the purposes of this Article VII, references to "the Corporation" include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation, so that any person who is or was a director or officer of such a constituent corporation or is or was serving at the request of such constituent corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article VII, with respect to the resulting or surviving corporation, as such person would if such person had served the resulting or surviving corporation in the same capacity.

(E) **Insurance**. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her or on such person's behalf in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article VII; provided, however, that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the Board of Directors.

(F) **Savings Clause**. If this Article VII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each person entitled to indemnification under the first paragraph of this Article VII as to all expense, liability and loss (including attorneys' fees and related disbursements, judgments, fines, ERISA excise taxes and penalties, penalties

and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person and for which indemnification is available to such person pursuant to this Article VII to the fullest extent permitted by any applicable portion of this Article VII that shall not have been invalidated and to the fullest extent permitted by applicable law.

(G) **Indemnification of Employees and Agents of the Corporation**. The Corporation may, to the extent authorized from time to time by the Board of Directors and to the extent permitted by applicable law, grant rights to indemnification, and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VII with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

(H) **Repeal and Modification**. Any repeal or modification of the foregoing provisions of this Article VII shall not adversely affect any right or protection of any director, officer, employee or agent of the Corporation existing at the time of such repeal or modification.

ARTICLE VIII
STOCKHOLDER ACTION

On the first date that the Corporation shall have more than twenty stockholders of record, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by written consent of the stockholders of the Corporation.

ARTICLE IX
AMENDMENT; CERTAIN EXTRAORDINARY ACTIONS

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by the laws of the State of Delaware and the 1940 Act, and all rights conferred upon stockholders or others hereunder are granted subject to this reservation. Notwithstanding the foregoing, the affirmative vote of the holders of at least 75% of the shares of the Corporation's capital stock then outstanding and entitled to vote in the election of directors, voting together as a single class shall be required to (1) amend or repeal any provision of Articles V, VI, VII, VIII or IX of this Certificate of Incorporation , (2) effect the liquidation or dissolution of the Corporation and any amendment to this Certificate of Incorporation to effect any such liquidation or dissolution, or (3) a conversion of the Corporation from a "closed-end company" to an "open-end company", as those terms are defined in Sections 5(a)(2) and 5(a)(1), respectively, of the 1940 Act; provided, however, that, if the Continuing Directors (as defined herein), by a vote of at least 75% of such Continuing Directors, in addition to approval of the Board of Directors, approve such proposal or amendment, the affirmative vote of the holders of the majority of the votes entitled to be cast shall be sufficient to approve such matter. "Continuing Directors" means the directors of the Corporation in office at the time of the consummation of the Corporation's initial public offering of its Common Stock and the directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the Continuing Directors then serving on the Board of Directors.

ARTICLE X
INCONSISTENT PROVISIONS

In the event that any provision of this Certificate of Incorporation is or becomes inconsistent with any provision of the General Corporation Law of the State of Delaware, the 1940 Act or any other applicable law, the provision of this Certificate of Incorporation shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Certificate of Incorporation has been executed by the undersigned on this _____ day of _____, 2006.

_____

Authorized Person

BYLAWS
OF
KOHLBERG CAPITAL CORPORATION

ARTICLE I
OFFICES

SECTION 1. Registered Office. The registered office of the Corporation in the State of Delaware shall be located at 1209 Orange Street, Wilmington, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the Board of Directors.

SECTION 2. Other Offices. The Corporation may have an office or offices other than said registered office at such place or places, either within or without the State of Delaware, as the Board of Directors shall from time to time determine or the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

SECTION 1. Place of Meetings. All meetings of the stockholders for the election of directors or for any other purpose shall be held at any such place, either within or outside the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of meeting or in a duly executed waiver of notice thereof.

SECTION 2. Annual Meeting. An annual meeting of stockholders shall be held each year and stated in a notice of meeting or in a duly executed waiver thereof. The date, time and place of such meeting shall be determined by the Chief Executive Officer of the Corporation; provided that if the Chief Executive Officer does not act, the Board of Directors shall determine the date, time, and place of such meeting. At such annual meeting, the stockholders shall elect, by a plurality vote, the directors whose term expires at such annual meeting and transact such other business as may properly be brought before the meeting.

SECTION 3. Special Meetings. Special meetings of stockholders may be called for any purpose by the Board of Directors, the Chairman of the Board of Directors or the Chief Executive Officer and may be held on such date and at such time and place, either within or outside the State of Delaware, as shall be stated in a notice of meeting or in a duly executed waiver of notice thereof.

SECTION 4. Notice of Meetings. Except as otherwise expressly required by statute, written notice of each annual and special meeting of stockholders stating the date, time and place of the meeting (and, in the case of a special meeting, the purpose or purposes for which the meeting is called) shall be given to each stockholder of record entitled to vote thereat not less than ten (10) nor more than sixty (60) days before the date of the meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. Notice

shall be given personally or by mail and, if by mail, shall be sent in a postage prepaid envelope, addressed to the stockholder at his address as it appears on the records of the Corporation. Notice by mail shall be deemed given at the time when the same shall be deposited in the United States mail, postage prepaid. Notice of any meeting shall not be required to be given to any person (a) who attends such meeting, except when such person attends the meeting in person or by proxy for the express purpose of objecting (at the beginning of the meeting) to the transaction of any business because the meeting is not lawfully called or convened, or (b) who (either before or after the meeting) shall submit a signed written waiver of notice thereof either in person or by proxy. Neither the business to be transacted at, nor the purpose of, an annual or special meeting of stockholders need be specified in any written waiver of notice.

SECTION 5. List of Stockholders. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, showing the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 6. Quorum; Adjournments. Except where a greater percentage is required by law, the holders of a majority of the voting power of the issued and outstanding stock of the Corporation entitled to vote thereat (present in person or represented by proxy) shall constitute a quorum for the transaction of business at all meetings of stockholders, except as otherwise provided by statute or by the Certificate of Incorporation. If such quorum shall not be present or represented by proxy at any meeting of stockholders, then the stockholders entitled to vote thereat (present in person or represented by proxy) shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. At such adjourned meeting at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than thirty (30) days, or, if after adjournment a new record date is set, then a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 7. Organization. At each meeting of stockholders, the Chairman of the Board of Directors (if one shall have been elected, or, in his absence or if one shall not have been elected, the Chief Executive Officer, or in the absence of the Chief Executive Officer, the President, or in the absence of the President, such officer as the Board of Directors may designate) shall act as chairman of the meeting. The Secretary (or, in his absence or inability to act, the person whom the chairman of the meeting shall appoint the secretary of the meeting) shall act as secretary of the meeting and keep the minutes thereof.

SECTION 8. Order of Business. The order of business at all meetings of the stockholders shall be as determined by the chairman of the meeting.

SECTION 9. Voting. Except as otherwise provided by the Certificate of Incorporation or the Investment Company Act of 1940, as amended (together with the rules and regulations thereunder, the "1940 Act") or the General Corporation Law of the State of Delaware, each stockholder of the Corporation shall be entitled at each meeting of stockholders to one (1) vote for each share of capital stock of the Corporation standing in his name on the record of stockholders of the Corporation: (a) on the date fixed pursuant to the provisions of Section 7 of Article V of these Bylaws as the record date for the determination of the stockholders who shall be entitled to notice of and to vote at such meeting; or (b) if no such record date shall have been so fixed, then at the close of business on the day next preceding the day on which notice thereof shall be given, or, if notice is waived, at the close of business on the date next preceding the day on which the meeting is held.

Each stockholder entitled to vote at any meeting of stockholders may authorize another person or persons to act for him by a proxy that is in writing or transmitted as permitted by law, including, without limitation, electronically, via telegram, internet, interactive voice response system, or other means of electronic transmission executed or authorized by such stockholder or his attorney-in-fact, but no proxy shall be voted after three (3) years from its date, unless the proxy provides for a longer period. Any such proxy shall be delivered to the secretary of the meeting at or prior to the time designated in the order of business for so delivering such proxies. Any proxy transmitted electronically shall set forth information from which it can be determined by the secretary of the meeting that such electronic transmission was authorized by the stockholder. When a quorum is present at any meeting, the vote of the holders of a majority of the voting power of the issued and outstanding stock of the Corporation entitled to vote thereon, present and voting, in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which under the 1940 Act or other applicable law or under the Certificate of Incorporation or of these Bylaws, a different vote is required, in which case such other provision shall govern and control the decision of such question. Unless required by statute, or determined by the chairman of the meeting to be advisable, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and shall state the number of shares voted and the number of votes to which each share is entitled.

SECTION 10. Inspectors. The Board of Directors may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If any of the inspectors so appointed shall fail to appear or act, then the chairman of the meeting shall, or if inspectors shall not have been appointed, the chairman of the meeting may, appoint one or more inspectors. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares of capital stock of the Corporation outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or

consents, determine the results, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as an inspector of an election of directors. Inspectors need not be stockholders.

SECTION 11. Advance Notice Provisions for Election of Directors. Except as required by law, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors as provided under Section 3 of this Article II, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) (subject to Section 13(a) of Article III of these Bylaws) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 11.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of the first annual meeting not less than 90 days prior to the date of such meeting and in the case of any subsequent annual meeting, not less than ninety (90) days prior to the date of the anniversary of the previous year's annual meeting; provided, however, that in the event the annual meeting is scheduled to be held on a date more than thirty (30) days prior to or delayed by more than sixty (60) days after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the later of the close of business ninety (90) days prior to such annual meeting or the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the

stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 11. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

SECTION 12. Advance Notice Provisions for Business to be Transacted at Annual Meeting. Except as required by applicable law, no business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 12 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 12.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder’s notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of the first annual meeting not less than 90 days prior to the date of such meeting and (b) in the case of any subsequent annual meeting, not less than ninety (90) days prior to the date of the anniversary of the previous year’s annual meeting; provided, however, that in the event the annual meeting is scheduled to be held on a date more than thirty (30) days prior to or delayed by more than sixty (60) days after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the later of the close of business ninety (90) days prior to such annual meeting or the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 12; provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 12 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

ARTICLE III
BOARD OF DIRECTORS

SECTION 1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by statute or the Certificate of Incorporation directed or required to be exercised or done by the stockholders.

SECTION 2. Number and Election. Subject to the Certificate of Incorporation, the number of directors which shall constitute the Board of Directors shall initially be six (6) but may be increased or decreased from time to time by the Board of Directors; provided, however, that (i) the number of directors shall not be fewer than five (5) or greater than eleven (11) and (ii) no decrease in the number of directors shall shorten the term of any incumbent director. Except as otherwise provided by the Bylaws or the Certificate of Incorporation, the directors shall be elected at the annual meeting of stockholders.

SECTION 3. Place of Meetings. Meetings of the Board of Directors shall be held at such place or places, within or outside the State of Delaware, as the Board of Directors from time to time may determine or as shall be specified in the notice of any such meeting.

SECTION 4. Annual Meetings. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders (which, if required by law, shall be on the same day and at the same place where such annual meeting of stockholders shall be held). In the event such annual meeting is not so held, the annual meeting of the Board of Directors may be held at

such other time or place (within or outside the State of Delaware) as shall be specified in a notice thereof given as hereinafter provided in Section 7 of this Article III.

SECTION 5. Regular Meetings. Regular meetings of the Board of Directors shall he held at such time and place as the Board of Directors may fix. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at the same hour on the next succeeding business day.

SECTION 6. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors (if one shall have been elected), by two or more directors of the Corporation or by the Chief Executive Officer.

SECTION 7. Notice of Meetings. Notice of regular meetings of the Board of Directors need not be given except as otherwise required by law or these Bylaws. Notice of each special meeting of the Board of Directors, and of each regular and annual meeting of the Board of Directors for which notice shall be required, shall be given by the Secretary as hereinafter provided in this Section 7, in which notice shall be stated the time and place of the meeting. Except as otherwise required by these Bylaws, such notice need not state the purposes of such meeting. Notice of any special meeting, and of any regular or annual meeting for which notice is required, shall be given to each director at least (a) twelve (12) hours before the meeting if by telephone or by being personally delivered or sent by telex, telecopy, email or similar means or (b) three (3) days before the meeting if delivered by mail to the director's residence or usual place of business. Such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage prepaid, or when transmitted if sent by telex, telecopy, or similar means. Except as required by applicable law, neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. Any director may waive notice of any meeting by a writing signed by the director entitled to the notice and filed with the minutes or corporate records.

SECTION 8. Waiver of Notice and Presumption of Assent. Any member of the Board of Directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Such member shall be conclusively presumed to have assented to any action taken unless his or her dissent shall be entered in the minutes of the meeting or unless his or her written dissent to such action shall be filed with the person acting as the secretary of the meeting before the adjournment thereof or shall be forwarded by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to any member who voted in favor of such action.

SECTION 9. Quorum and Manner of Acting. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and, except as otherwise expressly required by applicable law or the Certificate of Incorporation or these Bylaws, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum

at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn such meeting to another time and place. Notice of the time and place of any such adjourned meeting shall be given to all of the directors unless such time and place were announced at the meeting at which the adjournment was taken, in which case such notice shall only be given to the directors who were not present thereat. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. The directors shall act only as a Board of Directors and the individual directors shall have no power as such.

SECTION 10. Organization. At each meeting of the Board of Directors, the Chairman of the Board of Directors, if one shall have been elected, or, in the absence of the Chairman of the Board of Directors or if one shall not have been elected, the Chief Executive Officer (or, in his absence, another director chosen by a majority of the directors present) shall act as chairman of the meeting and preside thereat. The Secretary or, in his absence, any person appointed by the chairman of the meeting, shall act as secretary of the meeting and keep the minutes thereof.

SECTION 11. Resignations; Newly Created Directorships; Vacancies; and Removals. Any director of the Corporation may resign at any time by giving notice in writing or by electronic transmission of his resignation to the Corporation. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Newly created directorships resulting from any increase in the number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal or any other cause shall be filled as provided in the Certificate of Incorporation. Any director may be removed as provided in the Certificate of Incorporation.

SECTION 12. Compensation. The Board of Directors shall have authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Corporation in any capacity.

SECTION 13. Committees. The following Committees of the Board of Directors shall be established by the Board of Directors in addition to any additional Committee the Board of Directors may in its discretion establish as described in subsection (e) below:

(a) Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall consist of at least three directors. The members of the Nominating and Corporate Governance Committee shall not be “interested persons” of the Corporation, as such term is defined in the 1940 Act, and shall be “independent directors” as defined in applicable listing standards and regulations. A majority of the members of the entire Nominating and Corporate Governance Committee shall constitute a quorum, and the actions of a majority of those present at a meeting at which a quorum is present shall be actions of the Committee. The Nominating and Corporation Governance Committee shall have and may exercise those rights, powers and authority of the Board of Directors as may from time to time be granted to it by the Board of Directors; provided, however, that in addition to any such rights, powers or

authority, the Nominating and Corporate Governance Committee shall nominate to the Board of Directors for its consideration nominees for election to the Board of Directors to replace those Directors whose terms expire at the annual meeting of stockholders next ensuing and to fill any vacancies on the Board of Directors.

(b) Compensation Committee. There shall be a Compensation Committee composed of at least three directors. The members of the Compensation Committee shall not be "interested persons" of the Corporation, as such term is defined in the 1940 Act, and shall be "independent directors" as defined in applicable listing standards and regulations. A majority of the entire members of the Compensation Committee shall constitute a quorum and the actions of a majority of those present at a meeting at which a quorum is present shall be the actions of the Committee. The Compensation Committee shall have and may exercise those rights, powers and authority of the Board of Directors as may from time to time be granted to it by the Board of Directors; provided, however, that in addition to any such rights, powers or authority, the Compensation Committee shall have the power to set the salaries, compensation, benefits, stock options and other related matters of all officers of the Corporation.

(c) Audit Committee. There shall be an Audit Committee composed of at least three directors. The members of the Audit Committee shall not be "interested persons" of the Corporation, as such term is defined in the 1940 Act, and shall be "independent directors" as defined in applicable listing standards and regulations. The Audit Committee shall have and may exercise those rights, powers and authority of the Board of Directors as may from time to time be granted to it by the Board of Directors; provided, however, that in addition to any such rights, powers or authority, the Audit Committee shall issue instructions to and receive reports from outside accounting firms and serve as the liaison between the Corporation and the said firms; and review all potential conflict-of-interest situations arising in respect of the Corporation's affairs and involving the Corporation's affiliates or employees, and to make a report, oral or written, to the full Board of Directors with recommendations for their resolutions.

(d) Valuation Committee. There shall be a Valuation Committee composed of at least three directors. A majority of the entire members of the Valuation Committee shall constitute a quorum and the actions of a majority of those present at a meeting at which a quorum is present shall be the actions of the Committee. The Valuation Committee shall have and may exercise those rights, powers and authority of the Board of Directors as may from time to time be granted to it by the Board of Directors; provided, however, that in addition to any such rights, powers or authority, the Valuation Committee shall be responsible for reviewing and approving for submission to the Board of Directors, in good faith, the fair value of the Corporation's debt and equity investments that are not publicly traded or for which current market values are not readily available.

(e) Other Committees. The Board of Directors, by resolution passed by a majority of the entire Board of Directors, may designate one or more additional committees, each committee to consist of one or more of the directors of the Corporation. Subject to subsections (a), (b), (c) and (d) of this Section 13, the Board of Directors may

designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Except to the extent restricted by statute or the Certificate of Incorporation, each such committee, to the extent provided in the resolution creating it, shall have and may exercise all the powers and authority of the Board of Directors and may authorize the seal of the Corporation to be affixed to all papers which require it. Each such committee shall serve at the pleasure of the Board of Directors and shall have such name as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors.

SECTION 14. Committee Rules. Each committee of the Board of Directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the Board of Directors designating such committee, a charter of such committee as approved by the Board of Directors or in these Bylaws. Unless otherwise provided in such a resolution, such charter or in these Bylaws, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum. Unless otherwise provided by resolution, such charter or in these Bylaws, in the event that a member and that member's alternate, if alternates are designated by the Board of Directors as provided in Section 13(e) of this Article III, of such committee is or are absent or disqualified, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

SECTION 15. Action by Written Consent. Unless restricted by the Certificate of Incorporation or the 1940 Act, any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings are filed with the minutes of the proceedings of the Board of Directors or such committee, as the case may be. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

SECTION 16. Telephonic and Other Meetings. Unless restricted by the Certificate of Incorporation or the 1940 Act, any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at a meeting.

ARTICLE IV
OFFICERS

SECTION 1. Number and Qualifications. The officers of the Corporation shall be elected by the Board of Directors and shall include the Chief Executive Officer, the President, the Chief Financial Officer, [the Chief Operating Officer,] the Chief Compliance Officer, the Chief Investment Officer, the Treasurer and the Secretary. The Corporation, at the discretion of the

Board of Directors, may also have such other officers as are desired, including a Chairman of the Board of Directors, one or more Vice Presidents, one or more Assistant Treasurers, one or more Assistant Secretaries, and such other officers as may be necessary or desirable for the business of the Corporation. If there are two or more Vice Presidents, then one or more may be designated as Executive Vice President, Senior Vice President, Assistant Vice President or other similar or dissimilar title. At the time of the election of officers, the directors may by resolution determine the order of their rank. Any number of offices may be held by the same person, and no officer (except the Chairman of the Board of Directors, if any) need be a director. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable, except that the offices of Chief Executive Officer and the Secretary shall be filled as expeditiously as possible.

SECTION 2. Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at its first meeting held after each annual meeting of stockholders or as soon thereafter as is convenient. The Chairman of the Board of Directors (if one is elected) and Chief Executive Officer shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders or as soon thereafter as is convenient. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall have resigned or have been removed, as hereinafter provided in these Bylaws.

SECTION 3. Resignations. Any officer of the Corporation may resign at any time by giving written notice of his resignation to the Corporation. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon receipt. Unless otherwise specified therein, the acceptance of any such resignation shall not be necessary to make it effective.

SECTION 4. Removal. Any officer of the Corporation may be removed, either with or without cause, at any time, by the Board of Directors at any meeting thereof.

SECTION 5. Vacancies. Any vacancy occurring in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term by the Board of Directors then in office.

SECTION 6. Compensation. The compensation of the officers of the Corporation for their services as such officers shall be fixed from time to time by the Board of Directors or, in accordance with Section 13(b) of Article III, by the Compensation Committee thereof. An officer of the Corporation shall not be prevented from receiving compensation by reason of the fact that he is also a director of the Corporation.

SECTION 7. Chairman of the Board. The Chairman of the Board of Directors (if such an officer be elected) shall, if present, preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as from time to time may be assigned to him by the Board of Directors or prescribed by these Bylaws. If there is no Chief Executive Officer, then the Chairman of the Board of Directors shall also be the Chief Executive Officer of the Corporation and shall have the powers and duties prescribed in Section 8 of this Article IV.

SECTION 8. Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Corporation and shall have the powers and perform the duties incident to that position. He shall, in the absence of the Chairman of the Board of Directors, or if a Chairman of the Board of Directors shall not have been elected, preside at each meeting of the Board of Directors or the stockholders. He shall have the right to attend the meetings of the Board of Directors and all committees of the Board of Directors. Subject to the powers of the Board of Directors, he shall be in the general and active charge of the entire business and affairs of the Corporation, including authority over its officers, agents and employees, and shall have such other duties as may from time to time be assigned to him by the Board of Directors. The Chief Executive Officer shall be responsible for implementing all orders and resolutions of the Board of Directors, and shall execute bonds, mortgages and other contracts required to be executed under the seal of the Corporation, except when required or permitted by law to be otherwise signed and executed and except when the signing and execution thereof shall be expressly delegated by the Board of Directors or the Chief Executive Officer to some other officer or agent of the Corporation.

SECTION 9. President. The President shall perform all duties incident to the office of President and shall have general charge of the business and affairs of the Corporation. The President shall report to the Chief Executive Officer and shall have such other duties as may from time to time be assigned to him by the Board of Directors or the Chief Executive Officer or as may be provided in these Bylaws. At the written request of the Chief Executive Officer, or in his absence or in the event of his inability to act, the President shall perform the duties of the Chief Executive Officer, and, when so acting, shall have the powers of and be subject to the restrictions placed upon the Chief Executive Officer in respect of the performance of such duties.

SECTION 10. Chief Operating Officer. The Chief Operating Officer shall perform all duties incident to such office and shall be responsible for the general direction of the operations of the business. The Chief Operating Officer shall report to the Chief Executive Officer and shall have such other duties as may be assigned to him by the Board of Directors, or the Chief Executive Officer or as may be provided in these Bylaws.

SECTION 11. Chief Compliance Officer. The Chief Compliance Officer shall perform the duties and shall have the responsibilities of the chief compliance officer of the Corporation, including any such duties and responsibilities imposed by Rule 38a-1 under the 1940 Act, and shall have such other duties and powers as may be designated from time to time by the Board of Directors.

SECTION 12. Vice President. Each Vice President shall perform all such duties as from time to time may be assigned to him by the Board of Directors, the President or the Chief Executive Officer. At the written request of the President, or in the absence or disability of the President, Vice Presidents (in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors) shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions placed upon the President in respect of the performance of such duties.

SECTION 13. Chief Financial Officer; Treasurer.

The Chief Financial Officer:

(a) Shall have charge and custody of, and be responsible for, all the funds and securities of the Corporation;

(b) Shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation;

(c) Shall deposit all moneys and other valuables to the credit of the Corporation in such depositories as may be designated by the Board of Directors or pursuant to its direction;

(d) Shall receive, and give receipts for, moneys due and payable to the Corporation from any source whatsoever;

(e) Shall disburse the funds of the Corporation and supervise the investments of its funds, taking proper vouchers therefore;

(f) Shall render to the Board of Directors, whenever the Board of Directors may require, an account of the financial condition of the Corporation; and

(g) Shall in general, perform all duties incident to the office of Chief Financial Officer and such other duties as from time to time may be assigned to him by the Board of Directors, the Chief Executive Officer or the President.

The Chief Financial Officer may also be the Treasurer of the Corporation if so determined by the Board of Directors. The Treasurer shall assist the Chief Financial Officer in the performance of his duties and shall perform such other duties as may be required by law or as from time to time may be assigned to such officer by the Board of Directors, the Chief Executive Officer or the President

SECTION 14. Secretary. The Secretary:

(a) Shall keep or cause to be kept in one or more books provided for the purpose, the minutes of all meetings of the Board of Directors, the committees of the Board of Directors and the stockholders;

(b) Shall verify all notices are duly given in accordance with the provisions of these Bylaws and as required by law;

(c) Shall be custodian of the records and the seal of the Corporation and affix and attest the seal to all certificates for shares of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix

and attest the seal to all other documents to be executed on behalf of the Corporation under its seal;

(d) Shall verify that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and

(e) Shall, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors, the Chief Executive Officer or the President.

SECTION 15. The Assistant Treasurer. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or, if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his inability to act or his failure to act (in violation of a duty to act or in contravention of direction to act by the Board of Directors), perform the duties and exercise the powers of the Treasurer and shall perform such other duties as from time to time may be assigned by the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer.

SECTION 16. The Assistant Secretary. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his inability to act or his failure to act (in violation of a duty to act or in contravention of direction to act by the Board of Directors), perform the duties and exercise the powers of the Secretary and shall perform such other duties as from time to time may be assigned by the Board of Directors, the Chief Executive Officer, the President or the Secretary.

SECTION 17. Other Officers, Assistant Officers and Agents. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these Bylaws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board of Directors.

SECTION 18. Officers' Bonds or Other Security. If required by the Board of Directors, any officer of the Corporation shall give a bond or other security for the faithful performance of his duties, in such amount and with such surety as the Board of Directors may require.

SECTION 19. Absence or Disability of Officers. In the case of the absence or disability of any officer of the Corporation and of any person hereby authorized to act in such officer's place during such officer's absence or disability, the Board of Directors may by resolution delegate the powers and duties of such officer to any other officer or to any director, or to any other person whom it may select.

ARTICLE V
STOCK CERTIFICATES AND THEIR TRANSFER

SECTION 1. Stock Certificates. The Board of Directors may issue stock certificates, or may provide by resolution or resolutions that some or all of any or all classes or series of stock of the Corporation shall be uncertificated shares of stock. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by a certificate and, upon request, every holder of uncertificated shares shall be entitled to have a certificate, signed by, or in the name of the Corporation by, the Chairman of the Board or, the Chief Executive Officer, the President or a Vice President and by the Chief Financial Officer, Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him or her in the Corporation. A certificate representing shares issued by the Corporation shall, if the Corporation is authorized to issue more than one class or series of stock, set forth upon the face or back of the certificate, or shall state that the Corporation will furnish to any stockholder upon request and without charge, a full statement of the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. The Corporation shall furnish to any holder of uncertificated shares, upon request and without charge, a full statement of the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Any request by a holder for a certificate shall be in writing and directed to the Secretary of the Corporation.

SECTION 2. Facsimile Signatures. Any or all of the signatures on a certificate may be a facsimile, engraved or printed. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

SECTION 3. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond in such sum as it may direct sufficient to indemnify it against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 4. Transfers of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its records; provided, however, that the Corporation shall be entitled to recognize and enforce any lawful restriction on transfer. Whenever any transfer of stock shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of transfer if, when the certificates are presented to the Corporation for transfer, both the transferor and the transferee request the Corporation to do so.

SECTION 5. Transfer Agents and Registrars. The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars.

SECTION 6. Regulations. The Board of Directors may make such additional rules and regulations, not inconsistent with these Bylaws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation.

SECTION 7. Fixing the Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 8. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its records as the owner of shares of stock to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments a person registered on its records as the owner of shares of stock, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares of stock on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VI
GENERAL PROVISIONS

SECTION 1. Dividends. Subject to the provisions of statutes and the Certificate of Incorporation, dividends upon the shares of capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting. Dividends may be paid in cash, in property or in shares of stock of the Corporation, unless otherwise provided by law or the Certificate of Incorporation.

SECTION 2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors may, from time to time, in its absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors may think conducive to the

interests of the Corporation. The Board of Directors may modify or abolish any such reserves in the manner in which it was created.

SECTION 3. Seal. The seal of the Corporation shall be in such form as shall be approved by the Board of Directors, which form may be changed by resolution of the Board of Directors.

SECTION 4. Fiscal Year. The fiscal year of the Corporation shall end on December 31 of each fiscal year and may thereafter be changed by resolution of the Board of Directors.

SECTION 5. Checks, Notes, Drafts, Etc. All checks, notes, drafts or other orders for the payment of money of the Corporation shall be signed, endorsed or accepted in the name of the Corporation by such officer, officers, person or persons as from time to time may be designated by the Board of Directors or by an officer or officers authorized by the Board of Directors to make such designation.

SECTION 6. Execution of Contracts, Deeds, Etc. The Board of Directors may authorize any officer or officers, agent or agents, in the name and on behalf of the Corporation to enter into or execute and deliver any and all deeds, bonds, mortgages, contracts and other obligations or instruments, and such authority may be general or confined to specific instances.

SECTION 7. Inspection of Books and Records. Except as otherwise provided in the 1940 Act, any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts therefrom. A proper purpose shall mean any purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right of inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in the State of Delaware or at its principal place of business.

SECTION 8. References to Days. For purposes of these Bylaws, all references herein to "days" shall mean calendar days unless otherwise expressly indicated to mean business days. Any period of time referenced herein that is scheduled to end on a day that is not a business day and any event that is scheduled to occur on a day that is not a business day, unless otherwise expressly indicated, shall instead end or occur on the next succeeding business day.

SECTION 9. Inconsistent Provisions. In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Certificate of Incorporation, the General Corporation Law of the State of Delaware, the 1940 Act or any other applicable law, the provision of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

ARTICLE VII
AMENDMENTS

Except as otherwise provided in these Bylaws, these Bylaws may be amended or repealed or new Bylaws adopted only in accordance with Article V(H) of the Certificate of Incorporation.

Exhibit D.1

NUMBER

K

COMMON STOCK

SHARES

PAR VALUE OF $0.01

SEE REVERSE FOR CERTAIN DEFINITIONS

CUSIP 500233 10 1

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

KOHLBERG CAPITAL CORPORATION

THIS CERTIFIES THAT

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF **KOHLBERG CAPITAL CORPORATION**

transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed.

CERTIFICATE OF STOCK

This certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

KOHLBERG CAPITAL CORPORATION CORPORATE SEAL 2006 DELAWARE

SIGNATURES AND TITLES TO COME

CHAIRMAN

SECRETARY

COUNTERSIGNED AND REGISTERED:
TO COME
(TO COME)

BY

TRANSFER AGENT AND REGISTRAR

AUTHORIZED SIGNATURE

The Corporation will furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	—	as tenants in common	UNIF GIFT MIN ACT —	_____ Custodian _____
TEN ENT	—	as tenants by the entireties		(Cust) (Minor)
JT TEN	—	as joint tenants with right of survivorship and not as tenants in common		under Uniform Gifts to Minors Act _____ _____ (State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ *hereby sell, assign and transfer unto*

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

_____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____

_____

_____ *shares*
of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ *Attorney*
to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

NOTICE: _____

THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED:

_____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

Exhibit K.2

EXECUTION VERSION

IRREVOCABLE EXCHANGE AND SUBSCRIPTION AGREEMENT —

KATONAH DEBT ADVISORS

THIS IRREVOCABLE EXCHANGE AND SUBSCRIPTION AGREEMENT – KATONAH DEBT ADVISORS (this "Agreement") is entered into as of August 17, 2006 (the "Effective Date") by and among Kohlberg Capital, LLC, a Delaware limited liability company (the "Company"), KAT Associates, LLC, a Delaware limited liability company ("KAT Associates"), and James A. Kohlberg ("Kohlberg" and, together with KAT Associates, each an "Exchanging Member" and together the "Exchanging Members").

RECITALS:

A. Reference is made to the limited liability company agreement of Katonah Debt Advisors, LLC, a Delaware limited liability company ("KDA"), dated as of January 1, 2006 (the "KDA LLC Agreement").

B. Each Exchanging Member holds an interest in KDA (a "KDA Interest") represented by the Distribution Percentages and Other Income Percentages (as defined in the KDA LLC Agreement) set forth on Exhibit A hereto.

C. Each Exchanging Member wishes to exchange all of its KDA Interest for (1) the number of common units of the Company (the "Common Units") set forth across from such Exchanging Member's name on Exhibit A hereto in the column "Katonah Capital, LLC Common Units" and (2) a promissory note in substantially the form attached hereto as Exhibit B (each, a "Note") in the aggregate principal amount set forth across from such Exchanging Member's name on Exhibit A hereto in the column "Principal Amount of Promissory Note", in each case at the times, and otherwise on the terms and conditions set forth in this Agreement.

D. The Company intends to file a notice on Form N-6F that it intends to file an election (the "BDC Election") to be treated as a business development company (a "BDC") under the Investment Company Act of 1940, as amended (the "1940 Act") with the United States Securities and Exchange Commission (the "SEC").

Accordingly, the parties hereto agree as follows:

1. **Exchange and Subscription.** By executing the signature page to this Agreement, subject to the terms and conditions hereof, each Exchanging Member hereby agrees that, on the date that is 30 days after the date hereof or on such other date as is determined in the sole discretion of the Company but no later than the date that is immediately prior to the date of the filing by the Company of the BDC Election (such date, the "Closing Date") such Exchanging Member will contribute such Exchanging Member's KDA Interest (as set forth on Exhibit A) to the Company and receive, in exchange therefor (a) the Common Units set forth on Exhibit A in respect of such Exchanging Member which will be issued to such Exchanging Member on the Closing Date, and (b) a Note in the aggregate principal amount set forth on Exhibit A in respect of such Exchanging Member which will be issued to such Exchanging Member on the date that is immediately prior to the date of the filing by the Company of the BDC Election. Each Exchanging Member hereby agrees that such Exchanging Member shall not, voluntarily, involuntarily, by operation of law or otherwise, sell, assign, transfer, hypothecate, pledge or

otherwise dispose of his or its KDA Interest or any interest therein. On the date of this Agreement, each Exchanging Member has delivered to the Company (a) a duly completed and executed Internal Revenue Service Form W-9 and a duly executed certification, in form and manner set forth in U.S. Treasury Regulation Section 1.445-2(b)(2) of the Exchanging Member's non-foreign status; and (b) two duly completed and executed signature pages to this Agreement.

2. **Acknowledgment Regarding Restructuring**. The Exchanging Member acknowledges receipt of a description of certain transactions (such transactions referred to as the "Restructuring Transactions") that the Company may engage in (the "Restructuring Description"). The Exchanging Member understands and acknowledges that the Company may engage in such Restructuring Transactions, including without limitation a conversion of the Company under Delaware law from a limited liability company to a corporation. The Exchanging Member hereby consents and agrees to the Restructuring Transactions and the receipt by the Exchanging Member of shares of a corporation in exchange for common units as a result of the Restructuring Transactions on the terms described in the Restructuring Description.

3. **Representations, Warranties and Covenants of Each Exchanging Member.** Each Exchanging Member, severally and not jointly or jointly and severally, hereby acknowledges, represents and warrants to, and covenants and agrees with the Company as of the date hereof as follows:

3.1 Authorization. Such Exchanging Member has full power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. That the execution and delivery of this Agreement by such Exchanging Member and the consummation by such Exchanging Member of the transactions contemplated by this Agreement have been duly authorized by all necessary action on the part of such Exchanging Member and, subject to the receipt of such consents, the filing of such notices and the satisfaction of such conditions as are set forth in the collateral management agreements to which KDA is a party, do not or will not constitute or result in a breach or default under, or conflict with or violate, any agreement or other undertaking to which such Exchanging Member or, to the knowledge of such Exchanging Member, KDA, is a party or by which such Exchanging Member or, to the knowledge of such Exchanging Member, KDA is bound or any judgment, decree, statute, order, rule or regulation applicable to such Exchanging Member or such Exchanging Member's assets or, to the knowledge of such Exchanging Member, KDA or KDA's assets, and, if such Exchanging Member is not an individual, do not or will not violate any provisions of the organizational or other formation or governing documents of such Exchanging Member and do not or will not violate any provisions of the organizational or other formation or governing documents of KDA. This Agreement has been duly executed and delivered by such Exchanging Member and constitutes a valid and legally binding obligation of such Exchanging Member enforceable against such Exchanging Member in accordance with and subject to its respective terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights and general principles of equity. The signatures on this Agreement are genuine, and the signatory, if such Exchanging Member is an individual, has legal competence and capacity to execute the same, or, if such Exchanging Member is not an individual, the signatory has been duly authorized to execute the same on behalf of such Exchanging Member.

3.2 Purchase for Investment. Such Exchanging Member is acquiring the Common Units or Note for such Exchanging Member's own account (or if such Exchanging Member is a trustee, for a trust account) for investment only, and not with a view to or for sale in connection with any distribution of all or any part of such Common Units or Note in violation of the Securities Act of 1933, as amended (the "Securities Act"). Such Exchanging Member hereby agrees that such Exchanging Member shall not, directly or indirectly, transfer all or any part of such Common Units or Note (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of all or any part of the Common Units or Note), except in accordance with the registration provisions of the Securities Act, and the regulations

thereunder or an exemption from such registration provisions, with any applicable state or non-U.S. securities laws and the terms of this Agreement. Such Exchanging Member understands that such Exchanging Member must bear the economic risk of an investment in the Common Units and Note for an indefinite period of time because, among other reasons, the offering and sale of such Common Units and Note have not been registered under the Securities Act and, therefore, such Common Units and Note cannot be resold unless such resale is subsequently registered under the Securities Act or an exemption from such registration is available. Such Exchanging Member also understands that sales or transfers of such Common Units and Note are further restricted by the provisions of the Company's organizational documents, and may be restricted by other applicable securities laws. If at any time the Common Units or Note are evidenced by certificates or other documents, each such certificate or other document shall contain a legend stating that (i) such Common Units or Note (1) have not been registered under the Securities Act or the securities laws of any state; (2) have been issued pursuant to a claim of exemption from the registration provisions of the Securities Act and any state securities law which may be applicable; and (3) may not be sold, transferred or assigned without compliance with the registration provisions of the Securities Act and the regulations thereunder and any other applicable federal or state securities laws or compliance with applicable exemptions therefrom; (ii) sale, transfer or assignment of such Common Units or Note is further subject to restrictions contained in the organizational documents of the Company and such Common Units and Note may not be sold, transferred or assigned unless and to the extent permitted by, and in accordance with, the provisions of the organizational documents of the Company; and (iii) the sale, transfer or assignment of such Common Units and Note is subject to any additional restrictions contained in any subsequent agreement executed by such Exchanging Member.

3.3 Information. Such Exchanging Member has carefully reviewed this Agreement. Such Exchanging Member has been provided an opportunity to ask questions of, and such Exchanging Member has received answers thereto satisfactory to such Exchanging Member from, the Company or its representatives regarding the terms and conditions of the offering of the Common Units and Note, and such Exchanging Member has obtained all additional information requested by such Exchanging Member of the Company and their representatives to verify the accuracy of all information furnished to such Exchanging Member regarding the offering of such Common Units and Note. Such Exchanging Member has been advised to consult with his or its tax, legal and other advisors regarding the subscription and its effects, the tax consequences of making and not making a subscription hereunder, and has obtained, in such Exchanging Member's judgment, sufficient information to evaluate the merits and risks of a subscription and investment hereunder. Such Exchanging Member has not been furnished with and has not relied on any oral or written representation in connection with the offering of the Common Units or Note that is not contained in this agreement.

3.4 Economic and Liquidity Risk. Such Exchanging Member has such knowledge and experience in financial and business matters such that such Exchanging Member is capable of evaluating the merits and risks of making a subscription for the Common Units and Note, and that such Exchanging Member has evaluated the risks of investing in the Common Units and Note and has determined that they are a suitable investment for such Exchanging Member. Such Exchanging Member understands that an investment in the Common Units and Note is a speculative investment that involves very significant risks and tax uncertainties and that such Exchanging Member is prepared to bear the economic, tax and other risks of an investment in the Common Units and Note for an indefinite period of time, and is able to withstand a total loss of such Exchanging Members investment in the Common Units and Note.

3.5 Eligibility; Accredited Investor Status. Such Exchanging Member is an "accredited investor" as defined in Regulation D under the Securities Act. Such Exchanging Member will, upon request prior to the Closing Date, execute and/or deliver any additional documents deemed by

the Company to be necessary or desirable to confirm such Exchanging Member's accredited investor status.

3.6 Ownership of Exchanging Member's Entire Interest. Such Exchanging Member has good and marketable title to such Exchanging Member's KDA Interest listed on Exhibit A and such KDA Interest is now and will on the Closing Date be free and clear of all pledges, claims, liens, restrictions, charges, encumbrances, security interests, conditional sales agreements and other obligations of any kind or nature, other than as are set forth in the governing documents of KDA. Such Exchanging Member will not sell, convey, assign or otherwise transfer all or any portion of such Exchanging Member's KDA Interest prior to the Closing Date. Such Exchanging Member will prior to the Closing Date, upon request, execute, deliver and/or provide any additional documents deemed by the Company to be necessary or desirable to confirm the foregoing. Exhibit A correctly sets forth the KDA Interest held by such Exchanging Member in KDA.

3.7 Residence; Etc. Exhibit A correctly sets forth, for such Exchanging Member, (a) the principal residence of such Exchanging Member if such Exchanging Member is a natural person, (b) the place of business (or, if there is more than one place of business, the chief executive office) of such Exchanging Member if such Exchanging Member is a corporation, partnership, limited liability company, business trust or other entity (an "Entity") and (c) the state of incorporation, organization or formation if such Exchanging Member is an Entity other than a general partnership.

3.8 Continuing Efforts. Subject to the terms and conditions herein provided, such Exchanging Member covenants and agrees to use its commercially reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper and/or appropriate to consummate and make effective the transactions contemplated by this Agreement

3.9 No Brokers or Finders. Such Exchanging Member has not entered into any agreement and is not otherwise liable or responsible to pay any brokers' or finders' fees or expenses to any person or Entity with respect to this Agreement or the purchase and issuance of any Common Units and Note contemplated hereby, except for any such person or Entity the fees and expenses for which such Exchanging Member shall be solely responsible for and pay.

4. **Representations, Warranties and Covenants of the Company.** The Company hereby acknowledges, represents and warrants to, and covenants and agrees with, each Exchanging Member as of the date hereof as follows:

4.1 Authorization. The Company has full power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated by this Agreement have been duly authorized by all necessary action on the part of the Company and do not or will not constitute or result in a breach or default under, or conflict with or violate, any agreement or other undertaking, to which the Company is a party or by which the Company is bound or any judgment, decree, statute, order, rule or regulation applicable to the Company or the Company's assets and do not or will not violate any provisions of the organizational or other formation or governing documents of the Company. This Agreement has been duly executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company enforceable against the Company in accordance with and subject to its respective terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights and general principles of equity. The signatures on this Agreement are genuine, and the signatory has been duly authorized to execute the same on behalf of the Company.

4.2 Issuance. The Common Units and Note to be issued to each Exchanging Member hereunder, will, on the Closing Date, be duly authorized. The Common Units, upon their issuance, will be fully paid Common Units of the Company, issued in the name of such Exchanging Member. The Common Units and Note will be free and clear of all liens, claims and encumbrances other than those created by such Exchanging Member.

4.3 Commercially Reasonable Efforts. Subject to the terms and conditions herein provided, the Company covenants and agrees to use commercially reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper and/or appropriate to consummate and make effective the transactions contemplated by this Agreement.

4.4 No Brokers or Finders. The Company has not entered into any agreement and is not otherwise liable or responsible to pay any brokers' or finders' fees or expenses to any person or Entity with respect to this Agreement or the purchase and issuance of any Common Units and Note contemplated hereby, except for any such person or Entity the fees and expenses for which such the Company shall be solely responsible for and pay.

4.5 Qualified Purchaser Status. The Company is a "qualified purchaser" as defined in the 1940 Act.

5. **Survival.** Except as set forth in the following sentence, the representations, warranties, covenants and agreements contained in this Agreement shall terminate and be of no further force or effect as of the Closing Date. The representations and warranties contained in Sections 3.2, 3.3, 3.4 and 3.5 of this Agreement shall terminate and be of no further force or effect as of the date that is one year after the Closing Date.

6. **Conditions to Consummation by the Company.** The obligations of the Company to accept a subscription from, and to issue the Common Units and Note to, each Exchanging Member pursuant to this Agreement are subject to the fulfillment as of the Closing Date of the conditions set forth in this Article 5, any one or more of which may be waived by the Company:

6.1 Representations, Warranties and Covenants. The representations and warranties of each Exchanging Member contained in this Agreement shall be true, correct and complete in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date unless expressly stated herein to be made as of a specified date, in which case such representations and warranties shall be true, correct and complete in all material respects on and as of such specified date. Each Exchanging Member shall have performed in all material respects all obligations required to be performed by him or it under this Agreement at or prior to the Closing Date.

6.2 Closing Documents. Each Exchanging Member shall have duly executed and delivered to the Company on or prior to the Closing Date all documents that are reasonably requested by the Company to effectuate the transactions contemplated hereby.

6.3 Consents. All consents and approvals of third parties required to be obtained or made prior to the Closing Date in order to permit the consummation of the transactions contemplated hereby to be consummated hereby without resulting in any breach, acceleration, default or other violation of any agreement or other contract to which KDA or any Exchanging Member is party or by which its respective assets are otherwise bound shall have been obtained or made prior to the Closing Date.

7. **Conditions to Consummation by the Exchanging Members.** The obligations of the Exchanging Members to receive Common Units and Note pursuant to this Agreement are subject to the

fulfillment of the conditions set forth in this Article 6, any one or more of which may be waived by him or it:

7.1 Representations, Warranties and Covenants. The representations and warranties of the Company contained herein shall be true, correct and complete in all material respects on and as of the Closing Date with the same force and effect as though made on and as of such Closing Date unless expressly stated therein to be made as of a specified date. The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date.

7.2 Closing Documents. The Company shall have duly executed and delivered on or prior to the Closing Date this Agreement

7.3 Consents. All consents and approvals of third parties required to be obtained or made prior to the Closing Date in order to permit the consummation of the transactions contemplated hereby to be consummated hereby without resulting in any breach, acceleration, default or other violation of any agreement or other contract to which KDA or any Exchanging Member is party or by which its respective assets are otherwise bound shall have been obtained or made prior to the Closing Date.

8. **Termination.** This Agreement shall be irrevocable by the undersigned, but shall terminate automatically if the Closing Date has not occurred on or prior to December 31, 2006.

9. **General Provisions**.

9.1 Modification. Neither this Agreement nor any provisions hereof shall be waived, modified, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, modification, discharge or termination is sought.

9.2 Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) to the parties at the following addresses or facsimile numbers:

If to an Exchanging Member:	To the address indicated for such Exchanging Member on the signature page to this Agreement
If to the Company:	295 Madison Avenue, 6th Floor New York 10017 Tel: 212-455-8300 Fax: 212-983-7654 Attention: Dayl W. Pearson with a copy to: Ropes & Gray LLP One International Place Boston, MA 02110 Attention: Craig Marcus, Esq. Facsimile: (617) 951-7760

All such notices, requests and other communications will if delivered personally to the address as provided in this Section 9.2, be deemed given upon delivery; (b) if delivered by facsimile transmission to

the facsimile number as provided in this Section 9.2, be deemed given upon receipt; and (c) if delivered by mail in the manner described above to the address as provided in this Section 9.2, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other person to whom a copy of such notice is to be delivered pursuant to this Section 9.2). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other parties hereto in accordance with this Section 9.2.

9.3 Binding Effect. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

9.4 Entire Agreement; Conflicting Provisions. This Agreement contains the entire agreement of the parties with respect to this subscription, and there are no representations, warranties, covenants or other agreements except as stated or referred to herein.

9.5 Assignability. This Agreement is not transferable or assignable by any party hereto. This Agreement shall be for the benefit of the parties hereto.

9.6 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

9.7 Counterparts. This Agreement may be executed through the use of separate signature pages or in counterparts, and each of such counterparts shall, for all purposes, constitute one agreement binding on the parties hereto, notwithstanding that the parties hereto are not signatories to the same counterpart.

9.8 Further Assurances. Until the Closing Date, each Exchanging Member will, from time to time, execute and deliver to the Company all such other and further instruments and documents and take or cause to be taken all such other and further action as the Company may reasonably request in order to effect the transactions contemplated by this Agreement. In addition, until the Closing Date, the Company may request from each Exchanging Member such additional information as it may deem necessary to evaluate the eligibility of such Exchanging Member to acquire Common Units and Note, and may request from time to time such information as it may deem necessary to determine the eligibility of such Exchanging Member to hold Common Units and Note or to enable the Company to determine such Exchanging Member's compliance with applicable regulatory requirements or tax status, and such Exchanging Member shall provide such information as may reasonably be requested.

9.9 Severability. If any term or provision of this Agreement shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. Upon the determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect their original intent as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

9.10 Specific Performance. The parties hereto acknowledge that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall

be entitled to compel specific performance of the obligations of any other party under this agreement in accordance with the terms and conditions of this agreement.

9.11 Expenses. Each of the parties hereto agrees to pay the expenses incurred by it in connection with the negotiation, preparation, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including the fees and expenses of counsel to such party.

[Remainder of this page is intentionally left blank.]

Each of the parties hereto has executed this Agreement as of this 17th day of August, 2006.

THE COMPANY:

KOHLBERG CAPITAL, LLC

By: _____
Name: Dayl W. Pearson
Title: Chief Executive Officer

THE EXCHANGING MEMBERS:

KAT ASSOCIATES, LLC

By: _____
Name: Eileen Capone
Title: Trustee of Members of KAT Associates, LLC

_____
James A. Kohlberg

Agreed and Accepted as of this 17th day of August, 2006.

KATONAH DEBT ADVISORS, LLC

By: _____
Name: James A. Kohlberg
Title: Managing Member

Exhibit K. 3

EXECUTION VERSION

IRREVOCABLE EXCHANGE AND SUBSCRIPTION AGREEMENT —

CDO SECURITIES

THIS IRREVOCABLE EXCHANGE AND SUBSCRIPTION AGREEMENT – CDO SECURITIES (this "Agreement") is entered into as of August 17, 2006 (the "Effective Date") by and among Kohlberg Capital, LLC, a Delaware limited liability company (the "Company"), KKAT Acquisition Company III, LLC, a Delaware limited liability company ("KAT III"), KKAT Acquisition Company IV, LLC, a Delaware limited liability company ("KAT IV"), KKAT Acquisition Company V, LLC, a Delaware limited liability company ("KAT V"), KKAT Acquisition Company VII, LLC, a Delaware limited liability company ("KAT VII") and KKAT Acquisition Company VIII, LLC, a Delaware limited liability company ("KAT VIII" and, together with KKAT III, KKAT IV, KKAT V and KKAT VII, each an "Exchanging Holder" and together the "Exchanging Holder").

RECITALS:

A. KKAT III owns 7,500 Preferred Shares (the "Fund III CDO Securities") of Katonah III, Ltd., an exempted company incorporated and existing under the laws of the Cayman Islands ("Fund III").

B. KKAT IV owns 4,500 Preferred Shares (the "Fund IV CDO Securities") of Katonah IV, Ltd., an exempted company incorporated and existing under the laws of the Cayman Islands ("Fund IV").

C. KKAT V owns 5,000 Preferred Shares (the "Fund V CDO Securities") of Katonah V, Ltd., an exempted company incorporated and existing under the laws of the Cayman Islands (the "Fund V").

D. KKAT VII owns $4,500,000 in original principal amount of Subordinated Securities (the "Fund VII CDO Securities") of Katonah VII CLO, Ltd., an exempted company incorporated and existing under the laws of the Cayman Islands (the "Fund VII").

E. KKAT VIII owns $3,400,000 in original principal amount of Subordinated Securities (the "Fund VIII CDO Securities" and together with the Fund III CDO Securities, Fund IV CDO Securities, Fund V CDO Securities and Fund VII CDO Securities, the "CDO Securities") of Katonah VIII CLO, Ltd., an exempted company incorporated and existing under the laws of the Cayman Islands ("Fund VIII" and, together with Fund III, Fund IV, Fund V, Fund VII and Fund VIII, each a "Fund" and together the "Funds").

F. Each Exchanging Holder wishes to exchange all of the CDO Securities held by such Exchanging Holder for the number of common units of the Company (the "Common Units") set forth by such Exchanging Holder's name on Exhibit A hereto, at such time, and otherwise on the terms and conditions set forth in this Agreement.

D. The Company intends to file a notice on Form N-6F that it intends to file an election (the "BDC Election") to be treated as a business development company (a "BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"), with the United States Securities and Exchange Commission (the "SEC").

Accordingly, the parties hereto agree as follows:

1. **Exchange and Subscription.** By executing the signature page to this Agreement, subject to the terms and conditions hereof, each Exchanging Holder hereby agrees that, on the date that is 30 days after the date hereof or on such other date as is determined in the sole discretion of the Company but no later than the date that is immediately prior to the date of the filing by the Company of the BDC Election (such date, the "Closing Date") such Exchanging Holder will contribute all of such Exchanging Holder's CDO Securities to the Company and receive, in exchange therefor, the Common Units set forth across from such Exchanging Holder's named on Exhibit A hereto which will be issued to such Exchanging Holder on the Closing Date. Each Exchanging Holder hereby agrees that such Exchanging Holder shall not, voluntarily, involuntarily, by operation of law or otherwise, sell, assign, transfer, hypothecate, pledge or otherwise dispose of its CDO Securities or any interest therein. On the date of this Agreement, each Exchanging Holder has delivered to the Company (a) a duly completed and executed Internal Revenue Service Form W-9 and a duly executed certification, in form and manner set forth in U.S. Treasury Regulation Section 1.445-2(b)(2) of the Exchanging Member's non-foreign status; and (b) two duly completed and executed signature pages to this Agreement.

2. **Acknowledgment Regarding Restructuring**. The Exchanging Holder acknowledges receipt of a description of certain transactions (such transactions referred to as the "Restructuring Transactions") that the Company may engage in (the "Restructuring Description"). The Exchanging Holder understands and acknowledges that the Company may engage in such Restructuring Transactions, including without limitation a conversion of the Company under Delaware law from a limited liability company to a corporation. The Exchanging Holder hereby consents and agrees to the Restructuring Transactions and the receipt by the Exchanging Holder of shares of a corporation in exchange for common units as a result of the Restructuring Transactions on the terms described in the Restructuring Description.

3. **Representations, Warranties and Covenants of Each Exchanging Holder.** Each Exchanging Holder, severally and not jointly or jointly and severally, hereby acknowledges, represents and warrants to, and covenants and agrees with the Company as of the date hereof as follows:

3.1 Authorization. Such Exchanging Holder has full power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by such Exchanging Holder and the consummation by such Exchanging Holder of the transactions contemplated by this Agreement have been duly authorized by all necessary action on the part of such Exchanging Holder and, subject to the filing of such notices and certificates and the receipt of such consents as are required under the collateral management agreements and indentures to which the Funds are a party and the organizational documents of such Funds, do not or will not constitute or result in a breach or default under, or conflict with or violate, any agreement or other undertaking, to which such Exchanging Holder is a party or by which such Exchanging Holder is bound or with any judgment, decree, statute, order, rule or regulation applicable to such Exchanging Holder or such Exchanging Holder's assets, and do not or will not violate any provisions of the organizational or other formation or governing documents of such Exchanging Holder or, to the knowledge of such Exchanging Holder, the organizational or other formation or governing documents of any Fund or any indenture to which such Fund is a party. This Agreement has been duly executed and delivered by such Exchanging Holder and constitutes a valid and legally binding obligation of such Exchanging Holder enforceable against such Exchanging Holder in accordance with and subject to its respective terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights and general principles of equity. The signatures on this Agreement are genuine, and the signatory has been duly authorized to execute the same on behalf of such Exchanging Holder.

3.2 Purchase for Investment. Such Exchanging Holder is acquiring the Common Units for such Exchanging Holder's own account (or if such Exchanging Holder is a trustee, for a trust account) for investment only, and not with a view to or for sale in connection with any distribution of all or any part of such Common Units in violation of the Securities Act of 1933, as amended (the "Securities Act"). Such Exchanging Holder hereby agrees that such Exchanging Holder shall not, directly or indirectly, transfer all or any part of such Common Units (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of all or any part of the Common Units), except in accordance with the registration provisions of the Securities Act of 1933 and the regulations thereunder or an exemption from such registration provisions, with any applicable state or non-U.S. securities laws, and with the terms of this Agreement. Such Exchanging Holder understands that such Exchanging Holder must bear the economic risk of an investment in the Common Units for an indefinite period of time because, among other reasons, the offering and sale of such Common Units have not been registered under the Securities Act and, therefore, such Common Units cannot be resold unless such resale is subsequently registered under the Securities Act or an exemption from such registration is available. Such Exchanging Holder also understands that sales or transfers of such Common Units are further restricted by the provisions of the Company's organizational documents, and may be restricted by other applicable securities laws. If at any time the Common Units are evidenced by certificates or other documents, each such certificate or other document shall contain a legend stating that (i) such Common Units (1) have not been registered under the Securities Act or the securities laws of any state; (2) have been issued pursuant to a claim of exemption from the registration provisions of the Securities Act and any state securities law which may be applicable; and (3) may not be sold, transferred or assigned without compliance with the registration provisions of the Securities Act and the regulations thereunder and any other applicable federal or state securities laws or compliance with applicable exemptions therefrom; (ii) sale, transfer or assignment of such Common Units is further subject to restrictions contained in the organizational documents of the Company and such Common Units may not be sold, transferred or assigned unless and to the extent permitted by, and in accordance with, the provisions of the organizational documents of the Company; and (iii) the sale, transfer or assignment of such Common Units is subject to any additional restrictions contained in any subsequent agreement executed by such Exchanging Holder.

3.3 Information. Such Exchanging Holder has carefully reviewed this Agreement. Such Exchanging Holder has been provided an opportunity to ask questions of, and such Exchanging Holder has received answers thereto satisfactory to such Exchanging Holder from, the Company or its representatives regarding the terms and conditions of the offering of the Common Units, and such Exchanging Holder has obtained all additional information requested by such Exchanging Holder of the Company and their representatives to verify the accuracy of all information furnished to such Exchanging Holder regarding the offering of such Common Units. Such Exchanging Holder has been advised to consult with its tax, legal and other advisors regarding the subscription and its effects, the tax consequences of making and not making a subscription hereunder, and has obtained, in such Exchanging Holder's judgment, sufficient information to evaluate the merits and risks of a subscription and investment hereunder. Such Exchanging Holder has not been furnished with and has not relied on any oral or written representation in connection with the offering of the Common Units that is not contained in this agreement.

3.4 Economic and Liquidity Risk. Such Exchanging Holder has such knowledge and experience in financial and business matters such that such Exchanging Holder is capable of evaluating the merits and risks of making a subscription for the Common Units, and that such Exchanging Holder has evaluated the risks of investing in the Common Units and has determined that they are a suitable investment for such Exchanging Holder. Such Exchanging Holder understands that an investment in the Common Units is a speculative investment that involves very significant risks and tax uncertainties and that such Exchanging Holder is prepared to bear the economic, tax and other risks of an investment in the

Common Units for an indefinite period of time, and is able to withstand a total loss of such Exchanging Holders investment in the Common Units.

3.5 Ownership of Exchanging Holder's Entire Interest. Such Exchanging Holder has good and marketable title to such Exchanging Holder's CDO Securities described in the Recitals and such CDO Security is now and will on the Closing Date be free and clear of all pledges, claims, liens, restrictions, charges, encumbrances, security interests, conditional sales agreements and other obligations of any kind or nature, other than as are set forth in the indenture or other governing documents of the applicable Fund. Such Exchanging Holder will not sell, convey, assign or otherwise transfer all or any portion of such Exchanging Holder's CDO Securities prior to the Closing Date. Such Exchanging Holder will, upon request, execute, deliver and/or provide any additional documents deemed by the Company to be necessary or desirable to confirm the foregoing. The Recitals correctly set forth the CDO Securities held by such Exchanging Holder in the applicable Fund.

3.6 Residence; Etc. Exhibit A correctly sets forth, for such Exchanging Holder, (a) the place of business (or, if there is more than one place of business, the chief executive office) of such Exchanging Holder and (b) the state of incorporation, organization or formation of such Exchanging Holder.

3.7 Continuing Efforts. Subject to the terms and conditions herein provided, such Exchanging Holder covenants and agrees to use its commercially reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper and/or appropriate to consummate and make effective the transactions contemplated by this Agreement

3.8 No Brokers or Finders. Such Exchanging Holder has not entered into any agreement and is not otherwise liable or responsible to pay any brokers' or finders' fees or expenses to any person or Entity with respect to this Agreement or the purchase and issuance of any Common Units contemplated hereby, except for any such person or Entity the fees and expenses for which such Exchanging Holder shall be solely responsible for and pay.

4. **Representations, Warranties and Covenants of the Company.** The Company hereby acknowledges, represents and warrants to, and covenants and agrees with, each Exchanging Holder as of the date hereof as follows:

4.1 Authorization. The Company has full power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated by this Agreement have been duly authorized by all necessary action on the part of the Company and do not or will not constitute or result in a breach or default under, or conflict with or violate, any agreement or other undertaking, to which the Company is a party or by which the Company is bound or any judgment, decree, statute, order, rule or regulation applicable to the Company or the Company's assets and do not or will not violate any provisions of the organizational or other formation or governing documents of the Company. This Agreement has been duly executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company enforceable against the Company in accordance with and subject to its respective terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights and general principles of equity. The signatures on this Agreement are genuine, and the signatory has been duly authorized to execute the same on behalf of the Company.

4.2 Issuance. The Common Units to be issued to each Exchanging Holder hereunder, will, on the Closing Date, be duly authorized, fully paid Common Units of the Company,

issued in the name of such Exchanging Holder, free and clear of all liens, claims and encumbrances other than those created by such Exchanging Holder.

4.3 Commercially Reasonable Efforts. Subject to the terms and conditions herein provided, the Company covenants and agrees to use commercially reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper and/or appropriate to consummate and make effective the transactions contemplated by this Agreement.

4.4 No Brokers or Finders. The Company has not entered into any agreement and is not otherwise liable or responsible to pay any brokers' or finders' fees or expenses to any person or Entity with respect to this Agreement or the purchase and issuance of any Common Units and Note contemplated hereby, except for any such person or Entity the fees and expenses for which such the Company shall be solely responsible for and pay.

4.5 Qualified Purchaser Status. The Company is a "qualified purchaser" as defined in the 1940 Act.

5. **Survival.** Except as set forth in the following sentence, the representations, warranties, covenants and agreements contained in this Agreement shall terminate and be of no further force or effect as of the Closing Date. The representations and warranties contained in Sections 3.2, 3.3 and 3.4 of this Agreement shall terminate and be of no further force or effect as of the date that is one year after the Closing Date.

6. **Conditions to Consummation by the Company.** The obligations of the Company to accept a subscription from, and to issue the Common Units to, each Exchanging Holder pursuant to this Agreement are subject to the fulfillment as of the Closing Date of the conditions set forth in this Article 5, any one or more of which may be waived by the Company:

6.1 Representations, Warranties and Covenants. The representations and warranties of each Exchanging Holder contained in this Agreement shall be true, correct and complete in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date unless expressly stated herein to be made as of a specified date, in which case such representations and warranties shall be true, correct and complete in all material respects on and as of such specified date. Each Exchanging Holder shall have performed in all material respects all obligations required to be performed by him or it under this Agreement at or prior to the Closing Date.

6.2 Closing Documents. Each Exchanging Holder shall have duly executed and delivered to the Company on or prior to the Closing Date all documents that are reasonably requested by the Company to effectuate the transactions contemplated hereby.

6.3 Consents. All consents and approvals of third parties required to be obtained or made prior to the Closing Date in order to permit the consummation of the transactions contemplated hereby to be consummated hereby without resulting in any breach, acceleration, default or other violation of any agreement or other contract to which a Fund or any Exchanging Holder is party or by which its respective assets are otherwise bound shall have been obtained or made prior to the Closing Date.

7. **Conditions to Consummation by the Exchanging Holders.** The obligations of the Exchanging Holders to receive Common Units pursuant to this Agreement are subject to the fulfillment of the conditions set forth in this Article 6, any one or more of which may be waived by it:

7.1 Representations, Warranties and Covenants. The representations and warranties of the Company contained herein shall be true, correct and complete in all material respects on and as of the Closing Date with the same force and effect as though made on and as of such Closing Date unless expressly stated therein to be made as of a specified date. The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date.

7.2 Closing Documents. The Company shall have duly executed and delivered on or prior to the Closing Date this Agreement

7.3 Consents. All consents and approvals of third parties required to be obtained or made prior to the Closing Date in order to permit the consummation of the transactions contemplated hereby to be consummated hereby without resulting in any breach, acceleration, default or other violation of any agreement or other contract to which a Fund or any Exchanging Holder is party or by which its respective assets are otherwise bound shall have been obtained or made prior to the Closing Date.

8. **Termination.** This Agreement shall be irrevocable by the undersigned, but shall terminate automatically if the Closing Date has not occurred on or prior to December 31, 2006.

9. **General Provisions**.

9.1 Modification. Neither this Agreement nor any provisions hereof shall be waived, modified, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, modification, discharge or termination is sought.

9.2 Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) to the parties at the following addresses or facsimile numbers:

If to an Exchanging Holder:	To the address indicated for such Exchanging Holder on the signature page to this Agreement
If to the Company:	295 Madison Avenue, 6th Floor New York 10017 Tel: 212-455-8300 Fax: 212-983-7654 Attention: Dayl W. Pearson
	with a copy to: Ropes & Gray LLP One International Place Boston, MA 02110 Attention: Craig Marcus, Esq. Facsimile: (617) 951-7760

All such notices, requests and other communications will if delivered personally to the address as provided in this Section 9.2, be deemed given upon delivery; (b) if delivered by facsimile transmission to the facsimile number as provided in this Section 9.2, be deemed given upon receipt; and (c) if delivered by mail in the manner described above to the address as provided in this Section (a) 9.2, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received

by any other person to whom a copy of such notice is to be delivered pursuant to this Section 9.2). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other parties hereto in accordance with this Section 9.2.

9.3 Binding Effect. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

9.4 Entire Agreement; Conflicting Provisions. This Agreement contains the entire agreement of the parties with respect to this subscription, and there are no representations, warranties, covenants or other agreements except as stated or referred to herein.

9.5 Assignability. This Agreement is not transferable or assignable by any party hereto. This Agreement shall be for the benefit of the parties hereto.

9.6 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

9.7 Counterparts. This Agreement may be executed through the use of separate signature pages or in counterparts, and each of such counterparts shall, for all purposes, constitute one agreement binding on the parties hereto, notwithstanding that the parties hereto are not signatories to the same counterpart.

9.8 Further Assurances. Until the Closing Date, each Exchanging Holder will, from time to time, execute and deliver to the Company all such other and further instruments and documents and take or cause to be taken all such other and further action as the Company may reasonably request in order to effect the transactions contemplated by this Agreement In addition, until the Closing Date, the Company may request from each Exchanging Holder such additional information as it may deem necessary to evaluate the eligibility of such Exchanging Holder to acquire Common Units, and may request from time to time such information as it may deem necessary to determine the eligibility of such Exchanging Holder to hold Common Units or to enable the Company to determine such Exchanging Holder's compliance with applicable regulatory requirements or tax status, and such Exchanging Holder shall provide such information as may reasonably be requested.

9.9 Severability. If any term or provision of this Agreement shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. Upon the determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect their original intent as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

9.10 Specific Performance. The parties hereto acknowledge that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to compel specific performance of the obligations of any other party under this agreement in accordance with the terms and conditions of this agreement.

9.11 Expenses. Each of the parties hereto agrees to pay the expenses incurred by it in connection with the negotiation, preparation, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including the fees and expenses of counsel to such party.

[Remainder of this page is intentionally left blank.]

Each of the parties hereto has executed this Agreement as of this 17th day of August, 2006.

THE COMPANY:

KOHLBERG CAPITAL, LLC

By: _____
Name: Dayl W. Pearson
Title: Chief Executive Officer

THE EXCHANGING MEMBERS:

KKAT ACQUISITION COMPANY III, LLC

By: _____
Name: Shant Mardirossian
Title: Secretary

KKAT ACQUISITION COMPANY IV, LLC

By: _____
Name: Shant Mardirossian
Title: Secretary

KKAT ACQUISITION COMPANY V, LLC

By: _____
Name: Shant Mardirossian
Title: Secretary

KKAT ACQUISITION COMPANY VII, LLC

By: _____
Name: Shant Mardirossian
Title: Secretary

KKAT ACQUISITION COMPANY VIII, LLC

By: _____
Name: Shant Mardirossian
Title: Secretary

Exhibit K.4

TRANSITION SERVICES AGREEMENT

This **TRANSITION SERVICES AGREEMENT** (this "***Agreement***") is entered into effective as of [ ], 2006 (the "***Effective Date***"), by and between Kohlberg & Company, L.L.C, a Delaware limited liability Company ("***Kohlberg & Co.***"), and Kohlberg Capital, LLC, a Delaware limited liability company ("***Kohlberg Capital***"). Kohlberg & Co. and Kohlberg Capital are each sometimes referred to herein as a "***party***" and collectively as the "***parties.***"

WHEREAS, affiliates of Kohlberg & Co. formed Kohlberg Capital to continue and expand the middle market investment business and asset management business of Katonah Debt Advisors, L.L.C., a Delaware limited liability company ("***Katonah Debt Advisors***"), an asset manager that manages collateralized debt obligation funds that invest in broadly syndicated senior loans, second lien loans, high-yield bonds, credit default swaps and other credit instruments;

WHEREAS, Kohlberg Capital acquired 100% of the equity in Katonah Debt Advisors from affiliates of Kohlberg & Co. in exchange for equity securities of Kohlberg Capital and a promissory note;

WHEREAS, prior to Kohlberg Capital's acquisition of Katonah Debt Advisors, Kohlberg & Co. provided certain services to Katonah Debt Advisors; and

WHEREAS, during a phased transitional period beginning on the date hereof and continuing during the term of this Agreement, Kohlberg Capital will require the provision of certain services by Kohlberg & Co. and Kohlberg & Co. is willing to provide such services during the term of this Agreement;

NOW, THEREFORE, in consideration of the mutual and reciprocal agreements and promises hereinafter set forth and for other good and valuable consideration, the parties agree as follows:

I. DEFINITIONS

The following terms shall have the meaning indicated below.

"***Affiliate***" means, as to any party, any corporation, limited liability company, association, partnership, joint venture or other business entity that, directly or indirectly (through one or more intermediaries), Controls, or is Controlled by, or is under common Control with such party.

"***Control***" means the possession of the power to direct, or cause the direction of, the management and policies of a person or entity, whether through the ownership of voting securities, by contract, or otherwise.

II. SERVICES

2.1 Purchase and Sale of Transition Services. Kohlberg & Co. agrees, directly or through its Affiliates or third parties (as appropriate, as determined by Kohlberg & Co. in its sole discretion), to provide to Kohlberg Capital those transition services (the "***Services***") described in **Exhibit A** hereto during the term of this Agreement. With respect to Services being performed, Kohlberg & Co. and its Affiliates or third parties that may be providing Services shall collectively be referred to as the "***Provider***" and Kohlberg Capital and its Affiliates that may be the recipient of Services shall collectively be referred to as the "***Recipient***"**.** For each Service, **Exhibit A** shall describe the Service to be provided, which shall be no more extensive in scope and content than the services and functions performed by Provider in respect of Katonah Debt Advisors prior to the Effective Date. The Services (i) shall not include any Services that would be unlawful for Provider to provide or that would result in a breach of any software license or other applicable contract, and (ii) shall not include the making of strategic business decisions or other management decisions for Recipient.

2.2 Cooperation; Consents. The parties and their Affiliates will use all commercially reasonable efforts to cooperate with each other in accordance with the terms of this Agreement in respect of all matters relating to the provision and receipt of Services. Such cooperation shall include exchanging non-confidential information and using commercially reasonable efforts to obtain, at the sole cost and expense of Recipient, all required third-party consents, licenses, sublicenses or approvals necessary to permit each party to perform its obligations hereunder and under **Exhibit A**. Recipient shall provide Provider with such information and documentation as is reasonably requested by Provider and Recipient shall perform the actions and tasks specified on **Exhibit A** and such other duties and tasks as may be reasonably requested by Provider to enable Provider to perform the Services in accordance with this Agreement.

2.3 Subcontractors and Outsourcing. Notwithstanding anything to the contrary herein, Provider shall have the right to subcontract or outsource any of its obligations hereunder; *provided, however*, that no such subcontracting or outsourcing will affect Provider's responsibility to perform its obligations under this Agreement.

III. EXPENSE REIMBURSEMENT

3.1 Expense Reimbursement. As payment for the Services specified in **Exhibit A** to be provided by the Provider or its Affiliate or a third party on or prior to the 180th day following the Closing, the Recipient shall pay to the Provider the aggregate amount of out-of-pocket, travel or travel-related expenses incurred by the Provider in connection with the performance of any such Services. Any Services beyond those specified in **Exhibit A** or for periods after the 180th day following the Closing shall be subject to the mutual agreement of Recipient and Provider and shall, to the extent agreed to be performed, be provided by Provider on the terms so agreed. All amounts required to be paid hereunder shall be invoiced by the Provider on a monthly basis. Invoiced amounts shall be due and payable by the Recipient within 10 business days from the date of receipt of the applicable invoice.

3.2 Taxes. All amounts paid to the Provider hereunder are exclusive of value added taxes, sales taxes and any other similar taxes. Recipient will be responsible for all taxes (other than taxes based on net income or net profits of Provider) imposed by applicable taxing authorities on the provision of Services to the Recipient hereunder. If Provider or any of its Affiliates are required to pay such taxes, Recipient shall promptly, following a request therefor, reimburse the Provider or such Affiliate for the amount of such taxes.

IV. NO WARRANTIES; LIMITATION OF LIABILITY

4.1 No Warranty. NEITHER PARTY MAKES ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SERVICES PROVIDED HEREUNDER OR OTHERWISE IN CONNECTION WITH THIS AGREEMENT AND ALL SERVICES ARE PROVIDED ON AN AS-IS WHERE-IS BASIS.

4.2 Limitation of Liability. IN NO EVENT SHALL A PARTY OR ITS AFFILIATES BE LIABLE TO ANOTHER PARTY OR ITS AFFILIATES FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY OR ITS AFFILIATES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

V. TERM AND TERMINATION

5.1 Term. This Agreement begins on the Effective Date and shall continue in effect for [one hundred and eighty (180)] days thereafter, unless earlier terminated under Section 5.2. This Agreement may be extended by the parties in writing, either in whole or with respect to one or more of the Services; *provided*, *however*, that such extension shall only apply to the Services for which the Agreement was extended; *provided further, however,* unless Recipient provides Provider with written notice at least 30 days prior to the [180th] day following the Effective Date of its desire to negotiate an extension to any Services hereunder, this Agreement will terminate on the [180th] day following the Effective Date (or such earlier date as it may be terminated under Section 5.2). Notwithstanding the foregoing, Sections III, IV, VI, VII and VIII shall survive any expiration or termination of this Agreement.

5.2 Termination. The Recipient may at any time terminate this Agreement with respect to one or more of the Services, in whole or in part, upon giving at least thirty (30) days prior written notice to the Provider. In the event of early termination of this Agreement as provided in this Section 5.2, Recipient shall not be entitled to any refund of any amounts paid hereunder. Either party may terminate any affected Service at any time if the other party fails to perform any of its obligations under this Agreement relating to such Service, the recipient has notified the obligor in writing of such failure, and such failure continues for a period of fifteen (15) business days after the delivery to the obligor of notice of such failure. This Agreement may be terminated in whole or in part, at any time, by mutual written consent of both Provider and Recipient. This Agreement may be terminated by a party automatically and without the requirement of any notice to the other party if: (i) the other

party shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its properties, (2) make a general assignment for the benefit of its creditors, (3) commence a voluntary case under the United States Bankruptcy Code, as now or hereafter in effect (the "***Bankruptcy Code***"), (4) file a petition seeking to take advantage of any law (the "***Bankruptcy Laws***") relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, or (5) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in any involuntary case under the Bankruptcy Code; or (ii) a proceeding or case shall be commenced against the other party in any court of competent jurisdiction, seeking (1) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of such party or of all or any substantial part of its assets, or (3) similar relief under any Bankruptcy Laws, or an order, judgment or decree approving any of the foregoing shall be entered and continue unstayed for a period of sixty (60) days, or an order for relief against Recipient shall be entered in an involuntary case under the Bankruptcy Code.

5.3 Effect of Termination. Recipient acknowledges and agrees that, notwithstanding anything to the contrary contained in this Agreement or otherwise, all obligations of Provider to provide a Service hereunder shall immediately cease upon the expiration of the term for, or the date of termination of, such Service as provided for in **Exhibit A**, and Provider's obligations to provide all of the Services for which Provider is responsible hereunder shall immediately cease upon the termination of this Agreement in accordance with this Section V.

VI. RELATIONSHIP OF THE PARTIES

6.1. Independent Contractor. It is expressly acknowledged that the Provider is an "independent contractor," and nothing in this Agreement is intended and nothing shall be construed to (i) constitute the parties as employer and employee, partners, joint ventures, co-owners, or otherwise participants in a joint or common undertaking, (ii) make either party an agent or legal representative of the other for any purpose whatsoever, or result in the right or authority of any party to assume or create any obligation or responsibility, express or implied, on behalf of or in the name of the other party, or (iii) allow one party to exercise control or direction over the manner or method by which the other party performs the Services; provided, that the Services shall be furnished in a manner consistent with the provisions of this Agreement.

6.2. No Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto, and nothing expressed or implied shall give or be construed to give any other person any legal or equitable rights hereunder, whether as a third party beneficiary or otherwise. Recipient shall not resell or provide the Services to any other person, or permit the use of the Services by any person other than Recipient.

6.3. Scope of Services. Unless otherwise specifically agreed by the Provider and the Recipient, the Services to be provided hereunder shall be substantially similar in scope, quality and nature to such Service performed by the Provider relative to Katonah Debt Advisors prior to the Effective Date. The Recipient shall, in connection with receiving

Services, follow the policies, procedures and practices in effect before the Effective Date and shall take timely action as specified on **Exhibit A** and give timely decisions, approvals and acceptances in order to enable the Provider to perform its obligations hereunder in accordance with terms of this Agreement. Except as specifically provided otherwise in Exhibit A for a specific Service, in providing the Services, the Provider shall not be obligated to: (i) hire any additional employees or maintain the employment of any specific employee; (ii) purchase, lease or license any additional equipment or software, (iii) create or supply any documentation or information not currently existing or readily available to Provider, or (iv) enter into any additional contracts with a third party to provide Services by or on behalf of the Provider.

6.4. Force Majeure. Neither party will be held liable to the other for any delay or failure of performance (other than the obligations of Recipient to make payments to Provider pursuant to Section III hereof) where, and Provider shall not be required to provide any Service hereunder to the extent, such delay or failure results from events beyond that party's control, including without limitation, acts of God, earthquakes, fires, floods, civil disturbance, strikes, labor disputes, unfeasible technological requirements, acts of war or terrorism and lawful governmental action. Provider's sole responsibility to Recipient in the event of the occurrence of any of the events referred to in the first sentence of this Section 6.4 (a) for errors or omissions in Services, shall be to furnish correct information, payment and/or adjustment in the Services; provided that Recipient must promptly advise Provider of any such error or omission of which it becomes aware after having used reasonable efforts to detect any such errors or omissions, and (b) for failure to deliver any Service as a result of events beyond Provider's control shall be to use reasonable efforts, subject to this Section 6.4, to make the Services available and/or to resume performing the Services as promptly as reasonably practicable.

6.5. Security and Confidentiality. The parties each agree that all confidential or proprietary information of the Provider and Recipient disclosed under this Agreement in connection with the provision of any Services provided for hereunder will be held by the other party in strict confidence and, at all times following the Effective Date, will not be used or disclosed by either party to any third party and, upon Provider's or Recipient's request, as applicable, will be promptly destroyed by the Recipient or Provider, as the case may be, or delivered to Provider or Recipient, as the case may be. During the term of this Agreement, each party's access to the information technology infrastructure of the other party for applications and other data processing activities shall be through all reasonable secured controlled processes determined by the disclosing party in its sole discretion, and shall be in accordance with the disclosing party's (including its Affiliates') business control and information protection policies, standards and guidelines as may be modified from time to time. Those employees of Recipient and Provider having access to such infrastructure and applications and other shared systems may be required by Provider or Recipient, as the case may be, to enter into a customary non-disclosure agreement in connection with, and as a condition to, such access. Except as otherwise provided herein or in any other agreement between the parties, Provider shall not transfer to Recipient, and Recipient shall have no rights in or access to, application software/systems source code associated with shared systems through which Provider is providing Services to Recipient hereunder. Except as otherwise specifically permitted herein or in any other agreement between the parties,

Recipient shall not, through reverse engineering or any other technique or means, attempt to access such source code and will use such application software/systems only for their intended use. Except as otherwise specifically provided herein or in any other agreement between the parties, any use of such software applications as set forth herein will be subject to Provider's standard software license terms or any additional terms that may be referenced in a Services Schedule.

6.6 Intellectual Property Rights. Neither party will gain, by virtue of this Agreement, any rights of ownership of patents, trade secrets, trademarks, copyrights or any other intellectual property rights owned by the other. Provider will own all patents, trade secrets, trademarks, copyrights and other intellectual property rights subsisting in works developed by Provider for purposes of this Agreement. Recipient shall not be entitled to receive, review, copy or otherwise access any source code or other confidential information of Provider in connection with any of the Services provided hereunder.

VII. GOVERNING LAW AND JURISDICTION

7.1. Governing Law. This Agreement, including **Exhibit A** attached hereto, the rights of the parties and all actions arising in whole or in part under or in connection herewith, shall be governed by and construed in accordance with the domestic substantive laws of the State of New York, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

7.2. Jurisdiction. Each party to this Agreement, by its execution hereof, (a) hereby irrevocably submits to the exclusive jurisdiction of the courts of the Supreme Court of the State of New York in New York County or in the United States District Court for the for the Southern District of New York for the purpose of any action between the parties arising in whole or in part under or in connection with this Agreement, (b) hereby waives to the extent not prohibited by applicable law, and agrees not to assert, by way of motion, as a defense or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such action brought in one of the above-named courts should be dismissed on grounds of *forum non conveniens*, should be transferred or removed to any court other than one of the above-named courts, or should be stayed by reason of the pendency of some other proceeding in any other court other than one of the above-named courts, or that this Agreement or the subject matter hereof may not be enforced in or by such court and (c) hereby agrees not to commence any such action other than before one of the above-named courts. Notwithstanding the previous sentence a party may commence any action in a court other than the above-named courts solely for the purpose of enforcing an order or judgment issued by one of the above-named courts. Each party further waives any claim and will not assert that venue should properly lie in any other location within the selected jurisdiction.

7.3. Service of Process. Each party hereby (a) consents to service of process in any action between the parties arising in whole or in part under or in connection with this Agreement in any manner permitted by New York law, (b) agrees that service of process made in accordance with clause (a) or made by registered or certified mail, return receipt requested, at its address specified on the signature pages hereto, will constitute good and

valid service of process in any such action and (c) waives and agrees not to assert (by way of motion, as a defense, or otherwise) in any such action any claim that service of process made in accordance with clause (a) or (b) does not constitute good and valid service of process.

VIII. MISCELLANEOUS

8.1. This Agreement shall be binding upon and inure to the benefit of the undersigned parties, their permitted successor and assigns, and upon any conversion of Kohlberg Capital under Delaware law into a corporation, all references hereunder to Kohlberg Capital shall be deemed to refer to such corporation.

8.2. Neither party may, directly or indirectly, in whole or in part, whether by operation of law or otherwise, assign or transfer this Agreement, without the other party's prior written consent, and any attempted assignment, transfer or delegation without such prior written consent shall be voidable at the sole option of such other party. Notwithstanding the foregoing, either party (or its permitted successors, assignees or transferees hereunder) may assign or transfer this Agreement as a whole without consent to an entity that succeeds to all or substantially all of the business or assets of such party.

8.3. Failure to enforce any provision of this Agreement shall not constitute a waiver of any term hereof.

8.4. This Agreement constitutes the entire agreement between the parties concerning the subject matter hereof and supersedes all prior or contemporaneous agreements concerning the subject matter hereof.

8.5. This Agreement may be executed in any number of counterparts each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

8.6. If any term or other provision of this Agreement is determined by a court or administrative agency to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby, are fulfilled to the fullest extent possible.

8.7. Any amendment, waiver or other modification to this Agreement must be made in writing and must be signed by an authorized representative of each party.

IX. CONTACT INFORMATION

Provider and Recipient shall each appoint a single point of contact to be responsible for management of this Agreement and serve as the initial contact for requests or questions of the other party under this Agreement. Either party may change its contact at any time by providing written notice to the other party as provided for herein. The initial points of contact are:

Kohlberg & Co., LLC:

Shant Mardirossian
111 Radio Circle
Mt. Kisco, New York 10549
Tel: (914) 241-7430
Fax: (914) 241-7476

Kohlberg Capital LLC

Dayl W. Pearson
295 Madison Avenue, 6th Floor
New York, New York 1017
Tel: (212) 455-8300
Fax: (212) 983-7654

IN WITNESS WHEREOF, the parties have caused this Transition Services Agreement to be signed by their duly authorized representatives to be effective as of the date first written above.

KOHLBERG & COMPANY, L.L.C.

By:_____
Name:
Title:
111 Radio Circle
Mt. Kisco, New York 10549

KOHLBERG CAPITAL, LLC

By:_____
Name:
Title:
295 Madison Avenue, 6th Floor
New York, New York 1017

ACKNOWLEDGED AND AGREED:

KOHLBERG CAPITAL CORPORATION

By:_____
Name:
Title:

Exhibit K.5

LICENSE AND REFERRAL AGREEMENT

This License and Referral Agreement (the "Agreement") is made as of the [ ] day of [ ], 2006 among Kohlberg Capital, LLC, a Delaware limited liability company ("KCAP LLC"), and Kohlberg & Co., LLC, a Delaware limited liability company ("Kohlberg & Co.").

Recitals

A. KCAP LLC was organized to continue and expand the middle market investment business and asset management business of Katonah Debt Advisors, L.L.C. ("KDA"), an asset manager recently acquired by KCAP LLC from Affiliates of Kohlberg & Co.

B. On August 18, 2006, KCAP LLC filed with the United States Securities and Exchange Commission (the "SEC") (i) a notice on Form N-6F that it intends to file an election to be regulated as a business development company under the Investment Company Act of 1940, as amended (the "1940 Act"), together with (ii) a registration statement on Form N-2 relating to an initial public offering (the "IPO") of shares of Common Stock (as defined below) of Kohlberg Capital Corporation (as defined below).

C. Prior to the closing of the IPO, KCAP LLC intends to file a notice on Form N-54A with the SEC effecting its election to be regulated as a business development company under the 1940 Act (the "BDC Election").

D. Following the BDC Election and concurrently with the execution of the underwriting agreement relating to the IPO, KCAP LLC will convert, pursuant to Section 265 of the Delaware General Corporation Law and Section 216 of the Delaware Limited Liability Company Act, to a Delaware corporation (the "Conversion") under the name "Kohlberg Capital Corporation". Throughout this Agreement, "KCAP" refers to KCAP LLC prior to the Conversion and Kohlberg Capital Corporation at and following the Conversion.

E. Kohlberg & Co. wishes (i) to provide KCAP with the right, subject to the limitations set forth in this Agreement, to use the "Kohlberg" name and (ii) prior to referring any equity investment opportunity to any third party and subject to the provisions of this Agreement, to refer such equity investment opportunity to KCAP that it determines in its sole discretion are not appropriate for Kohlberg & Co. and its Affiliated investment funds and other Affiliates but which may be appropriate for investment by KCAP.

NOW THEREFORE, for good and valuable consideration the receipt of which is hereby acknowledged, the parties hereby agree as follows:

Agreements

1. Definitions.

   (a) "Affiliates" means, with respect to any Person, all entities directly or indirectly controlling, controlled by or under common control with such Person.

   (b) "Conversion" is defined in the Recitals.

   (c) "KCAP" is defined in the Recitals.

   (d) "KCAP LLC" is defined in the Introduction.

   (e) "KCAP Services" means the services and activities, including without limitation organizational, marketing and operational services or activities, of KCAP undertaken in the ordinary course of its business as a business development company under the 1940 Act. For clarification, "KCAP Services" will also include (for so long as KDA is wholly-owned by KCAP) the services and activities, including without limitation organizational, marketing and operational services or activities, of KDA undertaken in the ordinary course of its business.

   (f) "KDA" is defined in the Recitals.

   (g) "Kohlberg & Co." is defined in the Introduction.

   (h) "Kohlberg & Co. Group" is defined in Section 9.

   (i) "Kohlberg Person" means any Person other than a Third Party.

   (j) "Person" means any individual or any business, corporation, partnership, joint venture, limited liability company, unincorporated association, trust, or other enterprise.

   (k) "Third Party" means any Person other than (i) Kohlberg & Co., (ii) any Affiliate of Kohlberg & Co., (iii) any investment fund managed, advised, subadvised or otherwise controlled or owned by Kohlberg & Co. or any of its Affiliates.

   (l) "Tradename" means the trade name, trademark and service mark "KOHLBERG".

2. Referral Commitment. Kohlberg & Co. hereby agrees, without further consideration, during the term of this Agreement that, prior to referring an equity investment opportunity to a Third Party, Kohlberg & Co. will refer to KCAP such equity investment opportunity that was made available to Kohlberg & Co. in the ordinary course of its business and that may be made available by Kohlberg & Co. to third parties, including KCAP, to the extent that Kohlberg & Co. determines in its sole discretion that such equity investment opportunity is both (i) not appropriate for any Kohlberg Person

and (ii) of a type or class of equity investment opportunity that may be appropriate for KCAP.

3. License.

(a) Subject to the terms and conditions herein, Kohlberg & Co. hereby grants to KCAP a limited, non-exclusive license to use the Tradename in the United States during the term of this Agreement only in combination with the word "CAPITAL" and only when referring to the name of KCAP, and solely in connection with the KCAP Services. KCAP shall not use the Tradename in combination with, or in close proximity to, any other trade name, trademark or service mark. KCAP will comply with written trademark use guidelines that Kohlberg & Co. may provide from time-to-time, which may include marking or notice requirements. For clarification, subject to the terms and conditions herein, including without limitation the limitations set forth in this Section 3(a), during the term of this Agreement and only for so long as KDA is wholly-owned by KCAP, KDA shall not be prohibited from referring to its relationship with KCAP in its marketing materials used in the ordinary course of its business.

(b) The right and license granted to KCAP under the preceding paragraph shall not include the right to grant any sublicense to any third party, except with the prior written consent of Kohlberg & Co., which may be granted or withheld in Kohlberg & Co.'s sole discretion.

(c) Nothing contained in this Agreement shall in any way restrict, impair, limit or affect Kohlberg & Co.'s rights to use, or to permit third parties to use, the Tradename.

(d) KCAP acknowledges that Kohlberg & Co. has sole and exclusive ownership of all right, title and interest in and to the Tradename. KCAP further acknowledges, represents and warrants that it has not acquired, and shall not acquire (whether by operation of law, by this Agreement or otherwise), any right, title, interest or ownership (collectively, "Ownership Rights") in or to the Tradename. Should any such Ownership Rights become vested in KCAP during the term of this Agreement or at any time thereafter, KCAP agrees to assign, and hereby does assign, all such Ownership Rights to Kohlberg & Co. free of additional consideration. KCAP shall provide and execute all documents reasonably necessary, as determined by Kohlberg & Co., in its sole discretion, to effectuate and record each such assignment to Kohlberg & Co.

(e) KCAP recognizes the value of the goodwill associated with the

Tradename and acknowledges that all rights therein belong exclusively to Kohlberg & Co. and further acknowledges that the Tradename has acquired secondary meaning in the mind of the public. All use of the Tradename and all goodwill and benefit arising from such use shall inure to the sole and exclusive benefit of Kohlberg & Co. KCAP shall not, during the term of this Agreement or at any time thereafter, do anything which in Kohlberg & Co.'s reasonable judgment could in any way damage, injure or impair the validity and subsistence of the Tradename. KCAP shall not attack, dispute or challenge (i) Kohlberg & Co.'s Ownership Rights in or to the Tradename, (ii) any Kohlberg & Co. trademark registrations relating to the Tradename, or applications therefor, or (iii) the validity of this Agreement, nor shall KCAP assist or encourage others in so doing. Further, KCAP will not make any filings to register any trademarks, service marks, or trade names incorporating the Tradename in any jurisdiction, including "KOHLBERG" or "KOHLBERG CAPITAL." Any and all such applications for registration shall be made by Kohlberg & Co. in its sole discretion and KCAP shall fully cooperate with Kohlberg & Co. in connection with the prosecution of any such applications and the maintenance of any resulting registrations.

4. Quality Control. Kohlberg & Co. shall have the right to exercise quality control over the use of the Tradename by KCAP to that degree necessary to maintain the validity and enforceability of the Tradename and protect the goodwill associated therewith. KCAP, in the provision of the KCAP Services, shall adhere to a level of professional standards substantially consistent with high standards of professionalism common in the financial services industry and the current activities of Kohlberg & Co. In the event that Kohlberg & Co. determines, in its sole discretion, that KCAP is materially deviating from (i) the aforementioned standards of professionalism, (ii) the appropriate use of the Tradename or (iii) compliance with applicable laws and regulations, KCAP shall, as promptly as possible, and in no event later than thirty (30) days after the date notice thereof is sent to KCAP by Kohlberg & Co., take such measures as are necessary to correct such material deviations.

5. Infringement. KCAP shall give Kohlberg & Co. notice of any known or presumed infringements of the Tradename, or any claims that use of the Tradename infringes any third party rights. Kohlberg & Co. shall have the sole right (a) to determine the appropriate course of action to be taken to enforce any proprietary rights in the Tradename and otherwise respond to any such infringement or claims, including the decisions whether to enforce any proprietary rights in the Tradename, and (b) to control any litigation or other enforcement action, and to enter into, or permit the, settlement of any such litigation or other enforcement action relating to the Tradename. KCAP shall, at the request of Kohlberg & Co., fully cooperate with

Kohlberg & Co. in connection with any of the foregoing.

6. Further Action.

(a) During the term of this Agreement, KCAP shall take reasonable steps to direct to Kohlberg & Co. and its Affiliates any inquiry it receives from any person whom KCAP reasonably believes to be seeking contact with Kohlberg & Co. or its Affiliates, and Kohlberg & Co. shall take reasonable steps to direct to KCAP and its Affiliates any inquiry it receives from any person whom Kohlberg & Co. reasonably believes to be seeking contact with KCAP or its Affiliates.

(b) The parties agree to cooperate and consult with each other, in good faith, should future conditions or developments suggest to either the possibility that the parties' respective uses of the Tradename might be likely to be confused with one another, all with the view to ensuring that no substantial likelihood of confusion between the parties' respective uses of the Tradename in commerce shall occur or continue.

7. Term. The term of this Agreement shall commence on the Effective Date and continue through the date that is five (5) years from the date hereof, unless terminated earlier in accordance with the terms of this Agreement (the "Initial Term"). At the conclusion of the Initial Term, this Agreement shall be automatically renewed for successive one year terms unless terminated in accordance with the terms of this Agreement.

8. Termination.

(a) Termination At Will After Expiration of Initial Term. After the expiration of the Initial Term, either party may terminate this Agreement upon at least ninety (90) days' prior written notice to the other party.

(b) Termination for Breach or Non-Compliance. If any party materially breaches any of its obligations under this Agreement, the other party shall have the right, without prejudice to any other rights it may have, at any time thereafter to terminate this Agreement upon at least thirty (30) days' prior written notice, provided that such breach is continuing at the end of such notice period. Such termination shall automatically become effective unless the breaching party completely remedies such breach to the other party's reasonable satisfaction within such applicable notice period.

(c) Termination Due to Insolvency. If KCAP: (i) commences or becomes the subject of any case or proceeding under the bankruptcy, insolvency or equivalent laws of any jurisdiction; (ii) has

appointed for it or for any substantial part of its property a court appointed receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official; (iii) makes an assignment for the benefit of its creditors; (iv) defaults on any obligation which is secured, in whole or in part, by a security interest in its assets; (v) fails generally to pay its debts as they become due; or (vi) takes corporate action in furtherance of any of the foregoing (collectively, herein referred to as "Events of Insolvency"), then, in each case, KCAP shall immediately give notice of such event to Kohlberg & Co. Whether or not such notice is given, Kohlberg & Co. shall have the right, to the fullest extent permitted under applicable law, following the occurrence of any Event of Insolvency and without prejudice to any other rights Kohlberg & Co. may have, at any time thereafter to terminate this Agreement, effective immediately upon giving notice to KCAP.

(d) Termination upon Change of Control. If KCAP (either in a single transaction or in a series of related transactions, and either, directly or indirectly) (i) sells, or otherwise transfers, disposes of, all or substantially all of its business or assets; or (ii) transfers effective voting or other business control of itself (either a "Change of Control") to any person or group of persons acting in concert, then this Agreement shall automatically terminate effective immediately prior to consummation of such Change in Control.

(e) Additional Kohlberg & Co. Termination Right. If the board of directors of KCAP at any time ceases to include at least two members who are employees of Kohlberg & Co., Kohlberg & Co. shall have the right, without prejudice to any other rights it may have, at any time thereafter to terminate this Agreement, effective immediately upon giving notice to KCAP.

(f) Automatic Termination of License. The rights and licenses granted to KCAP herein shall automatically terminate upon the termination of this Agreement for any reason. Upon such termination, KCAP shall immediately and permanently cease all use of the Tradename and shall, at Kohlberg & Co.'s request, take all steps and actions as Kohlberg & Co. may deem necessary to reflect or confirm such termination and surrender of KCAP's rights to use same. KCAP shall not be entitled to any compensatory payment upon such termination or surrender for any reason.

(g) Survival. Notwithstanding the foregoing, Sections 3(c), 3(d), 3(e), 5, 8(f), 8(g), 9 and the last sentence of Section 11 shall survive any termination of this Agreement.

9. Disclaimer and Limitation on Liability; Indemnification. KOHLBERG & CO. EXPRESSLY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE TRADENAME, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF NON-INFRINGEMENT. IN NO EVENT SHALL KOHLBERG & CO. BE LIABLE FOR ANY EXEMPLARY, PUNITIVE, SPECIAL, INCIDENTAL, INDIRECT, OR CONSEQUENTIAL DAMAGES WHATSOEVER, INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOST PROFITS, LOST INVESTMENT OPPORTUNITY OR ANY OTHER PECUNIARY LOSS ARISING OUT OF, OR RELATING IN ANY WAY TO THIS AGREEMENT, TO THE USE OF OR INABILITY TO USE THE TRADENAME OR THE FAILURE TO PROVIDE INVESTMENT REFERENCES CONTEMPLATED BY THIS AGREEMENT, EVEN IF KOHLBERG & CO. HAS BEEN ADVISED OR SHOULD BE OR HAS BEEN AWARE OF THE POSSIBILITY OF SUCH DAMAGES. In addition to the foregoing, KCAP hereby agrees that none of Kohlberg & Co. or any Kohlberg Person or any of their respective partners, employees, agents or Affiliates (collectively, the "Kohlberg & Co. Group") shall incur any liability of any kind to KCAP, any Person or entity acting by or through KCAP, or any Affiliate of KCAP or any such Person by virtue of the provisions of Section 2 of this License and Referral Agreement or any of the transactions contemplated thereby, and, to the maximum extent permitted by applicable law that cannot be waived, hereby waives any fiduciary or other duties that any member of the Kohlberg & Co. Group may have (or may be alleged to have) to KCAP in connection with the provisions of Section 2 of this License and Referral Agreement or any of the transactions contemplated thereby. Subject to any limitations required by the Investment Company Act of 1940, as amended, to the extent applicable to KCAP, but otherwise to the maximum extent permitted by law, KCAP hereby agrees to indemnify and hold harmless the members of the Kohlberg & Co. Group from and against any losses, claims, damages, liabilities, or expenses to which any of them may become subject as a result of Section 2 of this License and Referral Agreement or any of the transactions contemplated thereby.

10. Additional Documents, etc. Each party agrees to execute and deliver to the other party such other instruments, documents, and statements, including without limitation, instruments and documents of recordation, assignment, transfer, conveyance, clarification, and consent, and take such other action as may be reasonably necessary or convenient in the discretion of the requesting party, to carry out more effectively the purposes of this Agreement.

11. Assignment; Third Party Beneficiaries. This Agreement shall be binding upon and shall inure to the benefit of Kohlberg & Co. and its successors and assigns. No right or obligation under this Agreement may be transferred or delegated by KCAP, nor may this Agreement be assigned by KCAP, either in whole or in part, except with the prior written consent of

Kohlberg & Co., which may be granted or withheld in the sole discretion of Kohlberg & Co. The Conversion shall not be deemed an assignment hereunder and upon the Conversion Kohlberg Capital Corporation shall execute and deliver the acknowledgment page attached hereto. Any purported assignment in violation of this paragraph will be null and void. In order to induce Kohlberg & Co. to enter into this License and Referral Agreement, KCAP hereby confirms that members of the Kohlberg & Co. Group are intended third party beneficiaries of the agreements, representations, warranties and other terms and provisions contained in Sections 9 and 11 of this License and Referral Agreement.

12. Miscellaneous. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior understandings, agreements, or representations by or between the parties, written or oral, to the extent they are related in any way to the subject matter hereof. Section headings are for convenience of reference only, and shall not affect interpretation of this Agreement. This Agreement shall be binding on and inure to the benefit of the parties and their respective successors and assigns. All notifications under this Agreement shall be in writing. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all such counterparts shall together constitute but one and the same instrument. This Agreement shall be governed by and construed in accordance with the domestic substantive laws of the State of New York.

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement as of the date first above written.

KCAP:

KOHLBERG CAPITAL LLC

By: _____
Name:
Title:

Kohlberg & Co.:

KOHLBERG & CO., LLC

By: _____
Name:
Title:

The undersigned, as the resulting corporation from the conversion of Kohlberg Capital, LLC under Section 265 of the Delaware General Corporation Law, hereby acknowledges and agrees that it is a party to and bound by this Agreement as fully as if it had been an original signatory hereto in the place and stead of Kohlberg Capital, LLC.

KOHLBERG CAPITAL CORPORATION

By: _____
Name:
Title:

Exhibit N.4

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents, in accordance with Rule 438 under the Securities Act of 1933, as amended, to being named as a prospective director in the registration statement on Form N-2, and any amendments thereto, to be filed by Kohlberg Capital, LLC.

/s/ C. Turney Stevens, Jr.
Name: C. Turney Stevens, Jr.

Dated: October 5, 2006

Exhibit N.5

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents, in accordance with Rule 438 under the Securities Act of 1933, as amended, to being named as a prospective director in the registration statement on Form N-2, and any amendments thereto, to be filed by Kohlberg Capital, LLC.

/s/ Albert G. Pastino

Name: Albert G. Pastino

Dated: October 6, 2006

Exhibit N.6

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents, in accordance with Rule 438 under the Securities Act of 1933, as amended, to being named as a prospective director in the registration statement on Form N-2, and any amendments thereto, to be filed by Kohlberg Capital, LLC.

/s/ C. Michael Jacobi

Name: C. Michael Jacobi

Dated: October 4, 2006

Exhibit N.7

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to us under the heading “Independent Registered Public Accounting Firm” in Pre – Effective Amendment 1 to Registration Statement No. 333-136714 on Form N-2 of Kohlberg Capital, LLC.

/s/ Deloitte & Touche LLP

New York, New York
October 5, 2006

ROPES & GRAY LLP
ONE INTERNATIONAL PLACE BOSTON, MA 02110-2624 617-951-7000 F 617-951-7050
BOSTON NEW YORK SAN FRANCISCO WASHINGTON, DC

October 6, 2006

Diane Fernandes
(617) 951-7760
diane.fernandes@ropesgray.com

VIA EDGAR

Securities and Exchange Commission
Division of Investment Management
450 Fifth Street, N.W.
Washington, D.C. 20549-0405

Attention: Mary A. Cole, Esq.

Re: SEC Comment Letter dated September 18, 2006
Kohlberg Capital, LLC
Form N-2 filed August 18, 2006
File Nos. 333-136714; 814-00727

Ladies and Gentlemen:

On behalf of Kohlberg Capital, LLC, a Delaware limited liability company (the "Company"), and pursuant to the applicable provisions of the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder, please find attached for filing with the Securities and Exchange Commission (the "Commission") via EDGAR a complete copy (including certain exhibits) of Amendment No. 1 to the above-referenced Registration Statement on Form N-2 (the "Registration Statement"). A copy of Amendment No. 1 to the Registration Statement has been manually signed in accordance with Rule 302 of Regulation S-T and the signature pages thereto will be retained by the Company for a period of five years.

This Amendment reflects certain revisions to the Registration Statement, as filed with the Commission on August 18, 2006, in response to comments received from the Staff of the Commission (the "Staff") in a letter to Diane Fernandes of Ropes & Gray LLP dated September 18, 2006 and telephonically on September 26, 2006. This Amendment also updates certain other information and includes additional information previously omitted.

For your convenience, the Company is supplementally providing to the Staff one typeset copy of Amendment No. 1 to the Registration Statement, which has been marked to indicate the changes from the Registration Statement, as filed with the Commission on August 18, 2006.

For reference purposes, the Staff's comments as reflected in the Staff's letter dated September 18, 2006 are reproduced, and the Staff's comments communicated telephonically on September 26, 2006

are summarized, each in bold and in numerical sequence in this letter. The corresponding responses of the Company are shown below each comment.

Prospectus

COMMENT 1

The name of the Company as it appears on the cover and the name on the inside front cover do not correspond. Please conform the disclosure.

RESPONSE TO COMMENT 1

The Company supplementally advises the Staff that the name on the cover, "Kohlberg Capital, LLC," is currently the name of the Company. However, after the effectiveness of the Registration Statement but prior to the issuance of common stock in this offering, the Company will file an election with the Secretary of State of the State of Delaware to convert from a Delaware limited liability company to a Delaware corporation in accordance with the procedure for such conversion set forth in the Company's limited liability company agreement, Section 216 of the Delaware Limited Liability Company Act and Section 265 of the Delaware General Corporation Law. In connection with such conversion, the name of the Company will be changed to "Kohlberg Capital Corporation." Because "Kohlberg Capital Corporation" will be the name of the Company at the time of the offering, the Company has used that name on the prospectus cover page and throughout the prospectus included in the Registration Statement. The Company will update its name in the EDGAR database following its conversion to Kohlberg Capital Corporation.

Inside front cover

COMMENT 2(a)

Please disclose whether the Company is diversified or non-diversified.

RESPONSE TO COMMENT 2(a)

The Registration Statement has been revised on the cover page of the prospectus and pages 1, 36 and 40 in response to this comment.

COMMENT 2(b)

Disclose the amount of immediate dilution to be experienced by purchasers in the initial offering.

RESPONSE TO COMMENT 2(b)

The Company respectfully directs the Staff to Item 1 and Item 2 of Form N-2, neither of which specifically requires that the amount of immediate dilution be disclosed on the cover page of the

prospectus. The Company has, however, included a cross-reference on the cover page of the prospectus to the disclosure contained on page 33 of the prospectus, where the amount of immediate dilution to be experienced by purchasers in the initial offering together with a description of the several assumptions underlying the calculation of that amount is disclosed.

COMMENT 2(c)

In a supplemental letter to the staff, describe in greater detail the "strategic relationship" between the Company and Kohlberg & Co. and analyze whether the relationship contemplated violates the affiliated transaction provisions of Section 57 of the Investment Company Act of 1940 ("1940 Act").

RESPONSE TO COMMENT 2(c)

The Company supplementally advises the Staff that the "strategic relationship" (the "Strategic Relationship") between the Company and Kohlberg & Co., L.L.C. ("Kohlberg & Co.") refers to (1) the initial inclusion of three co-managing partners of Kohlberg & Co. on the Company's Board of Directors, (2) the initial inclusion of two of those co-managing partners on the Company's Investment Committee, and (3) the transactions provided for in the License and Referral Agreement between the Company and Kohlberg & Co. (the "License and Referral Agreement"), a copy of which is filed as Exhibit k.5 to the Registration Statement, and the Transition Services Agreement between the Company and Kohlberg & Co. (the "Transition Services Agreement"), a copy of which is filed as Exhibit k.4 to the Registration Statement. As described in the Registration Statement, pursuant to the License and Referral Agreement, Kohlberg & Co. has agreed to notify the Company of certain investment opportunities that may be of interest to the Company. In addition, pursuant to the License and Referral Agreement, Kohlberg & Co. has granted to the Company a royalty-free license to use the "Kohlberg" name in the name of the Company for a period of not less than five years, subject to specified early termination rights. The Company will not pay any compensation to Kohlberg & Co. under the License and Referral Agreement. The Transition Services Agreement involves the provision of certain administrative and related services by Kohlberg & Co. to the Company for a period (not expected to exceed 180 days) after the acquisition by the Company of Katonah Debt Advisors, L.L.C. ("KDA"). Kohlberg & Co. will be reimbursed by the Company for certain expenses incurred under the Transition Services Agreement but will not receive any other compensation under the Transition Services Agreement.

The Company does not believe that the Strategic Relationship constitutes a prohibited affiliated transaction under Section 57 of the Investment Company Act of 1940, as amended (the "1940 Act"). The Strategic Relationship does not violate any of Sections 57(a)(1), 57(a)(2), or 57(a)(3) of the 1940 Act because the Strategic Relationship does not involve the Company and Kohlberg & Co. buying property or securities from, or selling property or securities to, each other, and does not involve Kohlberg & Co. borrowing money or other property from the Company. Furthermore, the Strategic Relationship does not result in a violation of Section 57(a)(4) of the 1940 Act or the corresponding Rule 17d-1 promulgated under the 1940 Act, which rule is applicable to business development

companies ("BDCs") through the application of Section 57(i) of the 1940 Act. "Joint enterprise or other joint arrangement or profit-sharing plan" is defined in Rule 17d-1(c) to include "any written or oral plan, contract, authorization or arrangement, or any practice or understanding concerning an enterprise or undertaking whereby a registered investment company or a controlled company thereof and any affiliated person of…such registered investment company, or any affiliated person of such a person…, have a joint or a joint and several participation, or share in the profits of such enterprise or undertaking…" Some element of combination or profit motive must generally be present for Section 17(d) (and corresponding Section 57(a)(4)) and Rule 17d-1 to apply.

The Strategic Relationship involves membership of certain of Kohlberg & Co.'s co-managing partners on the Company's Board of Directors and Investment Committee, an agreement to notify the Company of certain investment opportunities without the receipt of compensation therefor, the provision of certain administrative services on a temporary basis and a royalty-free license, subject to certain limitations, to use the "Kohlberg" name in the name of the Company. As a result, the Company does not believe that the Strategic Relationship results in a violation of Section 57(a)(4) of the 1940 Act or Rule 17d-1 promulgated under the 1940 Act because it does not involve any undertaking or enterprise in which the Company and Kohlberg & Co. participate jointly or jointly and severally or share in the profits of an undertaking or enterprise.

COMMENT 2(d)

In your response letter explain in detail the relationship between the Company and Katonah Debt Advisors ("KDA"). Specifically, analyze whether this entity would be an "eligible portfolio company" under the terms of the BDC provisions of the 1940 Act or whether the Company would be engaged in an operating business (an advisory business) through the activities of a wholly owned subsidiary.

RESPONSE TO COMMENT 2(d)

The Company supplementally advises the Staff that KDA is a wholly-owned eligible portfolio company of the Company. The Company has agreed to acquire 100% of the equity of KDA from affiliates of Kohlberg & Co. pursuant to an Irrevocable Exchange and Subscription Agreement dated August 17, 2006 which is filed as Exhibit K.2 to the Registration Statement.

The Company believes that KDA satisfies the definition of "eligible portfolio company" contained in Section 2(a)(46) of the 1940 Act. KDA is organized under the laws of, and has its principal place of business in, a State of the United States, as required by the first prong of the definition of "eligible portfolio company" contained in Section 2(a)(46)(A) of the 1940 Act. KDA is neither an investment company, as defined in Section 3 of the 1940 Act, nor a company that would be an investment company except for the exclusions from the definition of investment company contained in Section 3(c) of the 1940 Act, as required by the second prong of the definition of "eligible portfolio

company" contained in Section 2(a)(46)(B) of the 1940 Act. KDA also satisfies the third prong of the definition of "eligible portfolio company" contained in Section 2(a)(46)(C) of the 1940 Act because it satisfies the conditions set forth in Section 2(a)(46)(C)(i) of the 1940 Act. KDA does not have any class of securities with respect to which a member of a national securities exchange, broker, or dealer may extend or maintain credit to or for a customer pursuant to rules or regulations adopted by the Board of Governors of the Federal Reserve System under Section 7 of the Securities Exchange Act of 1934, as amended. Because KDA satisfies all three prongs of the definition of "eligible portfolio company" set forth in Section 2(a)(46) of the 1940 Act, the Company believes that KDA is an eligible portfolio company. As a result, the Company believes that its equity interest in KDA is a security of the type described in Section 55(a)(1) of the 1940 Act because KDA is an eligible portfolio company that was acquired from affiliated persons of KDA in a transaction that did not involve any public offering.

In addition, the Company believes that KDA is an "eligible portfolio company" and that the Company is not engaged in an operating business through the activities of a wholly owned subsidiary because KDA operates as an independent business from the Company. KDA has entered into collateral management agreements with a number of CDO Funds for which it acts as collateral manager and KDA employs its own employees to provide the services required under the collateral management agreements.

The Company further believes that the Company is not engaged in an operating business through the activities of its wholly-owned subsidiary because, under applicable accounting rules, KDA should not be consolidated with the Company for financial reporting purposes.

First, KDA should not be consolidated for financial statement reporting purposes with the Company because KDA is not an investment company. Rule 6.03(c)(1) of Regulation S-X provides that "[c]onsolidated and combined statements filed for registered investment companies shall be prepared in accordance with Rules 3A-01 to 3A-05 except that (i) statements of the registrant may be consolidated only with the statements of subsidiaries which are investment companies…" Further, the AICPA Audit and Accounting Guide – Investment Companies states that "Except as discussed in paragraphs 7.05 and 7.06, consolidation or use of the equity method of accounting by an investment company of a non-investment company investee is not appropriate." Similarly, Accounting Principles Board (APB) Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock, does not apply to "investments in common stock held by investment companies registered under the Investment Company Act of 1940 or investment companies which would be included under the Act (including small business investment companies) except that the number of stockholders is limited and the securities are not offered publicly." Under the AICPA Audit and Accounting Guide – Investment Companies, which defines investment company as "an entity that pools

shareholders' funds to provide the shareholders with professional investment management," KDA is not considered to be an investment company. The AICPA Audit and Accounting Guide – Investment Companies further clarifies that investment companies include "management investment companies, unit investment trusts (UITs), common (collective) trust funds, investment partnerships, certain separate accounts of life insurance companies, and offshore funds. Management investment companies may be open-end funds, usually known as mutual funds, closed-end funds, special purpose funds, venture capital investment companies, small business investment companies (SBICs), and business development companies (BDCs)." Asset managers and investment advisors (including collateral managers) are not included within the definition of investment company.

Rule 6.03(c)(1) of Regulation S-X provides that "[c]onsolidated and combined statements filed for registered investment companies shall be prepared in accordance with Rules 3A-01 to 3A-05 except that (i) statements of the registrant may be consolidated only with the statements of subsidiaries which are investment companies…" Further, the AICPA Audit and Accounting Guide – Investment Companies states that "Except as discussed in paragraphs 7.05 and 7.06, consolidation or use of the equity method of accounting by an investment company of a non-investment company investee is not appropriate." Similarly, Accounting Principles Board (APB) Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock, does not apply to "investments in common stock held by investment companies registered under the Investment Company Act of 1940 or investment companies which would be included under the Act (including small business investment companies) except that the number of stockholders is limited and the securities are not offered publicly."

Paragraph 7.06 of the AICPA Audit and Accounting Guide – Investment Companies provides that a variable interest entity (a "VIE") is required to be consolidated when the investment company is subject to a majority of the risk of loss from the VIE's activities or is entitled to receive a majority of the entity's residual returns or both. Disclosure is also required about VIEs that the investment company is not required to consolidate but in which it has a significant variable interest. However, registered investment companies are not required to consolidate a VIE unless the VIE is a registered investment company.

Second, the Company believes that KDA should not be consolidated for financial statement reporting purposes with the Company because KDA does not provide all or a substantial portion of its services to the Company. Paragraph 7.05 of the AICPA Audit and Accounting Guide – Investment Companies provides an exception to the general rule discussed above if the "investment company has an investment in an operating company that provides services to the investment company, for example, an investment adviser or transfer agent." In those cases, the purpose of the investment is to provide services to the investment company rather than to realize a gain on the sale of the investment. If an individual investment company holds a controlling interest in such an operating company, consolidation is appropriate. The Company acknowledges that the Commission has taken the view that consolidation of an entity may be appropriate in circumstances where the entity was established solely for the purpose of providing services to the registered investment company, or was providing a substantial portion of its services to the registered investment company. Because KDA manages

collateralized debt obligation funds where the invested capital is provided primarily by third party investors (rather than the Company or any affiliate of the Company), the Company does not believe that KDA should be viewed as providing a substantial portion of its services to the Company.

Because KDA qualifies as an "eligible portfolio company" under the 1940 Act, KDA is operating an independent business from that of the Company and consolidation of the Company and KDA is not appropriate for financial reporting purposes. The Company believes that KDA is an "eligible portfolio company" and that it should not be deemed to be engaged in an operating business through the activities of a wholly owned subsidiary.

COMMENT 2(e)

In the disclaimer before the Table of Contents state that the Company will amend the Registration Statement in the event of material changes to the disclosure in the current Registration Statement.

RESPONSE TO COMMENT 2(e)

The Registration Statement has been revised on the Table of Contents page in response to this comment.

COMMENT 3

Overview – This section states that KDA manages collateralized debt obligation funds ("CDO Funds"). In your response letter describe in detail these CDO Funds and explain who invests in these funds. Analyze whether the transactions contemplated would constitute affiliated transactions under Section 57 of the 1940 Act.

RESPONSE TO COMMENT 3

The Company supplementally advises the Staff that CDO Funds are asset-backed securitization vehicles that invest in bonds, loans, high-yield debt and other types of debt obligations. Each CDO Fund issues multiple tranches of notes, with each tranche bearing interest at a different rate. Each CDO Fund also issues preferred shares or subordinated securities that are designed to share in the residual profits of the CDO Fund, if any, remaining after the CDO Fund has repaid all tranches of outstanding notes, including all interest due thereon. Generally, investors in CDO Funds are financial institutions that are "qualified institutional buyers" as that term is defined in Rule 144A promulgated under the Securities Act, and CDO Fund securities are issued pursuant to exemptions from the registration requirements of the Securities Act. Each CDO Fund is exempt from registration as an "investment company" pursuant to the provisions of Section 3(c)(7) of the 1940 Act.

The Company believes that, following its election to be regulated as a BDC, KDA's management of the CDO Funds and any possible investment in, or co-investment with, a CDO Fund by the Company will

not be prohibited by the restrictions on affiliated transactions contained in Section 57 of the 1940 Act. Section 57(b)(1) under the 1940 Act makes the prohibitions (absent SEC approval) on certain joint and principal transactions contained in Section 57(a) of the 1940 Act applicable to "any director, officer, employee, or member of an advisory board" of a BDC or "any person who is, within the meaning of Section 2(a)(3)(C) of [the 1940 Act], an affiliated person of any such person specified in [Section 57(b)(1)]." Similarly, Section 57(b)(2) under the 1940 Act makes Section 57(a) of the 1940 Act applicable to "any investment adviser or promoter of, general partner in, principal underwriter for, or person directly or indirectly either controlling, controlled by, or under common control with, a business development company…or any person who is, within the meaning of Section 2(a)(3)(C) or (D), an affiliated person of any such person specified in [Section 57(b)(2)]." Although KDA is controlled by the Company and the CDO Funds will be controlled by KDA within the meaning of Section 2(a)(3)(C) of the 1940 Act (and therefore both KDA and the CDO Funds will come within the types of persons described in Section 57(b)(2) of the 1940 Act), Rule 57b-1 promulgated under the 1940 Act states that "[n]otwithstanding subsection (b)(2) of section 57 of the [1940] Act, the provisions of subsection (a) of that section shall not apply to any person (a) solely because that person is directly or indirectly controlled by a business development company or (b) solely because that person is, within the meaning of Section 2(a)(3)(C) or (D) of the [1940] Act, an affiliated person of a person described in (a) of this section." The proposing release for Rule 57b-1 makes it clear that the rule is designed to reflect Congressional intent that SEC approval not be required for transactions between a BDC and its controlled downstream affiliates. See *Interim Rules Exempting Business Development Companies and Certain of their Affiliates from Provisions of the Investment Company Act*, Investment Company Act Rel. No. 11493 (December 16, 1980).

The Company controls KDA, which, as the collateral manager, controls the CDO Funds. Pursuant to Rule 57b-1 under the 1940 Act, principal and joint transactions between KDA and the CDO Funds are not prohibited by Section 57(a), and principal and joint transactions between the Company and the CDO Funds are not prohibited by Section 57(a), because any such transactions would be between a BDC and its controlled downstream affiliates.

Section 57(d) of the 1940 imposes similar restrictions on transactions with persons described in Section 57(e) of the 1940 Act (although, unlike Section 57(a), under Section 57(d) transactions are permitted if the independent directors make certain findings). However, the Company believes that neither KDA nor any CDO Fund for which KDA acts, or will act, as collateral manager is included within the group of persons described in Section 57(e) of the 1940 Act.

COMMENT 4

Will the "strategic relationship" with Kohlberg & Co. ("Kohlberg") involve the payment of any fees to Kohlberg? If so, who will be responsible for the payment of such fees?

RESPONSE TO COMMENT 4

The Company supplementally advises the Staff that the Strategic Relationship will not involve the payment of any fees to Kohlberg & Co. other than the expense reimbursement provided for under the Transition Services Agreement.

COMMENT 5

Page 2 – This section describes the employees of the Company. Please note that Rule 38a-1 under the 1940 Act mandates that a BDC have a functioning Chief Compliance Officer. Who is serving in that capacity and how is such person being compensated? Will the Company's CCO review and approve all response letters and revised disclosure documents filed with the Commission?

RESPONSE TO COMMENT 5

The Company supplementally advises the Staff that the Company expects to hire a Chief Financial Officer who will also serve as the Company's Chief Compliance Officer. The Company is actively searching for a Chief Financial Officer and expects to hire such individual shortly. In any event, the Company supplementally advises the Staff that the Company understands that the Chief Compliance Officer must be in place prior to the Company's filing of its election on Form N-54A to be regulated as a BDC. The Company further expects that the Chief Financial Officer will be one of the three highest paid officers of the Company and, as such, information regarding such person's compensation is expected to be included in the table on page 63 of the Registration Statement. The Company will amend the Registration Statement to include the name and biography of the Chief Financial Officer and to include such individual's expected compensation for the fiscal year ending December 31, 2007 in the Summary Compensation Table on page 63 of the Registration Statement. Because the Chief Compliance Officer has not yet been retained, such person has not reviewed this response letter or the Registration Statement or Amendment No.1 thereto. However the Chief Compliance Officer will review any response letters and disclosure documents filed with the Commission from and after the date on which such person becomes employed by the Company and, in any event, will review the final Registration Statement prior to it being declared effective by the Staff.

COMMENT 6

Risks Related to our Investments – Please add the risk of leverage to this section of the Registration Statement.

RESPONSE TO COMMENT 6

The Registration Statement has been revised on page 21 in response to this comment.

COMMENT 7

Risks Related to this Offering – Please disclose the amount of immediate dilution to be experienced by the purchasers in the initial offering.

RESPONSE TO COMMENT 7

The Registration Statement has been revised on page 25 in response to this comment to include the amount of immediate dilution to be experienced by the purchasers in the initial offering.

COMMENT 8

The Offering (Use of Proceeds) – This section states that the proceeds to be used by KDA will in turn be used to repay a credit facility provided by an affiliate of one of the underwriters in the offering. In your response letter analyze this transaction under the affiliated transaction provisions of Section 57 of the 1940 Act.

RESPONSE TO COMMENT 8

The Company supplementally advises the Staff that, as described in the Registration Statement, the Company will use approximately $185 million of the proceeds of the initial public offering to acquire the assets of a special purpose vehicle, Ardsley CLO I, Ltd., that was organized by KDA (the "Special Purpose Vehicle") in February 2006. The Special Purpose Vehicle will then use such proceeds to repay the amounts outstanding under its credit facility (the "Credit Facility") with Lehman Commercial Paper Inc. ("Lehman Commercial Paper"), an affiliate of Lehman Brothers Inc. ("Lehman Brothers"), one of the underwriters of the Company's initial public offering. In connection with the establishment of the Credit Facility, an entity (the "First Loss Entity") controlled by one of the Company's proposed directors agreed to fund the first $5 million of losses (if any) that would otherwise be borne by Lehman Commercial Paper if the proceeds from the sale of the Special Purpose Vehicle's assets are insufficient to repay the Credit Facility.

The Special Purpose Vehicle used the borrowings under the Credit Facility to acquire the assets described above that are being purchased by the Company. The Company believes that the repayment of the Credit Facility by the Special Purpose Vehicle does not constitute a prohibited joint transaction between the Company or KDA and Lehman Brothers, Lehman Commercial Paper, the Special Purpose Vehicle and/or the First Loss Entity under Section 57(a)(4) and Rule 17d-1 promulgated under the 1940 Act, which rule is applicable to business development companies through the application of Section 57(i) of the 1940 Act.

For the reasons described in the response to Comment 3 above, the Company believes that the purchase of assets from the Special Purpose Vehicle, which is controlled by the Company's wholly-owned subsidiary, KDA, will not constitute a transaction prohibited under Section 57 of the 1940 Act.

The Company also believes that the repayment of the Credit Facility by the Special Purpose Vehicle using the funds received from the Company will not constitute a prohibited joint transaction under Section 57(a)(4) of the 1940 Act. As described in the Company's response to comment 2(c), Rule 17d-1(c) defines a "joint enterprise or other joint arrangement or profit-sharing plan" to include "any written or oral plan, contract, authorization or arrangement, or any practice or understanding concerning an enterprise or undertaking whereby a registered investment company or a controlled company thereof and any affiliated person of… such registered investment company, or any affiliated person of such a person…, have a joint or a joint and several participation, or share in the profits of such enterprise or undertaking…" Some element of combination or profit motive must generally be present for Section 17(d) (and corresponding Section 57(a)(4)) and Rule 17d-1 to apply.

The Credit Facility was established in March 2006, four months before Kohlberg & Co. determined to pursue organizing a BDC (i.e., the Company) to continue and expand the middle market investment and asset management business of KDA and retained Lehman Brothers to act as principal underwriter for a possible public offering of securities of a BDC. By the terms of the engagement letter with Lehman Commercial Paper and the definitive Credit Facility documents, the Credit Facility was linked to the creation of the Special Purpose Vehicle and was not tied, in any manner, to the organization of a BDC or a public offering of securities of a BDC. In fact, the Credit Facility documents contemplate that the Credit Facility would be repaid by the Special Purpose Vehicle and, as described above, do not contemplate a sale of the underlying assets to a BDC. Because there was no mention of the Company in either the engagement letter with Lehman Commercial Paper or the Credit Facility documents, the Company believes that there is no element of combination present in the transactions and, as a result, the transactions do not constitute a prohibited joint transaction under the 1940 Act.

In Merrill Lynch et. al. (pub. avail. June 16, 1992), the Staff provided no-action relief under Sections 17(a) and 17(d) of the 1940 Act where various sponsors of a new unit investment trust (the "New UIT") desired to purchase bonds from the issuer or a third party and deposit them into the New UIT. These bonds were previously held by a former unit investment trust (the "Old UIT") sponsored by the same sponsors and had been sold to the issuer or the third party. In providing the no-action relief, the Staff relied on a representation from the sponsors, among other representations, that the purchase by the sponsors of the redeemed bonds for the New UIT was not part of any arrangement, understanding or practice relating to the original purchase of the bond by the Old UIT (i.e., the two were separate transactions). In Norwest Bank Minnesota, N.A. (pub. avail. May 25, 1995), the Staff provided no-action relief under Section 17(d) of the 1940 Act where registered investment companies compensated custodians affiliated with the companies' investment adviser for services provided in connection with a securities lending program. In Norwest Bank, the Staff stated that "Section 17(d) and Rule 17d-1 do not reach every economic relationship in which an investment company is on one side and one of its affiliates is on the other. Rather, some element of combination is required." In providing the no-action

relief, the Staff noted that a service arrangement between a fund and an affiliated person of the fund under which compensation is not based on a share of the revenue generated by the service provider's efforts is not a joint enterprise or other joint arrangement or profit sharing plan and is outside the scope of Rule 17d-1.

The decision to engage in an initial public offering of securities of the Company and to use a portion of the proceeds of that offering to purchase the assets initially acquired by the Special Purpose Vehicle with the proceeds of the Credit Facility was not part of any plan, arrangement or understanding relating to the Credit Facility. The Credit Facility was linked to the establishment of the Special Purpose Vehicle and did not, in any manner, contemplate the organization of a BDC or a public offering of securities of a BDC. At the time the Credit Facility was established, there was no intention to organize a BDC or offer to the public securities of the BDC. The Company believes that the arms-length Credit Facility extended by Lehman Commercial Paper to the Special Purpose Vehicle should be viewed similarly to the securities lending services provided by an affiliated custodian in Norwest Bank in that the compensation to Lehman Commercial Paper for making the loan (i.e., the interest earned on the Credit Facility) is not based on the revenue of the Special Purpose Vehicle. In addition, the compensation to Lehman Commercial Paper under Credit Facility was not based on, or impacted by, the organization of the Company, the amount of proceeds raised in the Company's initial public offering or the use of such proceeds by the Company.

The Company believes that the current set of facts can be contrasted with those in Greater Washington Investors, Inc. (pub. avail. May 27, 1988), where a controlling shareholder of a BDC (i.e., an affiliate) agreed to lend money to the BDC provided the BDC would repay the loan as soon as reasonably practicable through a rights offering to its stockholders. Thus, in Greater Washington, the loan by an affiliate of the BDC was expressly tied to the rights offering by the BDC and the Staff concluded that the arrangement did constitute a prohibited joint transaction under Section 57(a)(4) of the 1940 Act. The Company's facts are distinguishable from those in Greater Washington because the Company's facts involve two very separate transactions: first, the Credit Facility in connection with the creation of the Special Purpose Vehicle; and, second, the proposed public offering of common stock of the Company (which public offering may or may not ultimately occur). As stated above, at the time the Credit Facility was established for the Special Purpose Vehicle, the Company did not exist. Also, unlike Greater Washington, the lender under the Credit Facility was not an affiliate of the Company at the time the Credit Facility was executed. If the Company's initial public offering is not completed, the Credit Facility will be repaid by the Special Purpose Vehicle from the proceeds of the issuance of notes to be issued in a traditional collateralized debt obligation fund structure, as was contemplated by all parties to the Credit Facility in March 2006 when the Credit Facility was entered into. Lastly, the Company currently expects to file a Notice of Election to be regulated as a BDC no later than November 2006, at which time the Company will become subject to Section 57(a)(4) of the 1940 Act and Rule 17d-1 promulgated under the 1940 Act. Thus, the Company will not be subject to the joint transaction provisions of the 1940 Act until approximately eight months after the execution of the Credit Facility.

For the reasons described above, the Company believes that the proposed transactions will not result in a violation of Section 57(a)(4) of the 1940 Act or Rule 17d-1 promulgated under the 1940 Act.

COMMENT 9

Fees and Expenses – Please delete the phrase "borne by us" in the "Offering expenses" line item of the fee table.

RESPONSE TO COMMENT 9

The Registration Statement has been revised on page 12 in response to this comment.

COMMENT 10

Fee Table – Please move the footnotes so that they follow the Example.

RESPONSE TO COMMENT 10

The Registration Statement has been revised on pages 11 and 12 in response to this comment.

COMMENT 11

Fee Table – In your response letter, explain why the expenses of employing investment management professionals is not reflected under "Management Fees" instead of under "Other Expenses." ***See,*** **Instructions 7.a. and 7.b. to Item 3.1 of Form N-2.**

RESPONSE TO COMMENT 11

Instruction 7.a. to Item 3.1 of Form N-2 provides that "'Management Fees' include investment advisory fees ... any other management fees payable to the investment adviser or its affiliates, and administrative fees payable to the investment adviser or its affiliates not included as "Other Expenses," and any expenses incurred within the Registrant's own organization in connection with the research, selection, and supervision of investments." Instruction 9 to Item 3.1 of Form N-2 provides that "'Other Expenses" include all expenses (except fees and expenses reported in other items in the table) that are deducted from the Registrant's assets and will be reflected as expenses in the Registrant's statement of operations ...". The Company supplementally advises the Staff that the Company is internally managed by its executive officers under the supervision of its Board of Directors. As a result, the Company does not pay management fees to an investment adviser. Instead, the Company pays the operating costs (including employee salaries) associated with employing investment management professionals. The Registration Statement has been revised on page 11 to include these operating expenses in the table as "Operating Expenses," which appears in the fees and expenses table in lieu of the line item "Management Fees." The disclosure also includes a footnote disclosing

the components of such “Operating Expenses.” While Instruction 7.a. could be read to require that the operating costs (including employee salaries) associated with employing investment management professionals be included as “Management Fees,” the Company believes that it would be potentially misleading to investors to list its employment costs as “Management Fees” because that disclosure would imply that the Company is externally managed by a third party investment adviser. The Company believes that including such operating costs as “Operating Expenses” together with the footnote which describes the components of such “Operating Expenses” more accurately reflects the Company’s business as an internally managed BDC.

COMMENT 12

Example – Please delete the phrase “and the expenses in the tables above” in the last paragraph of this section.

RESPONSE TO COMMENT 12

The Registration Statement has been revised on page 12 in response to this comment.

COMMENT 13

Our Board of Directors May Change our Investment Objective – Please disclose that the Company may not change its status as a BDC without shareholder vote.

RESPONSE TO COMMENT 13

The Registration Statement has been revised on page 17 in response to this comment.

COMMENT 14

The Equity in Katonah Debt Advisors (page 18) – The disclosure in this section is confusing. Apparently, the Company has already acquired the equity in KDA and subordinated securities in KDA’s CDO Funds and expects to acquire additional securities from KDA. In your response letter, provide a description of the terms of the effectuated transactions and when they occurred. Distinguish these from the transactions yet to be effectuated. The disclosure further states that the valuation of these assets may not reflect the value that could have been obtained from a transaction with a third party. In your letter, explain why this would not constitute overreaching by an affiliate and why the transaction would not require an exemptive order under the 1940 Act.

RESPONSE TO COMMENT 14

The Company supplementally advises the Staff that, pursuant to an Irrevocable Exchange and Subscription Agreement dated August 17, 2006 between the Company, James A. Kohlberg and KAT Associates, LLC, the Company has agreed to acquire 100% of the equity of KDA in exchange for 1,893,000 common units of the Company and a promissory note in the aggregate principal amount of $5 million. The Company further supplementally advises the Staff that, pursuant to an Irrevocable Exchange and Subscription Agreement dated August 17, 2006 between the Company, KKAT Acquisition Company III, LLC, KKAT Acquisition Company IV, LLC, KKAT Acquisition Company V, LLC, KKAT Acquisition Company VII, LLC and KKAT Acquisition Company VIII, LLC, the Company has agreed to acquire certain subordinated securities in CDO Funds managed by KDA and two other asset managers in exchange for 1,233,000 common units of the Company. The Irrevocable Exchange and Subscription Agreements have been filed as Exhibit k.2 and Exhibit k.3 to the Registration Statement. Immediately following consummation of the Company's initial public offering, the Company will use approximately $185 million of the proceeds from the offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans from Ardsley CLO I, Ltd, a special purpose vehicle that was organized by Katonah Debt Advisors in February 2006.

Although third party offers were not solicited in connection with these transactions, the Company believes that the transactions described above do not constitute overreaching by an affiliate that is prohibited by the 1940 Act for the following reasons.

First, the acquisition by the Company of 100% of the equity of KDA and certain subordinated securities of CDO Funds managed by KDA and two other asset managers will be consummated prior to the filing by the Company on Form N-54A of its election to be regulated as a BDC. Therefore, at the time of the transactions, the prohibitions of Section 57 will not apply to the transactions.

Second, the value attributed to 100% of the equity of KDA and the value attributed to the subordinated equity securities of the CDO Funds represents fair value determined in arm's-length negotiations between the Company, affiliates of Kohlberg & Co. and the lead underwriter for the Company's initial public offering.

The value attributed to 100% of the equity of KDA was based on standard investment banking approaches to valuation and relied on three customary sets of analyses: (1) comparable trading values for publicly-traded companies; (2) acquisition multiples for companies acquired in merger and acquisition transactions; and (3) a discounted cash flow analysis of KDA on a standalone basis. The analysis of value based on comparable trading values for publicly traded companies included a discount for KDA's size and the illiquidity of its equity. The analysis of value based on acquisition multiples for companies acquired in merger and acquisition transactions included a discount for KDA's size and the valuation was based on a percentage of assets under management at KDA. The discounted cash flow analysis was based on KDA's projected growth on a standalone basis and net of the capital required to be invested to generate that projected growth.

The subordinated equity securities in two of the CDO Funds that were acquired by the Company were valued at cost, due in part to the fact that such securities were originally issued less than 12 months prior to the acquisition of such securities by the Company and the underlying portfolio of investments in the CDO Funds issuing such securities remain relatively unchanged from the date of original issuance of such subordinated securities. The values of the subordinated securities in the other three CDO Funds that were acquired by the Company, and which represent more mature portfolios of investments, were valued using a discounted cash flow analysis of the remaining cash flows available to those securities discounted at a 12% discount rate which represents a standard risk-adjusted rate typically used by new investors in valuation CDO Fund equity. The valuation attributed to the subordinated securities of these CDO Funds represents a discount to initial cost of approximately 50% due to the fact that the initial holders of the CDO Fund equity have already received the benefit of some of the cash flows.

Third, although the acquisition of the portfolio of approximately $185 million in aggregate principal amount of first and second lien loans to be acquired from the Special Purpose Vehicle will occur immediately after the consummation of the Company's initial public offering and therefore after the filing by the Company of its election to be regulated as a BDC, the portfolio will be acquired for a purchase price that is equal to the cost of such loans to the Special Purpose Vehicle and therefore does not constitute overreaching by an affiliate of the Company.

COMMENT 15

Restructuring – In your response letter, please provide a diagram of the salient features of the restructuring. Our review of the diagram may result in the need for additional disclosure in this section.

RESPONSE TO COMMENT 15

The Company supplementally advises the Staff that a diagram outlining the salient features of the restructuring is attached as Exhibit A to this letter.

COMMENT 16

CDO Fund Securities – Disclose whether there are third party investors in the CDO Funds. Analyze in your letter whether the CDO Funds constitute "eligible portfolio securities" under Section 2(a)(46) of the 1940 Act.

RESPONSE TO COMMENT 16

The Registration Statement has been revised on pages 38 and 43 in response to this comment to state that the securities issued by the CDO Funds are primarily held by third parties. The Company supplementally advises the Staff that it does not generally expect to treat its investments in subordinated securities or preferred stock of CDO Funds as "eligible portfolio companies" as defined

in Section 2(a)(46) of the 1940 Act. For example, the CDO Funds in which the Company currently holds an investment are all organized outside of the United States and, as a result, such investments would not meet the definition of "eligible portfolio companies" under Section 2(a)(46) of the 1940 Act.

COMMENT 17

Management Compensation – The disclosure indicates that consultants will be issued stock options. In your letter explain how issuing options to consultants complies with Section 61 of the 1940 Act.

RESPONSE TO COMMENT 17

The Registration Statement has been revised on page 38 in response to this comment to remove the reference to consultants.

COMMENT 18

Fee Income – In your letter explain whether any fees rendered to the Company for providing managerial assistance to portfolio companies are directed to affiliates of the Company.

RESPONSE TO COMMENT 18

The Company supplementally advises the Staff that there is no existing plan or arrangement involving the Company to direct fees, if any, rendered to the Company for providing managerial assistance to portfolio companies to affiliates of the Company.

COMMENT 19

Background (Page 40) – This section states that the CDO Funds invest in below-investment-grade broadly syndicated loans, bonds and other credit instruments. In your letter analyze whether these underlying instruments constitute appropriate investments for a BDC.

RESPONSE TO COMMENT 19

The Company supplementally advises the Staff that the Company believes that the subordinated securities of CDO Funds, and indirectly the underlying investments of the CDO Funds, are appropriate investments for a BDC. Even assuming that the underlying assets of the CDO Funds do not constitute assets of the type described in Section 55(a)(1) through (7) of the 1940 Act ("Qualifying Assets"), the Company does not believe that the investments are problematic under the 1940 Act because, even if the Staff were to take the view that the Company is required to "look through" its investments in the subordinated securities of the CDO Funds to the underlying investments made by the CDO Funds (which the Company does not believe is the correct analysis under Section 55 of the 1940 Act), the

Company intends to treat its investments in subordinated securities of CDO Funds as part of the 30% portion of its assets that are not required, under the 1940 Act, to be Qualifying Assets.

The legislative history of the Small Business Incentive Act of 1980 (the "1980 Act"), as well as the plain meaning of Section 55(a) of the 1940 Act, indicate that Congress did not intend to limit the flexibility afforded by the 30% "window" permitted under Section 55(a) of the 1940 Act. The legislative history suggests that a BDC may invest up to 30% of its assets (measured at the time an acquisition is made) in virtually any securities or property (subject to the limits on investments in certain types of companies, such as those set forth in Section 12(d)(3)). See, H.R. Rep. No. 96-1341, at 40-41 (1980); S. Rep. No. 96-958, at 23-24 (1980).; Cong. Record, Sept. 23, 1980, at H. 9333 (statement of Sen. Nelson); Cong. Record, Nov. 19, 1980, at E. 5016 (statement by Cong. Sheuer, one of the principal authors of the bill: "For instance, it was contemplated that window investments could furnish a relatively steady flow of income to cover operating expenses … in addition, a BDC might invest in blue chip securities or other investments through the window to arrange its portfolio to reduce overall risk. Such investments were contemplated when the legislation was drafted by the Committee.").

Based on the foregoing, the Company believes that a fair reading of Section 55 of the 1940 Act and the legislative history underlying the 1980 Act permit the conclusion that a BDC has the flexibility to make investments such as those contemplated by the Company to be made in subordinated securities of CDO Funds so long as such investments fit within the Company's 30% "window."

COMMENT 20

Equity Incentive Plan (Page 62) – This section states that the Company will seek Commission exemptive relief to grant stock-based compensation in exchange for services. In your letter inform us whether your research shows that the Commission has granted such relief in the past.

RESPONSE TO COMMENT 20

The Company supplementally advises the Staff that it would like to issue stock-based compensation in exchange for services to executive officers, directors (including non-employee directors) and other key employees, and will seek exemptive relief from the Commission in order to permit the Company to grant restricted stock awards to such persons. The Company is aware that the Commission recently granted similar exemptive relief to MCG Capital Corporation, a publicly-traded BDC. See, MCG Capital Corporation, Release No. 27258 (March 8, 2006) (notice), Release No. 27280 (April 4, 2006) (order).

COMMENT 21

Federal Income Tax Considerations – Please disclose the tax consequences relative to the fee income generated by KDA.

RESPONSE TO COMMENT 21

The Registration Statement has been revised on page 75 in response to this comment.

General Comments

COMMENT 22

We note that portions of the filing are incomplete. We may have additional comments on such portions when you complete them in a pre-effective amendment, on disclosures made in response to this letter, on information supplied supplementally, or on exhibits added in any pre-effective amendments.

RESPONSE TO COMMENT 22

The Staff's comment is noted and the Company supplementally advises the Staff that it will respond to any additional comments raised by the Staff at such time as those comments are provided to the Company.

COMMENT 23

If you intend to omit certain information from the form of Registration Statement included with the registration statement that is declared effective in reliance on Rule 430A under the Securities Act of 1933 ("Securities Act"), please identify the omitted information to us in your supplemental letter, preferably before filing the final pre-effective amendment.

RESPONSE TO COMMENT 23

The Company supplementally advises the Staff that it intends to omit information that is customarily omitted in reliance on Rule 430A from a registration statement at the time such registration statement is declared effective. Such omitted information will include the public offering price, the underwriting discount and commissions payable by the Company in connection with the offering and certain calculations and other disclosures that are based upon such pricing-related information.

COMMENT 24

Response to this letter should be in the form of a pre-effective amendment filed pursuant to Rule 472 under the Securities Act. Where no change will be made in the filing in response to a comment, please indicate this fact in your letter and briefly state the basis for your position.

RESPONSE TO COMMENT 24

The Staff's comment is noted and the Company is filing, together with this response letter, Amendment No.1 to the Registration Statement as a pre-effective amendment pursuant to Rule 472 under the Securities Act. The response letter indicates the Company's response to, and any changes made to the Registration Statement as a result of, each comment raised by the Staff, including, as appropriate, a brief statement of the basis for the Company's position.

ORAL COMMENT RECEIVED ON SEPTEMBER 26, 2006

Disclose the net asset value of the Company on the front cover page.

RESPONSE TO ORAL COMMENT RECEIVED ON SEPTEMBER 26, 2006

The Registration Statement has been revised on the cover page of the prospectus in response to this comment.

We hope that the foregoing has been responsive to the Staff's comments. If you should have any questions about this letter or require any further information, please call the undersigned at (617) 951-7760 or Craig E. Marcus of our offices at (617) 951-7802.

Very truly yours,

/S/ DIANE FERNANDES

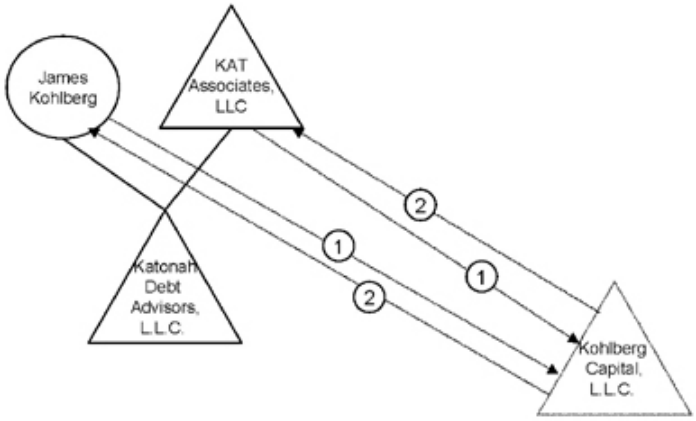
Diane Fernandes
Attachment

EXHIBIT A

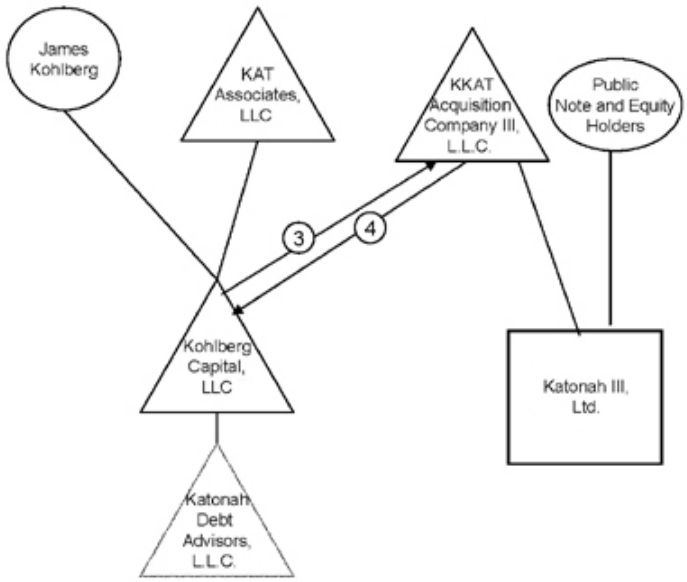
Contribution of Katonah Debt Advisors, LLC

(1) James Kohlberg and KAT Associates, LLC contributed 100% of the equity of Katonah Debt Advisors, LLC ("KDA") to Kohlberg Capital, LLC ("Kohlberg Capital").

(2) In exchange, Kohlberg Capital issued to James Kohlberg and KAT Associates, LLC an aggregate of 1,893,000 common units of Kohlberg Capital.



Contribution of CDO Equity



(3) Although the diagram only depicts KKAT Acquisition Company III, L.L.C. as a model, in this step of the restructuring, each of KKAT Acquisition Company III, L.L.C., KKAT Acquisition Company IV, L.L.C., KKAT Acquisition Company V, L.L.C., KKAT Acquisition Company VII, L.L.C. and KKAT Acquisition Company VIII, L.L.C. contributed all of the preferred shares or subordinated securities, as applicable, of Katonah III, Ltd., Katonah IV, Ltd., Katonah V, Ltd., Katonah VII CLO Fund Ltd. and Katonah VIII CLO Fund Ltd., respectively, held by them to Kohlberg Capital.

(4) In exchange, Kohlberg Capital issued to KKAT Acquisition Company III, L.L.C., KKAT Acquisition Company IV, L.L.C., KKAT Acquisition Company V, L.L.C., KKAT Acquisition Company VII, L.L.C. and KKAT Acquisition Company VIII, L.L.C. an aggregate of 1,258,000 common units of Kohlberg Capital.

BDC Election and Conversion to a Corporation

(5) Prior to the completion of the initial public offering, Kohlberg Capital will file an election on Form N-54A to be regulated as a business development company.

(6) Following the filing of the election to be regulated as a business development company, Kohlberg Capital will file an election with the Secretary of State of the State of Delaware to convert from a Delaware limited liability company to a Delaware corporation in accordance with the procedure for such conversion set forth in the limited liability company agreement of Kohlberg Capital and the Delaware General Corporation Law and the Delaware Limited Liability Company Act. In connection with such conversion to a corporation, the name of the company will be changed to Kohlberg Capital Corporation.