UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 24, 2012**

Kohlberg Capital Corporation

(Exact name of registrant as specified in its charter)

Delaware	**814-00735**	**20-5951150**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

295 MADISON AVENUE NEW YORK, NY	**10017**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(212) 455-8300**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

Note Purchase Agreement and Collateral Administration Agreement

On February 24, 2012, Kohlberg Capital Corporation (the "Company") entered into a Note Purchase Agreement (the "Note Purchase Agreement") with Credit Suisse AG, Cayman Islands Branch ("CS"), Credit Suisse Securities (USA) LLC, as arranger, The Bank of New York Mellon Trust Company, National Association, as collateral administrator and collateral agent ("BNYM"), and KCAP Funding, a special-purpose bankruptcy remote wholly-owned subsidiary of the Company ("KCAP Funding"), whereby KCAP Funding purchased a portfolio of commercial bank loans (the "Collateral Debt Obligations") with a fair market value of approximately $42.5 million from the Company, the purchase of which was financed by the issuance of (a) a senior note in an aggregate principal amount of $30.0 million, issued to CS in exchange for $30.0 million in cash and (b) a junior note in an aggregate principal amount of $12.5 million, issued to the Company in exchange for the sale by the Company to KCAP Funding of the Collateral Debt Obligations.

Pursuant to the Note Purchase Agreement, the Company has agreed to act as Portfolio Manager on behalf of KCAP Funding and CS of the Collateral Debt Obligations, and has granted a security interest to KCAP Funding in all of the Company's right to receive certain management fees, and KCAP Funding granted to CS a security interest in, among other things, the Collateral Debt Obligations and its rights to receive the management fees pledged to it by the Company.

In its capacity as Portfolio Manager, the Company also entered into a Collateral Administration Agreement, dated as of February 24, 2012 (the "Collateral Administration Agreement"), with KCAP Funding, CS and BNYM, as collateral administrator and collateral agent, whereby BNYM will, among other things, hold the collateral on behalf of CS, as secured party, administer the Collateral Debt Obligations and perform certain other administrative obligations.

The foregoing summary of the Note Purchase Agreement and Collateral Administration Agreement is qualified in its entirety by reference to the full text of the Note Purchase Agreement and the Collateral Administration Agreement, which are filed as Exhibits 10.1 and 10.2 to this Current Report on Form 8-K, respectively, and are incorporated by reference herein.

Trimaran Advisors Purchase Agreement

On February 29, 2012, the Company and Commodore Holdings, L.L.C., a newly-formed, wholly-owned subsidiary of the Company ("Buyer"), entered into a Purchase and Sale Agreement (the "Purchase Agreement") with Trimaran Advisors, L.L.C. ("Trimaran Advisors"), HBK Caravelle, L.L.C. ("HBK"), Trimaran Fund Management, L.L.C. ("TFM" and, together with HBK, the "Sellers"), Jay R. Bloom ("Bloom") and Dean C. Kehler ("Kehler"). Pursuant to the terms of the Purchase Agreement, Buyer acquired from the Sellers all of the outstanding equity interests in Trimaran Advisors (the "Acquisition") for total consideration of $13.0 million in cash and 3,600,000 shares of the Company's common stock, par value $0.01 per share ("Common Stock"). In connection with the closing of the Acquisition, an aggregate of $10.5 million in cash (less the amount of outstanding debt of Trimaran Advisors immediately prior to closing) and 1,450,000 shares of Common Stock were paid to Messrs. Bloom and Kehler. The remainder of the purchase price was deposited in escrow pursuant to the terms of an escrow agreement dated February 29, 2012 with The Bank of New York Mellon, as escrow agent (the "Escrow Agreement"), to serve as a non-exclusive source of recovery for certain indemnification obligations of the Sellers, Bloom and Kehler under the Purchase Agreement. The Purchase Agreement contains customary representations, warranties and covenants. In addition, subject to certain limitations, each party has agreed to indemnify the other for breaches of representations, warranties and covenants, and other specified matters. Other than with respect to certain specified matters, the Sellers', Bloom's and Kehler's maximum liability pursuant to the indemnification provisions of the Purchase Agreement is $10.0 million in the aggregate. The 3,600,000 shares of Common Stock that were issued as consideration in the Acquisition were issued to Bloom and Kehler in a private placement in reliance on an exemption from registration under the Securities Act of 1933, as amended. Contemporaneously with the Acquisition, the Company acquired from Trimaran Advisors equity interests in certain collateralized loan obligation funds sponsored by Trimaran Advisors for an aggregate purchase price of $12.0 million in cash.

The foregoing summary of the Purchase Agreement and the Escrow Agreement is qualified in its entirety by reference to the full text of the Purchase Agreement and the Escrow Agreement, which are filed as Exhibits 2.1 and 2.2 to this Current Report on Form 8-K, respectively, and are incorporated by reference herein.

Item 2.01 Completion of Acquisition or Disposition of Assets.

The information regarding the Acquisition set forth under Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information regarding the Note Purchase Agreement and the Collateral Administration Agreement set forth under Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

The information regarding the issuance and sale of 3,600,000 shares of Common Stock in the Acquisition set forth under Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) On February 29, 2012, Samuel P. Frieder tendered his resignation from the Company's Board of Directors (the "Board").

(d) On February 29, 2012, following the completion of the Acquisition, the Board increased the size of the Board to eight (8) members and elected Jay R. Bloom as a Class II director (with a term expiring at the annual meeting of stockholders of the Company held in 2014) and Dean C. Kehler as a Class I director (with a term expiring at the annual meeting of stockholders of the Company held in 2013), each effective as of such date. Each of Messrs. Bloom and Kehler was also appointed to serve on the Valuation Committee of the Board. In connection with the foregoing, the Board determined that each of Christopher Lacovara, Gary Cademartori, C. Michael Jacobi, Albert G. Pastino and C. Turney Stevens was an Independent Director within the meaning of the NASDAQ Stock Market Listing Rules. Each of Messrs. Bloom and Kehler was nominated and elected as a director in accordance with the terms of his employment agreement with Trimaran Advisors (collectively, the "Employment Agreements"), which were entered into effective as of February 29, 2012 in connection with the Acquisition. Under the terms of the Employment Agreements, Messrs. Bloom and Kehler will be employed by Trimaran Advisors as Portfolio Managers for the collateralized loan obligation funds managed by Trimaran Advisors. Assuming the applicable Employment Agreement has not previously terminated, each of Messrs. Bloom and Kehler will receive $50,000 in annual salary during the first year of employment, $75,000 during the second year, $125,000 in the third year, and $200,000 in each year thereafter. The Employment Agreements permit Trimaran Advisors to terminate the employment of Messrs. Bloom or Kehler for cause or for any reason, subject in certain cases to their right to receive severance payments.

The foregoing summary is qualified in its entirety by reference to the full text of the Employment Agreements, which are filed as Exhibits 10.3 and 10.4 to this Current Report on Form 8-K, respectively, and are incorporated by reference herein.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On February 29, 2012, the Board approved an amendment and restatement of the Company's Bylaws (the "Bylaws"). The Bylaws were amended and restated effective as of the date of the approval to, among other things:

- provide that the chairman of the Board need not be an officer of the Company;

- approve certain changes to the advance notice provisions relating to stockholder proposals for the election of directors, including the requirement for a stockholder's notice to the secretary of the Company to include (i) a description of all compensation and other material monetary arrangements during the past three years and any other material relationship between the stockholder and its related persons, on the one hand, and the nominee proposed by the stockholder and the nominee's related persons, on the other hand, and (ii) disclosure about the stockholder's ownership of any derivative instruments related to any capital stock of the Company or with a value derived from the value of any capital stock of the Company, whether or not such instrument is subject to settlement in the Company's capital stock (a "Derivative Instrument"); and

- approve certain changes to the advance notice provisions relating to stockholder proposals for business to be transacted at a meeting of stockholders of the Company, including the requirement for a stockholder's notice to the secretary of the Company to include disclosure about the stockholder's ownership of any Derivative Instrument.

The description of the changes to the Bylaws set forth above is qualified in its entirety by reference to the clean and marked versions of the Bylaws, copies of which are filed hereto as Exhibit 3.1 and Exhibit 99.1, respectively, and are incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

On February 29, 2012, the Company issued a press release, a copy of which is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Document
2.1	Purchase and Sale Agreement, dated February 29, 2012, by and among Kohlberg Capital Corporation, Commodore Holdings, L.L.C., Trimaran Advisors, L.L.C., HBK Caravelle, L.L.C., Trimaran Fund Management, L.L.C., Jay R. Bloom and Dean C. Kehler.
2.2	Escrow Agreement, dated February 29. 2012, by and among Commodore Holdings, L.L.C., Trimaran Fund Management, L.L.C., HBK Caravelle, L.L.C. and The Bank of New York Mellon, as escrow agent.
3.1	Bylaws of Kohlberg Capital Corporation, as amended and restated effective February 29, 2012.
10.1	Note Purchase Agreement, dated as of February 24, 2012, by and among Kohlberg Capital Corporation, Credit Suisse AG, Cayman Islands Branch, Credit Suisse Securities (USA) LLC, as arranger, The Bank of New York Mellon Trust Company, National Association, as collateral administrator and collateral agent, and KCAP Funding.
10.2	Collateral Administration Agreement, dated as of February 24, 2012, by and among Kohlberg Capital Corporation, KCAP Funding, Credit Suisse AG, Cayman Islands Branch, The Bank of New York Mellon Trust Company, National Association, as collateral administrator and collateral agent.
10.3	Employment Agreement, dated February 29, 2012, by and among, Jay R. Bloom and Trimaran Advisors, L.L.C., and, solely as to the last three sentences of Section 1(a) and Section 2(d), Kohlberg Capital Corporation.
10.4	Employment Agreement, dated February 29, 2012,by and among, Dean C. Kehler and Trimaran Advisors, L.L.C., and, solely as to the last three sentences of Section 1(a) and Section 2(d), Kohlberg Capital Corporation.
99.1	Bylaws of Kohlberg Capital Corporation, as amended and restated effective February 29, 2012, marked to show changes.
99.2	Press release issued by Kohlberg Capital Corporation dated February 29, 2012.

SIGNATURES

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

	Kohlberg Capital Corporation
	(Registrant)
March 1, 2012	/s/ Michael I. Wirth
(Date)	Michael I. Wirth
	Chief Financial Officer

EXHIBIT INDEX

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PURCHASE AND SALE AGREEMENT

BY AND AMONG

KOHLBERG CAPITAL CORPORATION

COMMODORE HOLDINGS, L.L.C.

TRIMARAN ADVISORS, L.L.C.

HBK CARAVELLE, L.L.C.

TRIMARAN FUND MANAGEMENT, L.L.C.

JAY R. BLOOM

AND

DEAN C. KEHLER

Dated as of February 29, 2012

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT is made and entered into as of February 29, 2012 (the "Agreement") by and among Kohlberg Capital Corporation, a Delaware corporation ("KCAP"), Commodore Holdings, L.L.C. , a Delaware limited liability company ("Buyer"), Trimaran Advisors, L.L.C., a Delaware limited liability company (the "Company"), Jay R. Bloom and Dean C. Kehler (each, a "Principal" and, collectively, the "Principals"), HBK Caravelle, L.L.C., a Delaware limited liability company ("HBK") and Trimaran Fund Management, L.L.C., a Delaware limited liability company ("TFM" and, together with HBK, each a "Seller" and, collectively, the "Sellers").

RECITALS

WHEREAS, the Sellers own all of the outstanding limited liability company interests in the Company (such limited liability company interests being referred to herein as the "Company Interests");

WHEREAS, the Principals directly or indirectly own all of the limited liability company interests of the Sellers;

WHEREAS, the Company is engaged in the business of creating and managing accounts or pooled investment vehicles holding collateralized loan obligations (the "Business");

WHEREAS, Buyer desires to purchase from the Sellers, and each Seller desires to sell to Buyer, at the Closing (as defined below) all of the Company Interests upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, contemporaneously herewith, KCAP and the Company are entering into a CLO Securities Purchase Agreement in the form attached hereto as Exhibit A pursuant to which KCAP will acquire all of the interests in the CLOs (as defined below) held by the Company as of the date hereof (the "CLO Interests") (such agreement, the "CLO Interests Agreement"); and

WHEREAS, prior to the execution of this Agreement, the Company has sold, transferred or otherwise disposed of all of its right, title and interest in each of the Excluded Assets (as defined below).

AGREEMENT

NOW THEREFORE, in consideration of the premises and mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the parties to this Agreement hereby agree as follows:

ARTICLE I.
DEFINITIONS; CERTAIN RULES OF CONSTRUCTION.

Section 1.01. Definitions. In addition to the other terms defined throughout this Agreement, the following terms shall have the following meanings when used in this Agreement:

"8-K" means any current report on Form 8-K required to be filed by KCAP or any of its Affiliates under the 1934 Act with respect to the Contemplated Transactions.

"1933 Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder by the SEC.

"1934 Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder by the SEC.

"Action" means any claim, controversy, action, cause of action, suit, litigation, arbitration, investigation, examination, opposition, interference, audit, assessment, hearing, complaint, demand or other legal proceeding (whether sounding in contract, tort or otherwise, whether civil or criminal and whether brought at law or in equity) that is commenced, brought, conducted, tried or heard by or before, or otherwise involving, any Governmental Authority.

"Advisers Act" means the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder by the SEC.

"Affiliate" means, with respect to any specified Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with such specified Person. For purposes of the foregoing, a Person shall be deemed to control a specified Person (a) if such Person (or a Family Member of such Person) possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such specified Person or (b) solely for purposes of Section 3.13(b), if such Person is at such time a direct or indirect "beneficial owner" (within the meaning of Section 13(d) of the 1934 Act) of at least 25% of any class of the Equity Interests of such specified Person; provided, however that, for the avoidance of doubt, no contrary presumption shall be made with respect to a Person who does not satisfy clause (a) or (b).

"Agreement" has the meaning set forth in the Preamble.

"Ancillary Agreements" means the Escrow Agreement, the CLO Interests Agreement, the Employment Agreements and the Trademark License Agreement.

"Assets" has the meaning set forth in Section 3.09(a).

"Audited Balance Sheet" has the meaning set forth in Section 3.06(a)(i).

"Audited Balance Sheet Date" has the meaning set forth in Section 3.06(a)(i).

"Audited Financials" has the meaning set forth in Section 3.06(a)(i).

"Business" has the meaning set forth in the Recitals.

"Business Day" means any day other than a Saturday, Sunday or any day on which the Federal Reserve Bank of New York is closed.

"Buyer" has the meaning set forth in the Preamble.

"Buyer Disclosure Schedules" has the meaning set forth in Section 1.02(b).

"Buyer Fundamental Representations" means the representations and warranties set forth in Section 5.01 (Organization), Section 5.02 (Power and Authorization), Section 5.04(b)(iii) (Breach of Organizational Documents), Section 5.05 (Capitalization), and Section 5.13 (No Brokers).

"Buyer Indemnified Person" has the meaning set forth in Section 7.01(a).

"Buyer Material Adverse Effect" means any event, change, fact, condition, circumstance or occurrence that, when considered either individually or in the aggregate together with all other adverse events, changes, facts, conditions, circumstances or occurrences, has had or would reasonably be expected to have a material adverse effect on (A) the operations, results of operations, properties, assets, or financial condition of KCAP and its Subsidiaries, taken as a whole, or (B) the ability of the KCAP or Buyer to consummate the Contemplated Transactions; provided, however, that solely with respect to clause (A), no adverse event, change, fact, condition, circumstance or occurrence to the extent directly attributable to any of the following shall be deemed to be, nor shall be taken into account in determining whether there has been, a Buyer Material Adverse Effect: (a) any changes in the United States or foreign economies as a whole or securities or financial markets in general, (b) any changes that generally affect the industries in which KCAP or its Subsidiaries operate, taken as a whole, (c) any natural disasters, hostilities, acts of war, sabotage or terrorism or military actions, (d) the failure of KCAP or its Subsidiaries to meet any of its internal projections (it being understood that any cause of any such failure that is not otherwise excluded pursuant to the terms of this definition may be taken into consideration when determining whether there has been a Buyer Material Adverse Effect), (e) any changes in GAAP or applicable Legal Requirement and (f) any change in the price or trading volume of the KCAP Common Stock on the NASDAQ Stock Market (it being understood that any cause of any such failure that is not otherwise excluded pursuant to the terms of this definition may be taken into consideration when determining whether there has been a Buyer Material Adverse Effect), which, in the case of clauses (a) through (d), does not disproportionately affect KCAP and its Subsidiaries, taken as a whole, relative to other companies in the industries in which KCAP and its Subsidiaries operate.

"Cash Consideration" has the meaning set forth in Section 2.02(b).

"Change of Control Payment" means (a) any bonus, termination, severance or other payment or other form of Compensation that is created, accelerated, accrues or becomes payable by the Company to any present or former director, officer, equity holder, employee, independent contractor, consultant, adviser or other Person, including pursuant to any employment agreement, benefit plan or any other Contractual Obligation, including any Taxes (excluding any Taxes contemplated by Section 8.04, which shall be borne by the parties as set forth therein) payable on or triggered by the Contemplated Transactions or any such payment (other than payment of the Purchase Price in respect of the Company Interests under or as described in ARTICLE II of this Agreement), (b) any other costs or expenses related to employees or to the termination of any Company Plan (including any Taxes payable in respect thereof), payable by the Company and (c) without duplication of any other amounts included within the definition of Seller Transaction Expenses, any other payment, expense or fee that accrues or becomes payable by the Company (including any Taxes payable in respect thereof) to any Governmental Authority or other Person under any Legal Requirement or pursuant to the terms of any Contractual Obligation, including in connection with the making of any filings, the giving of any notices or the obtaining of any consents, authorizations or approvals, in the case of each of (a), (b) and (c), as a result of, or in connection with, the execution and delivery of this Agreement or any Ancillary Agreement or the consummation of the Contemplated Transactions; provided that Change of Control Payments shall not include payment fees or expenses constituting Special Accounting Expenses or Specified Liabilities.

"Client" means (a) the CLOs and (b) any other Person to whom the Company provides (directly or indirectly) investment advisory, collateral management or related services, in each case as listed on Section 3.19(b) of the Sellers' Disclosure Schedules. For the avoidance of doubt, neither a holder of Debt Interests or Equity Interests in a CLO nor any Person (other than any CLO) to whom a Retained Entity (directly or indirectly) provides investment advisory or related services shall, as such, be a Person described in clause (b) of the immediately preceding sentence.

"Client Contract" means any CLO CMA and any other investment management, collateral management, advisory or sub-advisory contract or any other contract, agreement or understanding (whether written or oral), pursuant to which the Company provides (directly or indirectly) investment advisory, collateral management or related services to any Client entered into on or prior to the date of this Agreement.

"CLO" means each of (i) Trimaran CLO IV, (ii) Trimaran CLO V, (iii) Trimaran CLO VI and (iv) Trimaran CLO VII (collectively, the "CLOs").

"CLO CMA" means, with respect to any CLO, the collateral management agreement (or similar agreement) for such CLO.

"CLO Documents" has the meaning set forth in Section 3.20(a)(ii).

"CLO Fees" has the meaning set forth in Section 6.05(a).

"CLO Indenture" means each indenture for each CLO.

"CLO Interests Agreement" has the meaning set forth in the Recitals.

"CLO Interests" has the meaning set forth in the Recitals.

"CLO Payments" has the meaning set forth in Section 6.05(a).

"CLO Purchase Price" means the aggregate purchase price paid by Buyer or one or more of its Affiliates in exchange for the CLO Interests pursuant to the CLO Interests Agreement.

"CLO Reports" has the meaning set forth in Section 3.20(e).

"Closing" has the meaning set forth in Section 2.03(a).

"Closing Date" means the date hereof.

"Closing Debt Amount" means the amount of Debt of the Company as of the close of business on the date hereof.

"Closing Payment Certificate" means the certificate signed by the Company, dated as of the date hereof and attached hereto as Exhibit B, which accurately sets forth, with reasonable specificity, each Person entitled to a payment in respect of the Cash Consideration, the Equity Consideration, the Seller Transaction Expenses or the Closing Debt Amount, the amount due to such Person and the applicable wire instructions for the account or accounts of such Person designated to receive such payment.

"Code" means the U.S. Internal Revenue Code of 1986.

"Company" has the meaning set forth in the Preamble.

"Company Intellectual Property Rights" means all Intellectual Property Rights owned by the Company or used, or proposed by the Company to be used, by the Company in connection with the Business, including all Intellectual Property Rights in and to Company Technology.

"Company Interests" has the meaning set forth in the Recitals.

"Company's Knowledge," "Knowledge of the Company" and similar formulations mean that one or more of Jay R. Bloom and Dean C. Kehler (a) has actual knowledge of the fact or other matter at issue or (b) should have had actual knowledge of such fact or other matter assuming the diligent exercise of such individual's duties as a director, officer or employee of the Company and after reasonable inquiry of all employees of the Company reasonably expected to have knowledge of the fact or other matter at issue, the directors (other than any independent directors) of any CLO, any third party administrator of any CLO and other Persons reasonably expected to have actual knowledge of such fact or matter; provided, however, that such diligent exercise and reasonable inquiry shall not require any Principal to inquire of any investor in a CLO (or any of its Representatives).

"Company Material Adverse Effect" means any event, change, fact, condition, circumstance or occurrence that, when considered either individually or in the aggregate together with all other adverse events, changes, facts, conditions, circumstances or occurrences, has had or would reasonably be expected to have a material adverse effect on (A) the operations, results of operations, properties, assets, or financial condition of the Company, taken as a whole, or (B) the ability of the Company, any Seller and any Principal to consummate the Contemplated Transactions; provided, however, that solely with respect to clause (A), no adverse event, change, fact, condition, circumstance or occurrence to the extent directly attributable to any of the following shall be deemed to be, nor shall be taken into account in determining whether there has been, a Company Material Adverse Effect: (a) any changes in the United States or foreign economies as a whole or securities or financial markets in general, (b) any changes that generally affect the industries in which the Company operates, taken as a whole, (c) any natural disasters, hostilities, acts of war, sabotage or terrorism or military actions, (d) the failure of the Company to meet any of its internal projections (it being understood that any cause of any such failure that is not otherwise excluded pursuant to the terms of this definition may be taken into consideration when determining whether there has been a Company Material Adverse Effect) and (e) any changes in GAAP or applicable Legal Requirement which, in the case of clauses (a) through (d), does not disproportionately affect the Company or the Business relative to other companies in the industries in which it operates.

"Company Related Entities" means, collectively, the Company and the Clients, all of which are set forth on the attached Schedule 1.01(A).

"Company Plan" has the meaning set forth in Section 3.15(a).

"Company Technology" means any and all Technology used or proposed by the Company to be used in connection with the Business.

"Compensation" means, with respect to any Person, all salaries, compensation, remuneration, bonuses or benefits of any kind or character whatsoever (including issuances or grants of Equity Interests), made directly or indirectly by the Company to or for the benefit of such Person or, in respect of services performed by such Person, any Family Member of such Person.

"Competitive Business" means a business engaged in a Subject Business, the majority of the assets under management of which (viewed in relation to all assets under management of such Subject Business) are interests in collateralized loan obligations.

"Confidentiality Agreement" means the Confidentiality Agreement, dated July 22, 2011, by and between the Company and KCAP.

"Contemplated Transactions" means the transactions contemplated by this Agreement, including (a) the purchase and sale of the Company Interests described in the recitals to this Agreement, (b) the purchase and sale of the CLO Interests pursuant to the CLO Interests Agreement described in the recitals to this Agreement and (c) the execution, delivery and performance of the Ancillary Agreements.

"Contractual Obligation" means, with respect to any Person, any contract, agreement, deed, mortgage, lease, sublease, license, sublicense or other legally enforceable commitment, promise, undertaking, obligation, arrangement, instrument or understanding, whether written or oral, to which or by which such Person is a party or otherwise subject or bound or to which or by which any property, business, operation, proprietary interest, or other right of such Person is subject or bound.

"Current Liability Policies" has the meaning set forth in Section 3.24.

"Debt" means, with respect to any Person, and without duplication, all Liabilities, including all obligations, including in respect of principal, accrued interest, penalties, fees and premiums, of such Person (a) for borrowed money (including amounts outstanding under overdraft facilities), (b) evidenced by notes, bonds, debentures or other similar Contractual Obligations, (c) in respect of "earn-out" obligations and other obligations for the deferred purchase price of property, goods or services (other than trade payables or accruals incurred in the Ordinary Course of Business), (d) for the capitalized liability under all capital leases of such Person (determined in accordance with GAAP), (e) in respect of letters of credit and bankers' acceptances, (f) for Contractual Obligations relating to currency forward contracts, interest rate protection, swap agreements and collar agreements or similar hedging instruments, in each case, to the extent payable if such Contractual Obligation is terminated at the Closing, and (g) in the nature of Guarantees of the obligations described in clauses (a) through (f) above of any other Person.

"Debt Interests" means, with respect to any Person, any Debt obligations of such Person, including any notes, bonds, debentures or similar Contractual Obligations.

"Employee Plan" means any plan, program, policy, arrangement or Contractual Obligation, whether or not reduced to writing, and whether covering a single individual or a group of individuals, that is (a) a welfare plan within the meaning of Section 3(1) of ERISA, (b) a pension benefit plan within the meaning of Section 3(2) of ERISA, (c) an equity bonus, equity purchase, equity option, restricted equity, equity appreciation right or similar equity-based plan or (d) any other employment, deferred-compensation, retention, retirement, retirement savings, severance, termination, separation, change in control, welfare-benefit, reimbursement, bonus, profit-sharing, incentive or fringe-benefit plan, program or arrangement.

"Employment Agreements" means the employment agreements between the Company, on the one hand, and the Principals, on the other hand, attached hereto as Exhibit C.

"Encumbrance" means any charge, claim, community or other marital property interest, equitable or ownership interest, lien, license, option, pledge, security interest, mortgage, deed of trust, right of way, easement, encroachment, servitude, right of first offer or first refusal, buy/sell agreement and any other restriction or covenant with respect to, or condition governing the use, construction, voting (in the case of any security or Equity Interest), transfer, receipt of income or exercise of any other attribute of ownership (other than, in the case of a security, any restriction on the transfer of such security arising solely under federal and state securities laws); provided, however, that in determining whether a Contractual Obligation itself is subject to an Encumbrance, none of the foregoing arising under the terms of such Contractual Obligation shall be deemed to be an Encumbrance.

"Enforceable" means, with respect to any Contractual Obligation stated to be Enforceable by or against any Person, that such Contractual Obligation is a legal, valid and binding obligation of such Person enforceable by or against such Person in accordance with its terms, except to the extent that enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application affecting the rights and remedies of creditors and to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

"Environmental Laws" means any Legal Requirement relating to (a) releases or threatened releases of Hazardous Substances, (b) pollution or protection of public health or the environment or worker safety or health or (c) the manufacture, handling, transport, use, treatment, storage, or disposal of Hazardous Substances.

"Equity Consideration" has the meaning set forth in Section 2.02(a).

"Equity Interest" means, with respect to any Person, (a) any capital stock, partnership or membership interest, unit of participation or other similar interest (however designated) in such Person and (b) any option, warrant, preemptive right, purchase right, conversion right, exchange right or other Contractual Obligation which would entitle any other Person to acquire any such interest in such Person or otherwise entitle any other Person to share in, or that has a value otherwise derived from, the equity, profits, earnings, losses or gains of such Person (including equity appreciation, phantom equity, profit participation or other similar rights).

"ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended.

"Escrow Agent" has the meaning provided in the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement among the Escrow Agent, the Buyer, the Sellers and the Principals substantially in the form of Exhibit D and with such changes as may be reasonably requested by the Escrow Agent.

"Escrow Account" means the account designated by the Escrow Agent into which the Escrow Share Amount and the Escrow Cash Amount shall be deposited and any succeeding account in which the Escrow Share Amount and the Escrow Cash Amount shall be held by the Escrow Agent.

"Escrow Cash Amount" means $2,500,000.

"Escrow Share Amount" means 2,150,000 KCAP Common Shares.

"Excluded Assets" means the assets set forth on Schedule 1.01(B).

"Excluded Contracts" has the meaning set forth in Section 6.08.

"Excluded Liabilities" means (i) any portion of the Closing Debt Amount that remains unpaid immediately following the Closing, (ii) any Seller Transaction Expenses that remain unpaid immediately following the Closing, (iii) any Liability arising from the Excluded Assets or a Real Property Lease, (iv) Pre-Closing Liabilities and (v) any matter set forth on Schedule 1.01(C), but specifically, in all cases, excluding (a) the Specified Liabilities, (b) Liabilities for Taxes and (c) Liabilities in respect of Special Accounting Expenses.

"Facilities" means any buildings, plants, improvements or structures located on the Leased Real Property.

"Family Member" means, with respect to any individual, (a) such Person's spouse, (b) each parent, brother, sister or child of such Person or such Person's spouse, (c) the spouse of any Person described in clause (b) above, (d) each child of any Person described in clauses (a), (b) or (c) above, (e) each trust created for the benefit of one or more of the Persons described in clauses (a) through (d) above and (f) each custodian or guardian of any property of one or more of the Persons described in clauses (a) through (e) above in his or her capacity as such custodian or guardian.

"Financials" has the meaning set forth in Section 3.06(a)(ii).

"GAAP" means generally accepted accounting principles in the United States as in effect at the time in question.

"GAAP Annual Financials" has the meaning set forth in Section 6.07(a)(i).

"GAAP Financials" has the meaning set forth in Section 6.07(a)(ii).

"GAAP Interim Financials" has the meaning set forth in Section 6.07(a)(ii).

"GAAS" means the United States generally accepted auditing standards.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, ruling, decision, verdict, determination or award made, issued or entered by or with any Governmental Authority.

"Governmental Authority" means any United States federal, state or local or any foreign government, or political subdivision thereof, or any multinational organization or authority, or any other authority, agency, commission or self-regulatory organization entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, any court or tribunal (or any department, bureau or division thereof), or any arbitrator or arbitral body.

"Guarantee" means, with respect to any Person, (a) any guarantee of the payment or performance of, or any contingent obligation in respect of, any Debt or other Liability of any other Person, (b) any other arrangement whereby credit is extended to any obligor (other than such Person) on the basis of any promise or undertaking of such Person (i) to pay the Debt or other Liability of such obligor, (ii) to purchase any obligation owed by such obligor, (iii) to purchase or lease assets under circumstances that are designed to enable such obligor to discharge one or more of its obligations or (iv) to maintain the capital, working capital, solvency or general financial condition of such obligor and (c) any liability as a general partner of a partnership or as a venturer in a joint venture in respect of Debt or other Liabilities of such partnership or venture.

"Hazardous Substance" means any pollutant, petroleum, or any fraction thereof, contaminant or toxic or hazardous material (including toxic mold), substance or waste.

"Indemnified Person" means, with respect to any Indemnity Claim, each Buyer Indemnified Person or Seller Indemnified Person asserting the Indemnity Claim (or on whose behalf the Indemnity Claim is asserted) under Section 7.01 or Section 7.02, as the case may be.

"Indemnifying Party" means, with respect to any Indemnity Claim, the party or parties against whom such Indemnity Claim may be or has been asserted.

"Indemnity Claim" means a claim for indemnity under Section 7.01 or Section 7.02, as the case may be.

"Intellectual Property Rights" means all rights, title, and interests in and to all proprietary rights of every kind and nature however denominated, throughout the world, including:

(a) patents, copyrights, mask work rights, confidential information, trade secrets, database rights, and all other proprietary rights in Technology;

(b) trademarks, trade names, service marks, service names, brands, trade dress and logos, and the goodwill and activities associated therewith;

(c) domain names, rights of privacy and publicity, and moral rights;

(d) any and all registrations, applications, recordings, licenses, common-law rights, statutory rights, and contractual rights relating to any of the foregoing; and

(e) all Actions and rights to sue at law or in equity for any past or future infringement or other impairment of any of the foregoing, including the right to receive all proceeds and damages therefrom, and all rights to obtain renewals, continuations, divisions, or other extensions of legal protections pertaining thereto.

"Interim Financials" has the meaning set forth in Section 3.06(a)(ii).

"Investment Company Act" means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder by the SEC.

"KCAP" has the meaning set forth in the Preamble.

"KCAP Common Stock" means common stock, par value $0.01 per share, of KCAP.

"KCAP SEC Reports" has the meaning set forth in Section 5.11(a).

"Leased Real Property" has the meaning set forth in Section 3.10(a).

"Legal Requirement" means any United States federal, state or local or any foreign law, statute, standard, ordinance, code, rule, regulation, resolution or promulgation, or any Governmental Order, or any Permit granted under any of the foregoing, or any similar provision having the force or effect of law as of the date hereof.

"Liability" means, with respect to any Person, any liability or obligation of such Person whether known or unknown, whether asserted or unasserted, whether determined, determinable or otherwise, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, whether directly incurred or consequential, whether due or to become due and whether or not required under GAAP to be accrued on the financial statements of such Person.

"Liability Policies" has the meaning set forth in Section 3.24.

"Losses" has the meaning set forth in Section 7.01(a).

"Material Company Contract" has the meaning set forth in Section 3.17(b).

"Ordinary Course of Business" means an action taken by any Person in the ordinary course of such Person's business that is consistent with the past customs and practices of such Person (including past practice with respect to quantity, amount, magnitude and frequency, standard employment and payroll policies and past practice with respect to management of working capital and the making of capital expenditures) and that is taken in the ordinary course of the normal day-to-day operations of such Person.

"Organizational Documents" means, with respect to any Person (other than an individual), (a) the certificate or articles of incorporation or organization and any joint venture, limited liability company, operating or partnership agreement and other similar documents adopted or filed in connection with the creation, formation or organization of such Person and (b) all by-laws, voting agreements and similar documents, instruments or agreements relating to the organization or governance of such Person, in each case, as amended or supplemented.

"Overall Indemnity Cap" means $43,750,000.

"PCAOB" means the Public Company Accounting Oversight Board auditing standards.

"Permits" means, with respect to any Person, any license, franchise, permit, consent, approval, right, privilege, certificate or other similar authorization issued by, or otherwise granted by, any Governmental Authority to which or by which such Person is subject or bound or to which or by which any property, business, operation or right of such Person is subject or bound.

"Permitted Caravelle Activities" means the management, directly or indirectly, of Caravelle Investment Fund LLC in connection with the liquidation of securities owned thereby and the dissolution thereof.

"Permitted Encumbrance" means (a) statutory liens for current Taxes not yet due and payable, (b) mechanics', materialmen's, carriers', workers', repairers' and similar statutory liens arising or incurred in the Ordinary Course of Business the existence of which would not constitute an event of default under, or breach of, a Real Property Lease and the Liabilities of the Company in respect of which are not overdue or otherwise in default, (c) zoning, entitlement, building and other land use regulations imposed by Governmental Authorities having jurisdiction over any Leased Real Property which are not violated in any material respect by the current use and operation of the Leased Real Property, (d) covenants, conditions, restrictions, easements, encumbrances and other similar matters of record affecting title to but not adversely affecting the value of, or the current occupancy or use of the Leased Real Property in any material respect and (e) liens to secure landlords, lessors or renters under leases or rental agreements (to the extent the Company is not in default under such lease or rental agreement).

"Person" means any individual or any corporation, association, partnership, limited liability company, joint venture, joint stock or other company, business trust, trust, organization, Governmental Authority or other entity of any kind.

"Personal Information" has the meaning set forth in Section 3.11(c).

"Pre-Closing Liabilities" means all Liabilities of the Company arising out of or resulting from events, actions or omissions occurring or circumstances existing before the Closing. For the avoidance of doubt, Liabilities relating to the performance of Contractual Obligations or of obligations in respect of Permits and Liabilities relating to compliance with Legal Requirements, in each case to the extent such performance or compliance is required after the Closing, shall not be Pre-Closing Liabilities.

"Post-Closing Period" has the meaning set forth in Section 6.05.

"Pre-Closing Period" has the meaning set forth in Section 6.05.

"Pre-Closing Tax Period" has the meaning set forth in Section 8.01.

"Predecessor" means, with respect to any specified Person, (a) any other Person that has ever merged or consolidated with or into such specified Person or (b) any other Person all or substantially all of whose assets has ever been acquired by such specified Person (whether by purchase, upon liquidation or otherwise).

"Principal" has the meaning set forth in the Preamble.

"Privacy Policy" has the meaning set forth in Section 3.11(c).

"Proposed Settlement Notice" has the meaning set forth in Section 7.04(d).

"Pro-Rata Percentage" means, with respect to each Principal, 50%.

"Purchase Price" has the meaning set forth in Section 2.02.

"Real Property Leases" has the meaning set forth in Section 3.10(a).

"Regulation S-X" means Regulation S-X promulgated by the SEC as amended and in effect at the time in question

"Regulatory Filings" has the meaning set forth in Section 3.13(a)(i).

"Representative" means, with respect to any Person, any director, officer, employee, agent, manager, consultant, independent contractor, advisor, associate or other representative of such Person, including legal counsel, accountants, and financial advisors.

"Restricted Period" means, as to each Principal and his respective Affiliates, the period commencing on the date hereof and ending on the earliest to occur of (a) the fifth anniversary of the date hereof, (b) the later of (i) the second anniversary of the date hereof and (ii) the termination of such Principal's Employment Agreement (1) by the Company other than for "cause" (as defined in the Employment Agreements) and (2) by such Principal for "good reason" (as defined in the Employment Agreements), (c) the date upon which such Principal is involuntarily removed as a director of KCAP and (d) in the event that the Nominating and Corporate Governance Committee of the board of directors of KCAP shall fail to nominate such Principal for reelection as a director of KCAP, the date of the relevant shareholder meeting at which such Principal would otherwise be eligible for reelection.

"Retained Entities" means (a) any Person performing services to, or owning an interest in, directly or indirectly, Trimaran Fund II, LLC (or parallel or alternative investment vehicles in respect thereof), in each case as of the date hereof, including Trimaran Fund Management LLC or (b) Trimaran Credit Managers Holdings LLC, Trimaran Credit Managers LP, Trimaran Credit Investors LLC, Trimaran Credit Managers BDC LP and Trimaran Credit Managers LLC.

"SEC" means the United States Securities and Exchange Commission.

"Seller" has the meaning set forth in the Preamble.

"Seller Indemnified Person" has the meaning set forth in Section 7.02(a).

"Seller Fundamental Representations" means the representations and warranties set forth in the second sentence of Section 3.01 (Organization), Section 3.02 (Power and Authorization), Section 3.04(b)(iii) (Noncontravention), Section 3.05 (other than (i) the fourth sentence of Section 3.05(a) and (ii) with respect to the third sentence of Section 3.05(a), only with respect to Company Interests and CLO Interests) (Capitalization of the Company), the first sentence of Section 3.08 (Debt; Guarantees), Section 3.09(b) (CLO Interests), Section 3.14 (Tax Matters), Section 3.25 (No Brokers), Section 4.01 (Organization), Section 4.02 (Power and Authorization), Section 4.04(a)(ii)(z) (Noncontravention), Section 4.05(a) and Section 4.05(b) (Title), Section 4.06 (Investment Representations), Section 4.07 (No Brokers) and Section 4.08 (Withholding).

"Seller Transaction Expenses" means all costs, fees and expenses incurred in connection with or in anticipation of the negotiation, execution and delivery of this Agreement and the Ancillary Agreements or the consummation of the Contemplated Transactions or in connection with or in anticipation of any alternative transactions considered by the Company to the extent such costs, fees and expenses are payable or reimbursable by the Company, including, (i) all fees and expenses payable to financial advisors and all other brokerage fees, commissions, finders' fees or financial advisory fees so incurred, (ii) the fees and expenses of Grant Thornton LLP relating to matters within the scope of the engagement letter attached hereto as Exhibit E, PricewaterhouseCoopers LLP relating to matters within the scope of the engagement letter attached hereto as Exhibit F and all other fees and expenses of legal counsel, accountants, consultants and other experts and advisors so incurred and (iii) all Change of Control Payments; provided that Seller Transaction Expenses shall not include costs, fee or expenses constituting Special Accounting Expenses or Specified Liabilities.

"Sellers' Disclosure Schedules" has the meaning set forth in Section 1.02(b).

"Special Accounting Expenses" means the expenses of the Company in respect of the matters contemplated by Section 6.05 that are incurred after the Closing to the extent such expenses (a) relate to matters beyond the scope of (i) the engagement letter with Grant Thornton LLP attached hereto as Exhibit E and (ii) the engagement letter with PricewaterhouseCoopers LLP attached hereto as Exhibit F or (b) are incurred more than ninety (90) days after delivery of the GAAP Financials in form and substance reasonably satisfactory to Buyer.

"Specified Liabilities" means (i) any Liabilities arising out of any failure to obtain the consent of any Client to the sale of Company Interests contemplated hereby, (ii) any Liabilities arising out of any claim by any current or former investor asserted with respect to (a) the amendment to the Trimaran CLO IV CMA dated as of February 10, 2012, (b) the amendment to the Trimaran CLO VI CMA dated as of February 10, 2012 or (c) the amendment to the CLO VII CMA dated as of February 10, 2012 or, in each case, the effectiveness thereof and (iii) any matter set forth on Schedule 1.01(D).

"Straddle Period" has the meaning set forth in Section 8.02.

"Subject Business" means the creation and management of accounts or pooled investment vehicles; provided, however, that the Permitted Caravelle Activities shall not be a Subject Business.

"Subsidiary" means, with respect to any specified Person, any other Person of which such specified Person, directly or indirectly through one or more Subsidiaries, (a) owns at least 50% of the outstanding Equity Interests entitled to vote generally in the election of the Board of Directors or similar governing body of such other Person, or (b) has the power to generally direct the business and policies of that other Person, whether by contract or as a general partner, managing member, manager, joint venturer, agent or otherwise. For the avoidance of doubt, the term "Subsidiary" shall exclude the CLOs.

"Tax" or "Taxes" means any and all federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar, including FICA), unemployment, disability, real property, personal property, sales, use, transfer, registration, escheat obligation, value added, alternative or add-on minimum, estimated, or other tax of any kind or any charge of any kind in the nature of (or similar to) taxes whatsoever, including any interest, penalty, or addition thereto, in each case whether disputed or not.

"Tax Claim" shall have the meaning set forth in Section 8.01(b).

"Tax Return" means any return, declaration, report, claim for refund or information return, statement or other document relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Technology" means all inventions, works, discoveries, innovations, information (including research and development, formulas, algorithms, compositions, processes and techniques, data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, business and marketing plans and proposals, graphics, illustrations, artwork, documentation, and manuals), databases, computer software, firmware, computer hardware, integrated circuits and integrated circuit masks, electronic, electrical, and mechanical equipment, and all other forms of technology, including improvements, modifications, works in process, derivatives, or changes, whether tangible or intangible, embodied in any form, whether or not protectable or protected by patent, copyright, mask work right, trade secret law, or otherwise, and all documents and other materials recording any of the foregoing.

"Third Party Claim" has the meaning set forth in Section 7.04(a).

"Trademark License Agreement" means the Brand License Agreement between TFM, on the one hand, and the Company, KCAP and the Buyer , on the other hand, in the form attached hereto as Exhibit G.

"Treasury Regulations" means the regulations promulgated under the Code.

"Trimaran CLO IV" means Trimaran CLO IV Ltd., a limited liability company incorporated under the laws of the Cayman Islands.

"Trimaran CLO IV CMA" means the Collateral Management Agreement, dated as of September 29, 2005, by and between Trimaran CLO IV and the Company, as amended.

"Trimaran CLO IV Indenture" means the Indenture, dated as of September 29, 2005, by and among Trimaran CLO IV, Trimaran CLO IV (Delaware) Corp. and JPMorgan Chase Bank, National Association.

"Trimaran CLO V" means Trimaran CLO V Ltd., a limited liability company incorporated under the laws of the Cayman Islands.

"Trimaran CLO VI" means Trimaran CLO VI Ltd., a limited liability company incorporated under the laws of the Cayman Islands.

"Trimaran CLO VI CMA" means the Collateral Management Agreement, dated as of August 16, 2006, by and between Trimaran CLO VI and the Company, as amended.

"Trimaran CLO VII" means Trimaran CLO VII Ltd., a limited liability company incorporated under the laws of the Cayman Islands.

"Trimaran CLO VII CMA" means the Collateral Management Agreement, dated as of March 22, 2007, by and between Trimaran CLO VII and the Company, as amended.

"Upstream Vehicles" has the meaning set forth in Section 4.05(c).

Section 1.02. Incorporation of Disclosure Schedules.

(a) Each of the Sellers' Disclosure Schedules and the Buyer Disclosure Schedules attached to this Agreement form an integral part of it for all purposes of this Agreement.

(b) The Sellers' Disclosure Schedules will be arranged in paragraphs corresponding to the lettered and numbered Sections and subsections contained in ARTICLE III and ARTICLE IV (the "Sellers' Disclosure Schedules"). The Buyer Disclosure Schedules will be arranged in paragraphs corresponding to the lettered and numbered Sections and subsections contained in ARTICLE V (the "Buyer Disclosure Schedules"). Capitalized terms used in the Sellers' Disclosure Schedules and not otherwise defined shall have the meanings set forth in this Agreement. Information furnished in the Sellers' Disclosure Schedules and the Buyer Disclosure Schedules, respectively, shall provide information regarding, and qualify only, the relevant Section or subsection of this Agreement unless and only to the extent that (i) disclosure in a numbered or lettered Section or subsection of the Sellers' Disclosure Schedules or the Buyer Disclosure Schedules, respectively, is specifically referred to by appropriate cross-reference in another numbered or lettered Section or subsection of the Sellers' Disclosure Schedules or the Buyer Disclosure Schedules, respectively, or (ii) with respect to disclosures made in a numbered and lettered Section or subsection of the Sellers' Disclosure Schedules or the Buyer Disclosure Schedules, respectively, corresponding to a numbered and lettered Section or subsection of ARTICLE III, ARTICLE IV or ARTICLE V of this Agreement, it is reasonably apparent on the face of such disclosure that such disclosure qualifies one or more of the other numbered or lettered Section or subsection of ARTICLE III, ARTICLE IV or ARTICLE V of this Agreement; provided, however, that with respect to disclosure intended to qualify Section 3.04 (Noncontravention), Section 3.05 (Capitalization), Section 3.06 (Financial Matters), Section 3.23 (Litigation), Section 4.04 (Noncontravention), Section 4.05 (Title), Section 5.04 (Noncontravention) or Section 5.05 (Capitalization), such disclosure must be specifically set forth on the corresponding numbered and lettered Section or subsection of the Sellers' Disclosure Schedules or the Buyer Disclosure Schedules, respectively.

ARTICLE II.
PURCHASE AND SALE; CLOSING.

Section 2.01. Purchase and Sale of Company Interests. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, the Sellers shall sell, transfer and deliver to Buyer, free and clear of all Encumbrances, and Buyer shall purchase from the Sellers, all of the outstanding Company Interests.

Section 2.02. Purchase Price. The aggregate consideration for the purchase and sale of the Company Interests and the cancellation of all other Equity Interests in the Company at Closing (the "Purchase Price") will be equal to:

(a) 3,600,000 unregistered shares of KCAP Common Stock (the "Equity Consideration"); and

(b) an amount in cash equal to twenty-five million dollars ($25,000,000) less the CLO Purchase Price (such remainder, the "Cash Consideration").

Section 2.03. Closing; Deliveries and Payments.

(a) Closing. The closing of the purchase and sale of the Company Interests (the "Closing") shall take place at 10:00 a.m. (eastern daylight time) on the date hereof at the offices of Ropes & Gray LLP, 1211 Avenue of the Americas, New York, NY 10036.

(b) Buyer Closing Deliveries and Payments. Contemporaneously herewith, Buyer (or both Buyer and KCAP in the case of Sections 2.03(b)(vii), (viii), (ix) and (x)) shall deliver or cause to be delivered at the Closing (or, as applicable, such later date as noted below) the following:

(i) to each Principal (each of whom is designated by the Sellers to receive a portion of the Cash Consideration contemplated by this clause (i)), on behalf of the Sellers, an amount in cash equal to 50% of the Cash Consideration less (x) 50% of the Escrow Cash Amount less (y) 50% of the Closing Debt Amount and less (z) 50% of the amount of any unpaid Seller Transaction Expenses incurred on or before the Closing, by wire transfer of immediately available funds to the account or accounts designated in the Closing Payment Certificate;

(ii) to the Escrow Agent, an amount in cash equal to the Escrow Cash Amount;

(iii) to each Principal (each of whom is hereby designated by the Sellers to receive the portion of the Equity Consideration contemplated by this clause (ii)), on behalf of the Sellers, evidence from American Stock Transfer & Trust Company to the effect that a share certificate representing a number of shares of KCAP Common Stock equal to the 50% of excess of (x) the Equity Consideration over (y) the Escrow Share Amount shall be delivered to such Principal within two Business Days following the Closing;

(iv) to the Escrow Agent, a share certificate representing a number of shares of KCAP Common Stock equal to the Escrow Share Amount (which certificate shall be delivered within two Business Days following the Closing);

(v) to each Person specified in the Closing Payment Certificate as a recipient of payments in respect of the Closing Debt Amount, the amount payable to such Person as specified in the Closing Payment Certificate by wire transfer of immediately available funds to the account or accounts of such Person specified in the Closing Payment Certificate;

(vi) to each Person specified in the Closing Payment Certificate as a recipient of payments in respect of Seller Transaction Expenses incurred on or before the Closing, the amount payable to such Person as specified in the Closing Payment Certificate by wire transfer of immediately available funds to the account or accounts of such Person specified in the Closing Payment Certificate;

(vii) certificates of each of Buyer and KCAP in the form of Exhibit H, dated as of the date hereof, signed by the Secretary of Buyer or KCAP, as applicable, certifying as to (i) the names and incumbency of each of the officers of Buyer or KCAP, as applicable, executing this Agreement or any Ancillary Agreement, (ii) the Organizational Documents of Buyer or KCAP, as applicable, and (iii) all resolutions adopted by the board of managers or board of directors (or equivalent body) of Buyer or KCAP, as applicable, in connection with this Agreement and the Contemplated Transactions;

(viii) certificates of good standing as of a recent date with respect to each of Buyer and KCAP issued by the relevant Governmental Authority of such entity’s jurisdiction of organization;

(ix) counterpart signature pages executed by Buyer and KCAP, as applicable to each Ancillary Agreement; and

(x) copies of all documentation relating to all actions taken by (including any authorization, consent, waiver or approval) or in respect of (including notice to), or filings with, any Governmental Authority or other Person that were required in order to consummate the Contemplated Transactions.

(c) Seller's Closing Deliveries. Contemporaneously herewith, the Sellers shall deliver or cause to be delivered to Buyer at the Closing the following:

(i) with respect to all Company Interests to be purchased and sold by the Sellers hereunder, a written instrument of transfer, substantially in the form attached hereto as Exhibit I, executed by each Seller transferring the Company Interests to Buyer;

(ii) a certificate of the Company in the form of Exhibit H, dated as of the date hereof, signed by the Principals in their capacity as managing directors of the Company, certifying as to (i) the names and incumbency of each of the officers of the Company executing this Agreement or any Ancillary Agreement, (ii) the Organizational Documents of the Company and (iii) all resolutions adopted by the board of managers or board of directors (or equivalent body) of the Company in connection with this Agreement and the Contemplated Transactions;

(iii) a certification from each Seller (in a form as may be reasonably requested by counsel to Buyer) conforming to the requirements of Treasury Regulation Sections 1.1445-2(b)(2) certifying that such Seller is not a "foreign person" as defined in Code Section 1445;

(iv) certificates of good standing as of a recent date with respect to the Company issued by the relevant Governmental Authority of its jurisdiction of organization;

(v) counterpart signature pages executed by the Company, the Sellers or the Principals, as applicable to each Ancillary Agreement;

(vi) customary payoff letters and lien release documentation reasonably satisfactory to Buyer and its counsel and lenders relating to the repayment of all Debt of the Company outstanding as of the Closing and the termination of all Encumbrances on any Assets securing any such Debt;

(vii) the Closing Payment Certificate; and

(viii) copies of all documentation relating to all actions taken by (including any authorization, consent, waiver or approval) or in respect of (including notice to), or filings with, any Governmental Authority or other Person that were required in order to consummate the Contemplated Transactions.

Section 2.04. Escrow. At Closing, Buyer or KCAP, as applicable, will (in accordance with Section 2.03(b)(ii) and (iv)) deliver the Escrow Share Amount and the Escrow Cash Amount to the Escrow Agent. The Escrow Share Amount and the Escrow Cash Amount shall be held by the Escrow Agent in accordance with the terms of the Escrow Agreement.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY.

In order to induce Buyer to enter into and perform this Agreement and to consummate the Contemplated Transactions, the Company hereby represents and warrants to Buyer as follows:

Section 3.01. Organization. Section 3.01 of the Sellers' Disclosure Schedules sets forth for each Company Related Entity its name and jurisdiction of organization (and name under which any Company Related Entity is doing business). Each Company Related Entity is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Each Company Related Entity is duly qualified to do business and in good standing in each jurisdiction in which it owns or leases real property or conducts business and is required to so qualify except where the failure to so qualify has not had, and would not reasonably be expected to have, a Company Material Adverse Effect. The Company has delivered to Buyer accurate and complete copies of (a) the Organizational Documents of each Company Related Entity and (b) the minute books of each Company Related Entity, which contain records of all meetings held of, and other actions taken by, any Seller and any partners, members or other holders of Equity Interests in such Company Related Entity, the board of managers or board of directors (or equivalent body) of such Company Related Entity and each committee thereof. Section 3.01 of the Sellers' Disclosure Schedules sets forth an accurate and complete list of all Predecessors of each Company Related Entity.

Section 3.02. Power and Authorization.

(a) Contemplated Transactions. Each of the Company Related Entities that is a party to this Agreement or any Ancillary Agreement, has all requisite power and authority necessary for the execution, delivery and performance by it of this Agreement and each such Ancillary Agreement. Each of the Company Related Entities that is a party to this Agreement or any Ancillary Agreement, has duly authorized by all necessary action on the part of any Seller and the board of managers or board of directors (or equivalent body) of such Company Related Entity, the execution, delivery and performance of this Agreement and each such Ancillary Agreement by such Company Related Entity. This Agreement and each Ancillary Agreement to which any Company Related Entity is a party (i) have been duly executed and delivered by each Company Related Entity that is a party thereto and (ii) is a legal, valid and binding obligation of each such Company Related Entity, enforceable against each such Company Related Entity in accordance with its terms.

(b) Conduct of Business. Each Company Related Entity has all requisite corporate power and authority (or, as applicable, all requisite limited liability company power and authority or other analogous power and authority) necessary to own, lease, operate and use its Assets and carry on the Business.

Section 3.03. Authorization of Governmental Authorities. Except as disclosed on Section 3.03 of the Sellers' Disclosure Schedules, no action by (including any authorization by or consent or approval of), or notification to or filing with, any Governmental Authority is required by or on behalf of any Company Related Entity or in respect of any Company Related Entity, the Business or any Assets of any Company Related Entity for, or in connection with, (a) the valid and lawful authorization, execution, delivery and performance by any Company Related Entity of this Agreement or any Ancillary Agreement to which it is a party or (b) the consummation of the Contemplated Transactions.

Section 3.04. Noncontravention. Except as disclosed on Section 3.04 of the Sellers' Disclosure Schedules, none of the authorization, execution, delivery or performance by any Company Related Entity of this Agreement (without giving effect to Section 6.08 or the last sentence of Section 6.09) or any Ancillary Agreement to which it is a party, nor the consummation of the Contemplated Transactions, will:

(a) assuming the taking of each action by (including the obtaining of each necessary authorization, consent or approval), or in respect of, and the making of all necessary filings with, Governmental Authorities, in each case, as disclosed on Section 3.03 or 4.03 of the Sellers' Disclosure Schedules, conflict with or result in a breach or violation of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, any Legal Requirement applicable to any Company Related Entity, the Business or any Assets of any Company Related Entity; or

(b) conflict with or result in a breach or violation of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or require any action by (including any authorization, consent or approval) or notice to any Person, or require any offer to purchase or prepayment of any Debt or Liability under, or result in the creation of any Encumbrance upon or forfeiture of any of the rights, interests, duties, properties or assets of any Company Related Entity under, any of the terms, conditions or provisions of (i) any Permit applicable to or otherwise affecting any Company Related Entity, except where such conflict, breach, violation, default, termination, acceleration or other event has not had, and would not reasonably be expected to have, a Company Material Adverse Effect, (ii) any Contractual Obligation of any Company Related Entity except where such conflict, breach, violation, default, termination, acceleration or other event has not had, and would not reasonably be expected to have, a Company Material Adverse Effect, or (iii) the Organizational Documents of any Company Related Entity.

Section 3.05. Capitalization of the Company.

(a) Authorized and Outstanding Equity Interests. All of the outstanding Equity Interests of the Company are held of record and beneficially owned by the Persons in the respective amounts set forth on Section 3.05 of the Sellers' Disclosure Schedules. Except as set forth on Section 3.05 of the Sellers' Disclosure Schedules, the Company has no issued or outstanding Equity Interests nor holds any Equity Interests in its treasury. The Company has delivered to Buyer accurate and complete copies of the records showing ownership of the Equity Interests of the Company to the extent the same exist, which records reflect all issuances, transfers, repurchases and cancellations of Equity Interests of the Company. All of the outstanding Equity Interests of each Company Related Entity have been duly authorized, validly issued and are fully paid and non-assessable. No Company Related Entity has violated the 1933 Act, any state "blue sky" or securities laws, any other similar Legal Requirement or any preemptive or other similar rights of any Person in connection with the issuance, repurchase or redemption of any of its Equity Interests.

(b) Encumbrances on Equity Interests, etc. The Company does not have, and has never had, any Subsidiaries. Except as disclosed on Section 3.05 of the Sellers' Disclosure Schedules: (i) there are no Contractual Obligations relating to the ownership, transfer or voting of any Equity Interests in the Company or otherwise affecting the rights of any holder of the Equity Interests in the Company, (ii) except for the Contemplated Transactions, there is no Contractual Obligation, or provision in the Organizational Documents of the Company which obligates the Company to purchase, redeem or otherwise acquire, or make any payment (including any dividend or distribution) in respect of, any Equity Interest in the Company and (iii) there are no existing rights with respect to registration under the 1933 Act of any Equity Interests in the Company.

Section 3.06. Financial Matters.

(a) Financial Statements. Attached as Exhibit J are copies of each of the following:

(i) the audited balance sheets of the Company as of December 31, 2010 (the "Audited Balance Sheet" and the date thereof, the "Audited Balance Sheet Date"), December 31, 2009 and December 31, 2008, and the related audited statements of income, cash flow and changes in owners' equity of the Company for the fiscal years then ended, accompanied by any notes thereto and the reports of the Company's independent accountants with respect thereto (collectively, the "Audited Financials"); and

(ii) (A) the unaudited balance sheets of the Company as of the last day of each fiscal quarter ending after January 1, 2011 and on or prior to the date hereof, (B) the unaudited statements of income of the Company for the three month and year-to date periods then ended and cash flows of the Company for the year-to-date periods then ended, together with the statements for the corresponding periods of the immediately preceding year, and (C) the unaudited statements of income (1) for the three-month period ended December 31, 2010 and (2) from the most recently completed fiscal quarter, which fiscal quarter may be the last fiscal quarter of a year, through the date hereof (the "Interim Financials" and, together with the Audited Financials, the "Financials").

(b) The Financials were prepared in accordance with the methods of accounting used to prepare the federal income tax returns of the Principals in respect of the Company.

(c) Banking Facilities. Section 3.06(c) of the Sellers' Disclosure Schedules sets forth an accurate and complete list of (i) each bank, savings and loan or similar financial institution with which the Company has an account or safety deposit box or other similar arrangement, and any numbers or other identifying codes of such accounts, safety deposit boxes or such other arrangements maintained by the Company thereat, and (ii) the names of all Persons authorized to draw on any such account or to have access to any such safety deposit box facility or such other arrangement.

Section 3.07. Absence of Certain Developments. Except in respect of the matters disclosed in Section 3.07 of the Sellers' Disclosure Schedules, since the Audited Balance Sheet Date, the Business has been conducted in the Ordinary Course of Business and:

(a) the Company has not (i) amended its Organizational Documents, (ii) amended any term of its outstanding Equity Interests or other securities, (iii) issued, sold, granted, or otherwise disposed of, its Equity Interests or other securities, (iv) made any declaration, set aside or payment of any dividend or other distribution with respect to, or any repurchase, redemption or other acquisition of, any of its Equity Interests or other securities (other than those consisting of cash or, at Closing, Excluded Assets), (v) merged or consolidated with any Person, (vi) made any loan, advance or capital contribution to, acquired any Equity Interests in, or otherwise make any investment in, any Person or (vii) adopted or carried out any plan of complete or partial liquidation or dissolution;

(b) the Company has not (i) become liable in respect of any Guarantee, (ii) incurred, assumed or otherwise become liable in respect of any Debt other than in the Ordinary Course of Business, (iii) repaid, prepaid or otherwise discharged or satisfied any material Liabilities, other than in the Ordinary Course of Business or as explicitly contemplated by this Agreement in connection with the Contemplated Transactions, or (iv) waived, cancelled or assigned any claims of substantial value other than in the Ordinary Course of Business;

(c) the Company has not (i) permitted any of its material Assets to become subject to an Encumbrance (other than a Permitted Encumbrance), (ii) sold, leased, licensed or otherwise disposed of any of its material Assets (other than transactions permitted by Section 3.07(a)(iv)), (iii) acquired any material Assets, except for acquisitions of Assets in the Ordinary Course of Business, or (iv) entered into, or performed, any transaction with, or for the benefit of, the Sellers, the Principals or any Affiliate thereof (other than payments made to officers, managers and employees in the Ordinary Course of Business or transactions permitted by Section 3.07(a)(iv));

(d) there has been no material loss, destruction, damage or eminent domain taking (in each case, whether or not insured) affecting the Business or any material asset of the Company;

(e) the Company has not made any capital expenditures that are in the aggregate in excess of $50,000;

(f) the Company has not (i) entered into any Contractual Obligation providing for the employment of or provision of services on an independent contractor (providing services customarily provided by employees) or consultancy basis by any Person on a full-time, part-time, consulting or other basis or otherwise providing Compensation or other benefits to any officer, manager, employee, consultant, independent contractor (providing services customarily provided by employees) or other agent or service provider, (ii) adopted, modified, suspended or terminated any Employee Plan or increased any benefits under any Employee Plan or increased the Compensation payable or paid, whether conditionally or otherwise, to any employee, officer, director, consultant or independent contractor (providing services customarily provided by employees) of the Company (other than (A) any increase adopted in the Ordinary Course of Business in respect of the Compensation of any employee whose annual base Compensation does not exceed $100,000 after giving effect to such increase or (B) any increase in benefits or Compensation required by Legal Requirements or required pursuant to the terms of an existing Employee Plan or an existing employment, consulting, independent contractor (providing services customarily provided by employees), indemnification, change of control, severance or similar agreement with any current or former director, officer, employee, consultant or independent contractor so long as such Employee Plan or agreement has been disclosed as of the date of this Agreement to Buyer on a Schedule to this Agreement) or (iii) instituted any new, or modified any existing, severance or termination pay practices;

(g) the Company has not made any material change in its methods of accounting or accounting practices (including with respect to reserves);

(h) except in respect of matters relating exclusively to the Excluded Assets, the Company has not settled, agreed to settle, waived or otherwise compromised any pending or threatened Actions (i) involving potential payments by or to the Company of more than $25,000 in aggregate, (ii) that admit liability or consent to non-monetary relief, or (iii) that otherwise are or would reasonably be expected to be material to the Company or the Business;

(i) the Company has not entered into any new line of business (including managing any CLO or entering into any Client Contract with any Person) or discontinued any line of business or any material business operations;

(j) none of the Company nor, to the Company's Knowledge, any CLO has (i) amended or proposed to amend the Organizational Documents or any term of the outstanding Equity Interest or Debt Interest of any CLO, (ii) voluntarily divested itself of management of any Client, (iii) entered into or amended (or permitted any CLO to enter into or amend) any side letter agreement with any Client or any investor in any CLO that provides for (or would provide for following such amendment) (A) a reduced management fee, performance allocation, profit share, revenue share, incentive allocation or other similar payment or payments with respect to any Client or any investor in any CLO, (B) special withdrawal or redemption rights for any Client or any investor in any CLO or (C) any other material concession to any Client or any investor in any CLO with respect to the terms of an investment in any CLO or other product or (iv) accelerated the billing or other realizations of advisory or performance fees payable by any Client or any investor in any CLO to the Company or delayed the payment of any Liabilities beyond the Ordinary Course of Business;

(k) the Company has not taken any action with respect to any Person designated as a "Key Manager" of Trimaran CLO IV that has resulted in, or that with the passage of time would result in, a violation of the Trimaran CLO IV CMA or the Trimaran CLO IV Indenture;

(l) the Company has not entered into, adopted, modified, renewed (other than renewals with respect to any Material Company Contract that automatically renews in accordance with its terms) or amended in any material respect (including by accelerating material rights, benefits or obligations under) any Material Company Contract (other than Material Company Contracts included in the Excluded Assets);

(m) the Company has not written up or written down any of its material Assets;

(n) [Intentionally Omitted]

(o) the Company has not licensed or otherwise disposed of the rights to use any material patent, trademark or other Intellectual Property Right or disclosed material trade secrets to a third party;

(p) the Company has not entered into any Contractual Obligation to do any of the things referred to elsewhere in this Section 3.07; and

(q) no event, change, fact, condition or circumstance has occurred or arisen that has had, or would reasonably be expected to have, a Company Material Adverse Effect.

Section 3.08. Debt; Guarantees. The Company has no Liabilities in respect of Debt except as set forth on Section 3.08 of the Sellers' Disclosure Schedules. For each item of Debt, Section 3.08 of the Sellers' Disclosure Schedules correctly sets forth the debtor, the Contractual Obligations governing the Debt, the principal amount of the Debt as of the date of this Agreement, the creditor, the maturity date, and the collateral, if any, securing the Debt (and all Contractual Obligations governing all related Encumbrances). Except as set forth on Section 3.08 of the Sellers' Disclosure Schedules, the Company has no Liability in respect of a Guarantee of any Debt or other Liability of any other Person.

Section 3.09. Assets.

(a) Ownership of Assets. The Company has sole and exclusive, good and marketable title to, or, in the case of property held under a lease or other Contractual Obligation, a sole and exclusive, Enforceable leasehold interest in, or adequate rights to use, all of its properties, rights and assets, whether real or personal and whether tangible or intangible, including all Assets reflected in the Audited Balance Sheet or acquired after the Audited Balance Sheet Date, except for the Excluded Assets and such Assets that have been sold or otherwise disposed of since the Audited Balance Sheet Date in the Ordinary Course of Business (collectively, the "Assets"). Except as disclosed on Section 3.09(a) of the Sellers' Disclosure Schedules, none of the Assets is subject to any Encumbrance other than a Permitted Encumbrance.

(b) CLO Interests. Section 3.09(b) of the Sellers' Disclosure Schedules sets forth (i) the tranche or class of such Equity Interests and Debt Interests owned by the Company and (ii) the percentage as of the date hereof of each such tranche or class represented by such Equity Interests and Debt Interests.

(c) Condition of Tangible Assets. All of the material fixtures and other material improvements to the Leased Real Property included in the Assets (including any Facilities) and all of the material tangible personal property other than inventory included in the Assets (i) are in all material respects adequate and suitable for their present uses, (ii) are in good working order, operating condition and state of repair (ordinary wear and tear excepted), and (iii) have been maintained in all material respects in accordance with normal industry practice.

(d) Investments. Except for the CLOs, investments of the CLOs or as set forth in Section 3.09(d) of the Sellers' Disclosure Schedules, the Company (i) does not control, directly or indirectly, or own any direct or indirect Equity Interest in any Person, (ii) is not subject to any obligation to make any investment (in the form of a loan, capital contribution or otherwise) in any Person and (iii) does not own, directly or indirectly, any interest in any joint venture or partnership of any kind.

Section 3.10. Real Property.

(a) The Company does not own and has never owned any real property. Section 3.10(a) of the Sellers' Disclosure Schedules sets forth a list of the addresses of all real property leased, subleased or licensed by, or for which a right to use or occupy has been granted to, the Company (the "Leased Real Property"). Section 3.10(a) of the Sellers' Disclosure Schedules also identifies with respect to each Leased Real Property, each lease, sublease, license or other Contractual Obligation under which such Leased Real Property is occupied or used including the date of and legal name of each of the parties to such lease, sublease, license or other Contractual Obligation, and each amendment, modification or supplement thereto (the "Real Property Leases").

(b) Except for the Real Property Leases and as set forth on Section 3.10(b) of the Sellers' Disclosure Schedules, there are no written or oral leases, subleases, licenses, concessions, occupancy agreements or other Contractual Obligations granting to any other Person the right of use or occupancy of any of the Leased Real Property and there is no Person (other than the Company) in possession of any of the Leased Real Property. With respect to each Real Property Lease that is a sublease, to the Company's Knowledge, the representations and warranties in this Section 3.10(b), Section 3.17(b) and Section 3.17(c) are true and correct with respect to the underlying lease.

(c) The Company has delivered to Buyer accurate and complete copies of the Real Property Leases, in each case as amended or otherwise modified and in effect, together with extension notices and other material correspondence, lease summaries, notices or memoranda of lease, estoppel certificates and subordination, non-disturbance and attornment agreements related thereto.

(d) The Company's current use of the Leased Real Property does not violate in any material respect any restrictive covenant of record that affects any of the Leased Real Property.

Section 3.11. Intellectual Property.

(a) Company IP.

(i) The Company owns all right, title and interest in and to, or is licensed or otherwise possesses a valid and enforceable right to use, all Company Technology and all Company Intellectual Property Rights that are material to the Business as currently conducted and as presently contemplated.

(ii) Section 3.11(a)(ii) of the Sellers' Disclosure Schedules sets forth a true, correct and complete list of all Company Technology and all Company Intellectual Property Rights that are both owned by the Company and are registered, issued or the subject of a pending application with any Governmental Authority. All of the registrations, issuances and applications set forth on Section 3.11(a)(ii) of the Sellers' Disclosure Schedules that are material to the Business as currently conducted and as presently contemplated are in full force and effect and have not expired or been cancelled, abandoned or otherwise terminated, and payment of all renewal and maintenance fees, costs and expenses in respect thereof, and all filings related thereto, have been duly made. The Company owns and possesses all right, title and interest in and to all Company Technology and all Company Intellectual Property that is owned by the Company free and clear of all Encumbrances (other than Permitted Encumbrances and subject to Section 3.11(a)(ii)(2)).

(iii) Section 3.11(a)(iii)(A) of the Sellers' Disclosure Schedules sets forth a true, correct and complete list of all contracts that are material to the conduct of the Business (1) pursuant to which the Company uses any material Company Technology or material Company Intellectual Property pursuant to a valid license or other right granted in a contract (other than licenses for use of off-the-shelf commercially available software granted pursuant to the licensor's standard form agreement with annual license fees of less than $50,000) or (2) pursuant to which the Company has granted to a third party any right in or to any Company Technology or Company Intellectual Property that is owned by the Company. The Company has not taken or failed to take any action and, to the Company's Knowledge no other event has occurred, that could subject any such license agreement to termination or otherwise cause any such license agreement not to be in effect in the foreseeable future. Except as disclosed on Section 3.11(a)(iii)(C) of the Sellers' Disclosure Schedules, either the Company has the right to use the Company Intellectual Property Rights not owned by it without payment or obligation to any third party, in perpetuity, or, in those instances where a payment is required, the Company has paid all royalties due to date and performed all obligations under all such license agreements. The Company is not presently in default and has received no notice of default under any such license agreement and, to the Company's Knowledge, is not presently in default under any such license agreement.

(b) Infringement. Neither the Company nor any Predecessor (i) has, to the Company's Knowledge, interfered with, infringed upon, diluted, misappropriated, or violated any Intellectual Property Rights of any Person, (ii) has received any charge, complaint, claim, demand, or notice alleging interference, infringement, dilution, misappropriation, or violation of the Intellectual Property Rights of any Person (including any invitation to license or request or demand to refrain from using any Intellectual Property Rights of any Person in connection with the conduct of the Business or the use of the Company Technology), or (iii) has agreed to or has a Contractual Obligation to indemnify any Person for or against any interference, infringement, dilution, misappropriation, or violation with respect to any Intellectual Property Rights. To the Company's Knowledge, no Person has interfered with, infringed upon, diluted, misappropriated, or violated any Company Intellectual Property Rights.

(c) Privacy Laws. The Company is in compliance with all applicable Legal Requirements and Contractual Obligations regarding the collection, use and protection of sensitive, non-public personally identifiable information ("Personal Information") and, to the Company's Knowledge, no Person has gained unauthorized access to or made any unauthorized use of any such Personal Information maintained by the Company. No Actions are pending or, to the Company's Knowledge, threatened in writing against the Company relating to the collection or use of Personal Information.

Section 3.12. Legal Compliance; Illegal Payments; Permits.

(a) Legal Compliance. Except as otherwise disclosed on Section 3.12(a) of the Sellers' Disclosure Schedules, no Company Related Entity is, in any material respect, in breach or violation of, or default under, and no Company Related Entity has been, since January 1, 2008, in any material respect, in breach or violation of, or default under, its Organizational Documents or any Legal Requirement applicable to any Company Related Entity, including, if and to the extent applicable, the Investment Company Act, the Advisers Act, the 1933 Act and the 1934 Act.

(b) Illegal Payments, etc. Except as set forth in Section 3.12(b) of the Sellers' Disclosure Schedules:

(i) In the conduct of the Business, no Company Related Entity nor, to the Company's Knowledge, its Representatives on behalf of any Company Related Entity, has (i) directly or indirectly, given, or agreed to give, any illegal gift, contribution, payment or similar benefit to any supplier, customer, governmental official or employee or other Person who was, is or may be in a position to help or hinder a Company Related Entity (or assist in connection with any actual or proposed transaction) or made, or agreed to make, any illegal contribution, or reimbursed any illegal political gift or contribution made by any other Person, to any candidate for federal, state, local or foreign public office or (ii) established or maintained any unrecorded fund or asset or made any false entries on any books or records for any purpose.

(ii) None of the Company, any Principal, or any Company Related Entity or, to the Company's Knowledge, any Representative of any Company Related Entity, (i) appears on the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or on any other similar list maintained by the Office of Foreign Assets Control; (ii) has been convicted of or charged with a felony relating to money laundering or is under investigation by any Governmental Authority for money laundering, (iii) has failed to comply with the International Money Laundering Abatement and Anti-Terrorism Financing Act of 2001 and the rules promulgated thereunder and (iv) has failed to comply with the rules and regulations administered by the Office of Foreign Assets Control. In the conduct of the Business, neither the Company, nor, to the Company's Knowledge, any Client, any of their respective Representatives, nor any investor or shareholder in a Client, is a party with whom, or has its principal place of business or the majority of its business operations (measured by revenues) located in a country in which, transactions are prohibited by (A) United States Executive Order 13224, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism; (B) the United States Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001; (C) the United States Trading with the Enemy Act of 1917, as amended; (D) the United States International Emergency Economic Powers Act of 1977, as amended or (E) the foreign asset control regulations of the United States Department of the Treasury;

(iii) No part of the payments or other value received by any Seller or any Principal, directly or indirectly, are currently intended to be used by such Seller or such Principal for any purpose which would cause a violation of applicable Legal Requirements.

(c) Permits. Each Company Related Entity has been duly granted all material Permits necessary for the conduct of the Business by it and the ownership use and operation of its Assets. Section 3.12(c) of the Sellers' Disclosure Schedules sets forth a list of each material Permit affecting, or relating to, the Assets or the Business together with the Governmental Authority responsible for issuing such Permit and (i) the Permits listed or required to be listed thereon are valid and in full force and effect, (ii) no Company Related Entity is, in any material respect, in breach or violation of, or default under, any such material Permit and (iii) to the Company's Knowledge, no fact, situation, circumstance, condition or other basis exists which, with notice or lapse of time or both, would constitute a material breach, violation or default under such Permit or give any Governmental Authority grounds to suspend, revoke or terminate any such Permit.

Section 3.13. Filings; Certain Investment Adviser, Broker Dealer and ERISA Matters.

(a) Filings.

(i) Since January 1, 2006, each Company Related Entity has timely filed all material registrations, declarations, reports, notices, forms and other filings required to be filed with the SEC, the Financial Industry Regulatory Authority, Inc., any clearing agency or any other Governmental Authority, and all amendments or supplements required to be filed to any of the foregoing (the "Regulatory Filings"). The Regulatory Filings of each Company Related Entity were prepared in accordance with applicable Legal Requirements and all fees and assessments due and payable in connection therewith have been paid.

(ii) Each Company Related Entity is conducting its business in compliance in all material respects with its compliance policies and procedures. Since January 1, 2006, each Company Related Entity has adhered in all material respects to all supervisory, disclosure, suitability and sales practices, standards, policies and procedures, if any, required by any applicable Legal Requirement then in effect in connection with securities transactions.

(b) Certain Investment Adviser Matters.

(i) Except as set forth in Section 3.13(b)(i) of the Sellers' Disclosure Schedules, the Company is not, and has not been during the past six years, an "investment adviser" required to be registered, licensed or qualified as an investment adviser under the Advisers Act or other applicable Legal Requirements or subject to any liability or disability by reason of any failure to be so registered, licensed or qualified.

(ii) Except as set forth in Section 3.13(b)(ii) of the Sellers' Disclosure Schedules, the Company is not ineligible pursuant to Section 203 of the Advisers Act to serve as a registered investment adviser and none of the Principals or any of the Persons listed on Section 3.22(a)(1) of the Sellers' Disclosure Schedules whose name is not marked with an asterisk nor any of their respective Affiliates are ineligible pursuant to Section 203 of the Advisers Act to serve as an investment adviser or as a person associated with a registered investment adviser. Without limiting the foregoing, none of the Company, any of the Principals, any of the Persons listed on Section 3.22(a)(1) of the Sellers' Disclosure Schedules whose name is not marked with an asterisk nor any of their respective Affiliates has, during the period beginning six years prior to the date hereof, been convicted of any crime, is or has been engaged in any conduct described in Section 9(a) of the Investment Company Act, or is or has been subject to any disqualification, that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Advisers Act or for disqualification as an investment adviser for any investment company pursuant to Section 9(a) of the Investment Company Act and, to the Company's Knowledge, there is no reasonable basis for, or proceeding or investigation, whether formal or informal, or whether preliminary or otherwise, that would reasonably be expected to become a basis for, any such disqualification, denial, suspension or revocation.

(iii) Except as set forth in Section 3.13(b)(iii) of the Sellers' Disclosure Schedules, neither the Company nor, to the Company's Knowledge, any "advisory affiliate" (as defined in Form ADV), is in default with respect to any judgment, order, writ, injunction, decree, demand or assessment issued by any Governmental Authority relating to any aspect of its advisory business that could give rise to an affirmative answer to any of the questions in Item 11, Part 1 of Form ADV if the Company were registered as an investment adviser under the Advisers Act. To the Company's Knowledge, none of the Company's "management persons" (as defined in Form ADV) has been subject to any legal or disciplinary events that could give rise to an affirmative answer to any of the questions in Item 9, Part 2A of Form ADV if the Company were registered as an investment adviser under the Advisers Act. To the Company's Knowledge, no "supervised person" (as defined in Form ADV) of the Company has been subject to any legal or disciplinary events that could give rise to an affirmative answer to any of the questions in Item 3, Part 2B of Form ADV if the Company were registered as an investment adviser under the Advisers Act.

(iv) Since March 14, 2011, the Company, each of the Principals, each of the Persons listed on Section 3.22(a)(1) of the Sellers' Disclosure Schedules whose name is not marked with an asterisk and each of their respective Affiliates, have not made a contribution or taken any action in violation of Advisers Act Rule 206(4)-5 or which under any Legal Requirement would prevent the Company from receiving any management fees, sub-advisory fees, incentive fees, performance fees or other similar payments with respect to Clients to which the Company, would otherwise be entitled.

(v) Since February 18, 2011, the Company has complied, and has required all of its employees to comply, with the requirements of a Code of Ethics meeting the requirements of Rule 204A-1 under the Advisers Act, as if the Company was registered under the Advisers Act as an investment adviser.

(vi) Since February 18, 2011, the Company has kept all books and records required by Rule 204-2 under the Advisers Act, as if the Company was registered under the Advisers Act as an investment adviser.

(c) Broker Dealer Matters. The Company is not a "broker-dealer" required to be registered, licensed or qualified as a broker-dealer under the 1934 Act or other applicable Legal Requirement, or subject to any liability or disability by reason of any failure to be so registered, licensed or qualified.

(d) ERISA Matters. The Company has not, during the past three years, held itself out as a "fiduciary" as defined under ERISA. To the Company's Knowledge, no basis exists on which any associated person of the Company is or would reasonably be expected to become subject to disqualification under Section 411(a) of ERISA from holding the positions described under Section 411(a)(1)-(3) of ERISA.

Section 3.14. Tax Matters.

(a) The Company has timely filed, or has caused to be timely filed on its behalf, all Tax Returns required to be filed by it in accordance with all Legal Requirements. All such Tax Returns were true, correct and complete in all material respects. All Taxes (and any Liability for Taxes as a result of being a member of an affiliated, consolidated, combined or unitary group for any period, as a result of any tax sharing or tax allocation agreement, arrangement or understanding, or as a result for being liable for another Person's Taxes as a transferee or successor, by Contractual Obligation or otherwise) owed by the Company (whether or not shown on any Tax Return) have been timely paid in full. There are no liens with respect to Taxes upon any Asset other than liens for current Taxes not yet due and payable.

(b) The Company has deducted, withheld and timely paid to the appropriate Governmental Authority all Taxes required to be deducted, withheld or paid in connection with amounts paid or owing to any employee, independent contractor, creditor, equity holder or other third party, and the Company has complied with all reporting and recordkeeping requirements.

(c) Since December 31, 2009, the Company has not made, changed or revoked any Tax election, elected or changed any method of accounting for Tax purposes, amended any Tax Return, settled or compromised any Action in respect of Taxes, entered into any Contractual Obligation in respect of Taxes with any Governmental Authority or consented to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to the Company;

(d) There is no pending, or to the Company's Knowledge threatened, claim or Action concerning any Tax Liability of the Company. The Company has delivered to Buyer accurate and complete copies of all Tax Returns, examination reports, and statements of deficiencies filed, assessed against, or agreed to by the Company since January 1, 2007.

(e) The Company has not waived any statute of limitations in respect of Taxes nor agreed to any extension of time with respect to a Tax assessment or deficiency. No closing agreements, private letter rulings, technical advice memoranda or similar agreements or rulings relating to Taxes have been entered into or issued by any Governmental Authority with or in respect of the Company.

(f) The unpaid Taxes of the Company did not as of the last day of the last fiscal quarter exceed the reserve for Taxes (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the unaudited balance sheet of the Company as of the last day of the last fiscal quarter (rather than in any notes thereto).

(g) The Company has not made any payments, nor has been or is a party to any Contractual Obligation that could result in it making payments, that have resulted or would result, separately or in the aggregate, in the payment of any "excess parachute payment" within the meaning of Code Section 280G or in the imposition of an excise Tax under Code Section 4999 (or any corresponding provisions of state, local or foreign Tax law) or that were or would not be deductible under Code Sections 162 or 404.

(h) The Company is not and has not been required to make any adjustment pursuant to Code Section 481(a) (or any predecessor provision) or any similar provision of state, local or foreign tax law by reason of any change in any accounting methods, nor will be required to make such an adjustment as a result of the Contemplated Transactions, and there is no application pending with any Governmental Authority requesting permission for any changes in any of its accounting methods for Tax purposes.

(i) The Company will not be required to include any amount in taxable income or exclude any item of deduction or loss from taxable income for any taxable period (or portion thereof) ending after the date hereof as a result of (i) any "closing agreement" as described in Code Section 7121 (or any corresponding or similar provision of state, local or foreign income Tax law) executed on or prior to the date hereof, (ii) any deferred intercompany gain or excess loss account described in Treasury Regulations under Code Section 1502 (or any corresponding or similar provision or administrative rule of federal, state, local or foreign income Tax law), (iii) installment sale or open transaction disposition made on or prior to the date hereof, (iv) any prepaid amount received on or prior to the date hereof or (v) any change in Legal Requirements.

(j) The Company has never participated in any "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4.

(k) The income Tax classification of the Company in the jurisdictions where it is subject to income or similar Tax is set forth on Section 3.14 of the Sellers' Disclosure Schedules. The Company is and always has been classified as a partnership (but not a publicly traded partnership) for U.S. federal, state and local tax purposes.

(l) The Company is not, and has never been, (i) a member of a group of corporations with which it has filed (or been required to file) consolidated, combined or unitary Tax Returns or (ii) a party to or bound by any Tax indemnity, Tax sharing or Tax allocation agreement.

(m) The Company does not have any actual or potential liability for any Taxes of any Person as a transferee or successor, by Contractual Obligation or otherwise.

(n) The Company does not own an interest in any Person other than the CLO Interests.

Section 3.15. Employee Benefit Plans.

(a) Section 3.15(a) of the Sellers' Disclosure Schedules lists all material Employee Plans which the Company sponsors or maintains, or to which the Company contributes or is obligated to contribute, or under which the Company has or may have any Liability, or which benefits any current or former employee, director, consultant or independent contractor of the Company or the beneficiaries or dependents of any such Person (each a "Company Plan"). With respect to each Company Plan, the Company has delivered to Buyer accurate and complete copies of each of the following: (i) if the plan has been reduced to writing, the plan document or summary plan description, together with all amendments thereto, (ii) if the plan has not been reduced to writing, a written summary of all material plan terms, (iii) if applicable, any trust agreements, custodial agreements, insurance policies or contracts, administrative agreements and similar agreements, and investment management or investment advisory agreements, (iv) any summary plan descriptions, employee handbooks or similar employee communications, (v) in the case of any plan that is intended to be qualified under Code Section 401(a), the most recent determination letter from the IRS and any related correspondence, and any pending request for determination with respect to the plan's qualification, (vi) in the case of any funding arrangement intended to qualify as a VEBA under Code Section 501(c)(9), the IRS letter determining that it so qualifies, (vii) in the case of any plan for which Forms 5500 are required to be filed, the three most recently filed Forms 5500, with schedules attached and (viii) any notices, letters or other correspondence from the IRS or the Department of Labor relating to such Company Plan.

(b) Neither the Company nor any other Person that would be considered a single employer with the Company under the Code or ERISA has ever maintained a plan subject to Title IV of ERISA or Code Section 412, including any "multiemployer plan" as defined in Section 4001(a)(8) of ERISA, and no condition exists that presents a material risk to the Company of incurring a material liability under Title IV of ERISA or Section 412 or Section 430 of the Code.

(c) Each Company Plan that is intended to be qualified under Code Section 401(a) is so qualified. Each Company Plan, including any associated trust or fund, has been administered in accordance with its terms and any applicable collective bargaining agreements and with applicable Legal Requirements, and nothing has occurred with respect to any Company Plan that has subjected or could subject the Company to a penalty under Section 502 of ERISA or to an excise tax under the Code, or that has subjected or could subject any participant in, or beneficiary of, a Company Plan to a tax under Code Section 4973. Each Company Plan that is a qualified defined contribution plan is an "ERISA section 404(c) Plan" within the meaning of Department of Labor regulations section 2550.404c-1(b).

(d) All required contributions to, and premium payments on account of, each Company Plan have been made on a timely basis and to the extent not yet due have been appropriately accrued in accordance with GAAP.

(e) There is no pending or, to the Company's Knowledge, threatened Action relating to a Company Plan, other than routine claims in the Ordinary Course of Business for benefits provided for by the Company Plans. No Company Plan is or, within the last six years, has been the subject of an examination or audit by a Governmental Authority, is the subject of an application or filing under, or is a participant in, a government-sponsored amnesty, voluntary compliance, self-correction or similar program.

(f) Except as required under Section 601 et seq. of ERISA, no Company Plan provides benefits or coverage in the nature of health, life or disability insurance following retirement or other termination of employment.

(g) Each "nonqualified deferred compensation plan" (as defined in Code Section 409A(d)(1) and applicable regulations) with respect to any service provider to the Company (i) complies and has been operated in compliance with the requirements of Code Section 409A and regulations promulgated thereunder, or (ii) is exempt from compliance under the "grandfather" provisions of IRS Notice 2005-1 and applicable regulations and has not been "materially modified" (within the meaning of IRS Notice 2005-1 and Treasury Regulations §1.409A-6(a)(4)) subsequent to October 3, 2004. The Company has not, since January 1, 2005, maintained any other arrangement or arrangements that were subject to Code Section 409A with respect to which any Person could have any Liability for additions to tax under Code Section 409A.

(h) Except as disclosed on Section 3.15(h) of the Sellers' Disclosure Schedules, neither the execution of this Agreement, nor the consummation of the Contemplated Transactions will (i) entitle any employees of the Company to severance pay or benefits or any increase in severance pay or benefits upon any termination of employment after the date hereof, (ii) accelerate the time of payment or vesting of any benefits under any Company Plan, or (iii) limit or restrict Buyer from merging, amending or terminating any of the Company Plans without incurring any Liability (other than ordinary administrative costs).

(i) Each Company Plan and any related contracts may be amended or terminated without penalty other than the payment of benefits, fees or charges accrued or incurred through the date of termination.

(j) With respect to each Company Plan that is subject to Legal Requirements of a jurisdiction outside the United States, each such plan required to be registered has been registered and is in good standing with applicable Governmental Authorities, all contributions required to be made to or in connection with each such plan have been made and each such plan has been established and administered in accordance with its terms and all applicable Legal Requirements.

Section 3.16. Environmental Matters. (a) The Company and its Predecessors are, and have been, in compliance in all material respects with all Environmental Laws, (b) there has been no release or threatened release of any material amount of any Hazardous Substance on, upon, into or from any site currently or heretofore owned, leased or otherwise operated or used by the Company or a Predecessor thereof, (c) there have been no Hazardous Substances generated by the Company or a Predecessor thereof that have been disposed of or come to rest at any site that has been included in any published U.S. federal, state or local "superfund" site list or any other similar list of hazardous or toxic waste sites published by any Governmental Authority in the United States, (d) there are no underground storage tanks located on, no PCBs (polychlorinated biphenyls) or PCB-containing equipment used or stored on, and no hazardous waste as defined by the Resource Conservation and Recovery Act stored on, any site owned or operated by the Company or a Predecessor thereof, except for the storage of hazardous waste in compliance with Environmental Laws and (e) the Company has delivered to Buyer accurate and complete copies of all material environmental records, reports, notifications, certificates of need, permits, pending permit applications, correspondence, engineering studies, and environmental studies or assessments held by, or made for, the Company, in each case as amended and in effect.

Section 3.17. Contracts.

(a) Contracts. Except for the Contractual Obligations disclosed in Section 3.17 of the Sellers' Disclosure Schedules or those Contractual Obligations that are Excluded Assets, no Company Related Entity is bound by or a party to:

(i) any Contractual Obligation (or group of related Contractual Obligations) for the purchase, sale, construction, repair or maintenance of inventory, raw materials, commodities, supplies, goods, products, equipment or other property, or for the furnishing or receipt of services, in each case, the performance of which by the Company will extend over a period of more than one year after the Closing or which provides for (or would be reasonably expected to involve) annual payments to or by the Company, after the Closing, in excess of $25,000 or aggregate payments to or by the Company in excess of $25,000;

(ii) any Contractual Obligation of the Company relating to the acquisition or disposition by the Company of (A) any business (whether by merger, consolidation or other business combination, sale of securities, sale of assets or otherwise) or (B) any material Asset (other than in the Ordinary Course of Business);

(iii) any Contractual Obligation of the Company concerning or consisting of a partnership, limited liability company, joint venture or similar agreement;

(iv) any Contractual Obligation under which the Company has permitted any Asset to become Encumbered (other than by a Permitted Encumbrance);

(v) any Contractual Obligation (A) under which the Company has created, incurred, assumed or guaranteed any Debt or (B) under which any other Person has guaranteed any Debt of the Company;

(vi) any Contractual Obligation containing covenants that in any way purport to (A) restrict any business activity (including the solicitation, hiring or engagement of any Person or the solicitation of any customer) of the Company or any Principal or (B) limit the freedom of the Company or any Principal to engage in any line of business or compete with any Person;

(vii) any Contractual Obligation under which the Company is, or may become, obligated to incur any severance pay or Compensation obligations that would become payable by reason of this Agreement or the Contemplated Transactions (without giving effect to Section 6.08 or the last sentence of Section 6.09);

(viii) any Contractual Obligation under which the Company is, or may, have any Liability to any investment bank, broker, financial advisor, finder or other similar Person (including an obligation to pay any legal, accounting, brokerage, finder's, or similar fees or expenses) in connection with this Agreement or the Contemplated Transactions;

(ix) any Contractual Obligation providing for the employment of or provision of services on an independent contractor or consultancy basis by any Person on a full-time, part-time, consulting or other basis or otherwise providing Compensation or other benefits to any officer, director, employee, independent contractor or consultant (other than a Company Plan) to the Company;

(x) any agency, dealer, distributor, sales representative, marketing or other similar Contractual Obligation;

(xi) any custody, transfer agent, shareholder service, administrative, accounting (other than engagement letters in connection with routine audits) and similar Contractual Obligation (other than any Client Contract);

(xii) any Contractual Obligation requiring the Company (A) to co-invest with any other Person, (B) to provide seed capital or similar investment or (C) to invest in any investment product (including any CLO);

(xiii) any Contractual Obligation that contains (A) a "clawback" or similar undertaking requiring the contribution, reimbursement or refund by the Company, the Principals or the Sellers of any prior distribution, return of capital or fees (whether performance based or otherwise) paid to any such Person in respect of any Client or (B) a "most favored nation" or similar provision, in each case other than any such Contractual Obligations entered into by any CLO with respect to its investments;

(xiv) any Contractual Obligation that contains (A) key person provisions pertaining to employees of the Company or (B) any of the following rights provided to an investor with respect to a Client managed, advised or sub-advised by the Company: (1) special withdrawal or redemption rights, (2) designation rights regarding advisory board or similar provisions, (3) anti-dilution rights or (4) special notice or reporting requirements imposing any material burden or expense on the Company;

(xv) any placement agent agreement, or any other Contractual Obligation for the distribution or sale of Equity Interests or Debt Interests of a CLO;

(xvi) any side letter with any Client or any investor in any CLO;

(xvii) any outstanding general or special powers of attorney executed by or on behalf of the Company;

(xviii) any Contractual Obligation, relating to the lease or license of any Asset, including Company Technology and Company Intellectual Property Rights (and including all customer license and maintenance agreements);

(xix) any Contractual Obligation under which any Company Related Entity has advanced or loaned an amount to any of its Affiliates (other than portfolio companies of the CLOs) or employees other than in the Ordinary Course of Business;

(xx) any Contractual Obligation between any Company Related Entity, on the one hand, and any Seller or any Principal (or Affiliate (other than the Company, the CLOs or any portfolio company of any CLO) or Family Member thereof), on the other hand, that will continue in effect after the Closing; and

(xxi) any other Contractual Obligation (other than those listed on Section 3.17 of the Sellers' Disclosure Schedules in response to any of clause (i) through (xx) above) that is material to the Company Related Entities (excluding, for the avoidance of doubt, any Contractual Obligations entered into by any CLO with respect to its investments).

The Company has delivered to Buyer accurate and complete copies of each written Contractual Obligation listed on Section 3.17 of the Sellers' Disclosure Schedules, in each case, as amended or otherwise modified and in effect. The Company has delivered to Buyer a written summary setting forth all of the material terms and conditions of each oral Contractual Obligation listed on Section 3.17 of the Sellers' Disclosure Schedules.

(b) Enforceability, *etc.* Each Contractual Obligation required to be disclosed on Section 3.10(a), Section 3.11(a)(iii)(A), Section 3.15(a), Section 3.15(b), Section 3.17, Section 3.19(b) or Section 3.23 of the Sellers' Disclosure Schedules (each, a "Material Company Contract") is Enforceable against each Company Related Entity that is party thereto, is in full force and effect in accordance with its terms, and, subject to obtaining any necessary consents disclosed in Section 3.03 and Section 3.04 of the Sellers' Disclosure Schedules, will continue to be so Enforceable and in full force and effect, on identical terms following the consummation of the Contemplated Transactions.

(c) Breach, *etc.* No Company Related Entity or, to the Company's Knowledge, any other party thereto, is in material breach or violation of, or default under, or has repudiated any material provision of, any Material Company Contract.

Section 3.18. Related Party Transactions. Except for the matters disclosed on Section 3.18 of the Sellers' Disclosure Schedules, none of any Seller, any Principal or any Affiliate of any Principal (other than a Company Related Entity or controlled Affiliate thereof) and, to the Knowledge of the Company, any Person listed on Section 3.22(a)(1) of the Sellers' Disclosure Schedules (or, to the Company's Knowledge, any Family Member of any such Person who is an individual or an entity in which any such Person or such Family Member thereof owns a material interest) (a) has any material interest in any material Asset owned or leased by any Company Related Entity or used in connection with the Business or (b) has engaged in any material transaction, arrangement or understanding with any Company Related Entity since the Audited Balance Sheet Date with respect to which any obligation of any Company Related Entity remains outstanding as of the date hereof (other than payments made to, and other Compensation provided to, officers and directors (or equivalent or distributions of cash from the Company) in the Ordinary Course of Business).

Section 3.19. Clients; Client Contracts.

(a) The grand total principal balance of portfolio collateral (as set forth on the most recent report delivered to the trustee in respect of the CLOs), advised or sub-advised by the Company for all Clients, and the date of the most recent report, is set forth in Section 3.19(a) of the Sellers' Disclosure Schedules.

(b) Set forth in Section 3.19(b) of the Sellers' Disclosure Schedules is a list as of the date of this Agreement of all Clients, setting forth with respect to each such Client:

(i) the name and registered office address of such Client;

(ii) the date of the applicable Client Contract;

(iii) the (i) management fees, sub-advisory fees, incentive fees, performance fees or other similar payments paid to the Company under the applicable Client Contract for each of the two most recently completed fiscal years for such Client and (ii) amounts received by the Company in respect of any Equity Interest or Debt Interest of any CLO held by the Company for each of the two most recently completed fiscal years for such Client;

(iv) the terms of (i) any reduction in the management fees, sub-advisory fees, incentive fees, performance fees or similar payments, or in the asset base used to calculate such fees, that has occurred or is reasonably likely to occur within the twelve months following the last day of the most recently completed fiscal year of such Client in accordance with the terms of the applicable Client Contract or other Contractual Obligation and (ii) any waivers of, or reductions in, any such fee that has occurred since the last day of the most recently completed fiscal year of such Client, in each case to the extent not set forth or provided for in the applicable Client Contract or other Contractual Obligation;

(v) the terms of any special withdrawal or redemption rights, in each case to the extent not set forth in the applicable Client Contract or other Contractual Obligation;

(vi) the terms of any expense reimbursement (or assumption) arrangements or material unreimbursed payments required to be made by the Company to brokers, dealers or other Persons (other than to the Company) with respect to the distribution of interests of, services provided to investors in, or otherwise in connection with such Client, in each case (with respect to this clause (vii)) to the extent not set forth in any placement agent agreement set forth on Section 3.17 of the Sellers' Disclosure Schedules or in the applicable Client Contract; and

(vii) whether the Client Contract with respect to such Client requires the consent of any Client or any other Person in connection with the performance of this Agreement or the consummation of the Contemplated Transactions.

(c) The Company does not act as an investment adviser, investment manager or otherwise provides investment advisory or sub-advisory services to any Person other than the Clients disclosed on Section 3.19(b) of the Sellers' Disclosure Schedules. Except as disclosed on Section 3.19(b) of the Sellers' Disclosure Schedules, there are no collective investment vehicles organized in any jurisdiction (i) sponsored or promoted by the Company or (ii) for which the Company acts as a general partner, trustee or managing member (or in similar capacity), principal underwriter or distributor.

(d) Except for the consents set forth on Section 3.19(b) of the Sellers' Disclosure Schedules, no Person has any individual or collective right to consent to or approve an assignment (including any deemed assignment within the meaning of Section 205(a)(2) of the Advisers Act) of a Client Contract by the Company.

(e) The Company is not party to any revenue sharing or subadvisory agreements with any Person in respect of any Client. Except as specifically described in Section 3.19(b) of the Sellers' Disclosure Schedules by express disclosure thereon relating to a particular Client or as set forth in a Client Contract, there are no Contractual Obligations pursuant to which the Company or its Representatives has undertaken or agreed to cap, waive, offset, reimburse or otherwise reduce any or all fees or charges payable by or with respect to any Client. As of the date hereof, no Client of the Company has expressed to the Company, a Principal or, to the Company's Knowledge, any employees thereof, any intention to terminate or reduce its investment relationship with the Company or adjust the fee schedule with respect to any contract in a manner which would reduce the fees or other payments to the Company (including after giving effect to the Closing) in connection with such Client relationship.

(f) Except as would not have a Company Material Adverse Effect on the Company, (i) each Client Contract has at all times since its effective date been (and currently is) duly authorized, executed and delivered by each party thereto and, and at all such times has been a valid and binding agreement of each party thereto, enforceable in accordance with its terms (subject to bankruptcy, insolvency, moratorium, fraudulent transfer and similar laws affecting creditors' rights generally and to general equity principles), and (ii) the Company has been at all times (and currently is) in compliance with the material terms of each Client Contract to which it is a party (including the applicable investment guidelines and restrictions thereunder, where applicable), and no condition exists that constitutes or with notice or the passage of time would reasonably be expected to constitute a default by the Company or, to the Company's Knowledge, any other party thereto thereunder.

(g) As to each Client, there has been in full force and effect a written Client Contract at all times at which the Company was providing investment advisory services for such Client, all of which Client Contracts are listed in Section 3.19(b) of the Sellers' Disclosure Schedules.

(h) Set forth on Section 3.19(h) of the Sellers' Disclosure Schedules is a list of each Person (including the Company or employee thereof) entitled to receive management fees, sub-advisory fees, incentive fees, performance fees or other similar payments directly from any Client pursuant to a Client Contract, or, to the Company's Knowledge, otherwise, whether or not such payments are paid or payable and whether or not such payments arise as a result of ownership of an Equity Interest or Debt Interest of such CLO, are due and payable in connection with an employment, independent contractor or consulting agreement or arrangement, or are otherwise due and payable pursuant to a Contractual Obligation between any Person (including the Company or employee thereof), on the one hand, and any Client, on the other hand.

(i) The Company does not provide and has never provided investment advisory services to a Client that is (i) an employee benefit plan, as defined in Section 3(3) of ERISA, that is subject to the fiduciary responsibility provisions of Title I of ERISA or to Section 4975 of the Code, or a person acting on behalf of such plan or (ii) an entity whose assets include the assets of such a plan, within the meaning of Section 3(42) of ERISA and applicable regulations of the Department of Labor. In addition, the Company is not and has never been required to qualify as a qualified professional asset manager under Prohibited Transaction Class Exemption 84-14.

(j) To the Knowledge of the Company, no controversy or disagreement exists between the Company, on the one hand, and any Client or investor or shareholder of a Client, on the other.

(k) No exemptive orders, "no-action" letters or similar exemptions or regulatory relief have been obtained by, nor are any requests pending therefor, nor to the Knowledge of the Company are any such exemptions or regulatory relief necessary but not yet obtained, with respect to (i) the Company, (ii) any officer, member of the board of managers, partner, shareholder, owner, employee or representative, as applicable, of the Company or (iii) any Client.

(l) With respect to each Client, each investment made by the Company or on behalf of such Client has been made in accordance with such Client's investment policies, guidelines and restrictions set forth in (or otherwise provided to the Company pursuant to or in connection with) its Client Contract in effect at the time the investments were made, and has been held thereafter, in each case in all material respects in accordance with such investment policies, guidelines and restrictions.

Section 3.20. CLOs.

(a) Except as disclosed on Section 3.20(a) of the Sellers' Disclosure Schedules, with respect to each CLO:

(i) No default, event of default, termination event or violation of any provision of any CLO Indenture has occurred and no collateral manager termination event (or similar event which would permit any party to remove the Company with or without cause) has occurred under any CLO CMA, and none of the execution and delivery of this Agreement or any Ancillary Agreement, the consummation of the Contemplated Transactions or the compliance by the Company with any of the terms or provisions of this Agreement or any Ancillary Agreement will result in a default, an event of default, termination event or violation of any provision of any CLO Indenture or any CLO CMA or affect the rights of the Company to continue to act as the collateral manager for any CLO;

(ii) To the Company's Knowledge, each CLO is in compliance with all covenants and other provisions of the applicable CLO Indenture, CLO CMA and any other documents executed by such CLO in connection with the execution and delivery of the CLO Indenture and CLO CMA (collectively, the "CLO Documents"). The Company (if a party thereto), and, to the Company's Knowledge, each other party to the CLO Documents, is in material compliance with the terms of the relevant CLO Documents, and is not in default or breach under any of the terms of such CLO Documents. There has not occurred an event or condition that with the passage of time or giving of notice (or both) would constitute a default by the Company, or, to the Company's Knowledge, by any other party thereto, under, or permit the termination of (other than due to redemptions), any CLO Document. Each CLO Document to which a Company Related Entity is a party is in full force and effect as to such Company Related Entity, and, to the Company's Knowledge, as to each party thereto, and constitutes a legal, valid and binding obligation of such Company Related Entity and, to the Company's Knowledge, of each other party thereto, enforceable against such Company Related Entity, and, to the Company's Knowledge, each other party thereto in accordance with its terms;

(iii) The Company, in its capacity as collateral manager under each CLO CMA, is in compliance in all material respects with all covenants and other provisions of the CLO Indentures and the CLO CMAs applicable to it;

(iv) The consummation of the Contemplated Transactions does not (A) require consent or approval from the holder of any Debt Interests or Equity Interests in any CLO, any rating agency or any other party to any CLO Document, (B) require that a rating confirmation be obtained from any rating agency or (C) affect the rights of the Company under any CLO CMA to continue to act as the collateral manager thereunder;

(v) The Company, in its capacity as collateral manager under each CLO CMA, has not given any notice to terminate any reinvestment or similar period pursuant to any CLO CMA or any CLO Indenture;

(vi) No CLO, nor the pool of collateral associated with such CLO, is required to be registered as an "investment company" under the Investment Company Act;

(vii) There is no Action that is pending (or to the Company's Knowledge threatened) against any CLO or the Company, in its capacity as collateral manager under each CLO CMA;

(viii) No CLO is currently a party to, or the subject of, any audit or Action regarding Taxes. To the Company's Knowledge, there is no claim or assessment pending or threatened against any CLO relating to Taxes that has not been closed with finality; and

(ix) No holder of any Equity Interests or Debt Interests in any CLO is presently entitled to any redemption rights other than pursuant to the CLO Documents.

(b) Since the date of organization of each CLO, (i) such CLO has been operated and is currently operating in compliance in all material respects with all applicable Legal Requirements, (ii) no event has occurred or condition or circumstance exists that could reasonably be expected to constitute or result directly or indirectly in a violation by any CLO of, or a failure on the part of any CLO to comply with, any Legal Requirement in all material respects, and (iii) no offering memorandum or other document prepared or received by any Company Related Entity and used to sell the Equity Interests or Debt Interests in such CLO contained, at the time of its distribution or use, any untrue statement of a material fact with respect to the CLO or the Company, in its capacity as collateral manager under each CLO CMA, or omitted to state a material fact with respect to the CLO or the Company, in its capacity as collateral manager under each CLO CMA, required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) (i) None of the Company, or, to the Company's Knowledge, any other Company Related Entity, has received any notice from any holder of Equity Interests or Debt Interests in any CLO or the trustee or agent specified in the applicable CLO Indenture directing that the Company, in its capacity as collateral manager under each CLO CMA, be removed thereunder, or any other notice of a similar nature, and the Company has not provided any notice of its resignation as the collateral manager under any CLO CMA; (ii) to the Company's Knowledge, there is no event, fact, or circumstance that is reasonably likely to result in a default, event of default, termination event or violation of any provision of the CLO Indentures or CLO CMAs or otherwise adversely affect the rights of the collateral manager under any CLO CMA or the ability of the Company to continue to act as the collateral manager thereunder prior to the Closing; (iii) there are no collateral management fees or similar fees that are due and payable by any CLO but remain unpaid beyond any applicable grace periods; and (iv) the Company has not, and, to the Company's Knowledge, no other Company Related Entity has, received any written notice or other communication from any Governmental Authority or any other Person with respect to any CLO or the Company regarding any actual, threatened, alleged, possible, or potential violation of, or failure to comply with, any applicable Legal Requirement by any Company Related Entity, or any actual, threatened, alleged, possible, or potential material obligation on the part of any Company Related Entity to undertake, or to bear all or any portion of the cost of, any remedial action.

(d) Except as disclosed on Section 3.20(d) of the Sellers' Disclosure Schedules, the right of the Company to receive all fees and expense reimbursements from each CLO under the applicable CLO Documents is a valid and binding obligation of such CLO, enforceable against such CLO in accordance with the terms of such CLO Documents. The right of the Company to receive fees under such CLO Documents is free and clear of any Encumbrance, and the Company has not sold, assigned, pledged or otherwise transferred any such right, in whole or in part, to any Person.

(e) The Company has delivered or made available to Buyer true, complete and correct copies of each of the following documents: (i) all CLO Documents, together with all amendments and supplements thereto, (ii) all written orders, officer's certificates or written requests that are material and outside of the ordinary course of business given to any trustee on behalf of any CLO or the Company, in its capacity as collateral manager under each CLO CMA at any time since the closing date of the applicable CLO, (iii) all correspondence (including e-mail) relating to any actual, threatened or potential dispute with or claim by any holder of Equity Interests or Debt Interests of any CLO or any other party to a CLO Document delivered by (or to) the Company, in its capacity as collateral manager under each CLO CMA, to (or from) the trustee under the applicable CLO indenture or any CLO, any holder of Equity Interests or Debt Interests in any CLO, any other party to a CLO Document or any rating agency at any time since the closing date of the applicable CLO, (iv) all rating confirmations received by any CLO or the Company, in its capacity as collateral manager under each CLO CMA, at any time since the closing date of the applicable CLO, (v) all collateral portfolio reports relating to each CLO (the "CLO Reports") issued at any time since the closing date of the applicable CLO and (vi) all accountants' reports required under the applicable CLO Indenture for each CLO since the closing date of the applicable CLO. To the Company's Knowledge, the CLO Reports were prepared in accordance with the requirements of the applicable CLO Indenture. To the Company's Knowledge, each CLO Report sets forth the information required by the applicable CLO Indenture to be included therein. To the Company's Knowledge, the information set forth in the CLO Reports is accurate, true, complete and correct in all material respects.

(f) Set forth on Section 3.20(f) of the Sellers' Disclosure Schedules is a list of each Person designated as a "Key Manager," as of the date hereof. Each such Person listed on Section 3.20(f) of the Sellers' Disclosure Schedules has been approved by the applicable holders of Equity Interests and Debt Interests of Trimaran CLO IV in accordance with the terms of the Trimaran CLO IV CMA and Trimaran CLO IV Indenture. Except as set forth on Section 3.20(f) of the Sellers' Disclosure Schedules, no Client Contract, CLO Indenture, CLO CMA or other Contractual Obligation to which any Company Related Entity is a party contains any key person or similar provisions.

Section 3.21. Change of Control Payments. Except as disclosed on Section 3.21 of the Sellers' Disclosure Schedules, there are no Change of Control Payments.

Section 3.22. Labor Matters.

(a) Section 3.22(a)(1) of the Sellers' Disclosure Schedules sets forth a true and complete list of (i) all current employees of the Company or any of its Affiliates as of the date of this Agreement and (ii) any independent contractors performing service exclusively for the Company or any of its Affiliates as of the date of this Agreement, in each case including, as applicable, their titles. There are no labor troubles (including any work slowdown, lockout, stoppage, picketing or strike) pending, or to the Company's Knowledge, threatened between the Company, on the one hand, and its employees, on the other hand, and there have been no such troubles since January 1, 2009. (A) No employee of an the Company is represented by a labor union, (B) the Company is not a party to, or otherwise subject to, any collective bargaining agreement or other labor union contract, (C) since January 1, 2009, no petition has been filed or proceedings instituted by an employee or group of employees of the Company with any labor relations board seeking recognition of a bargaining representative, (D) to the Company's Knowledge, there is no organizational effort currently being made or threatened by, or on behalf of, any labor union to organize employees of the Company, and (E) since January 1, 2009, no demand for recognition of employees of the Company has been made by, or on behalf of, any labor union to the Company. No executive officer's or other key employee's employment with the Company has been terminated for any reason nor has any such officer or key employee notified the Company of his or her intention to resign or retire, in each case since the Audited Balance Sheet Date.

(b) The Company is in material compliance with all applicable employee agreements, consulting agreements, independent contractor agreements and other service contracts, written employee or human resource personnel policies (to the extent they contain enforceable obligations), handbooks or manuals, and severance or separation agreements, and is in full compliance with any legal obligation to maintain in effect any affirmative action plans. The Company is in material compliance with all applicable laws with respect to employment and employment-related practices, wages, hours and other terms and conditions of employment. At all times since the Audited Balance Sheet Date, the Company has properly classified for wage and hour purposes all employees, has properly classified all individuals treated by the Company as independent contractors and nothing has occurred that could give rise to any Liability in respect of any failure to so classify.

Section 3.23. Litigation; Governmental Orders.

(a) Litigation. Except as disclosed on Section 3.23(a) of the Sellers' Disclosure Schedules (which matters have not had, and would not reasonably be expected to have, a Company Material Adverse Effect), there is no Action to which any Company Related Entity is a party (either as plaintiff or defendant) or to which its Assets are or may be subject that is pending, or, to the Company's Knowledge, threatened, nor, to the Company's Knowledge, is there any basis for any of the foregoing. Except as disclosed on Section 3.23(a) of the Sellers' Disclosure Schedules, there is no Action which the Company, or, to the Company's Knowledge, any other Company Related Entity, presently intends to initiate.

(b) Governmental Orders. Except as disclosed on Section 3.23(b) of the Sellers' Disclosure Schedules, no Governmental Order has been issued that is applicable to any Company Related Entity or its assets or business.

Section 3.24. Insurance. Section 3.24 of the Sellers' Disclosure Schedules sets forth an accurate and complete list of all insurance policies by which the Company, or any of its Assets, employees, officers or directors (or equivalent) or the Business have been insured since January 1, 2009 (the "Liability Policies"). Section 3.24 of the Sellers' Disclosure Schedules describes any self-insurance arrangements affecting the Company. The Company maintains and has since January 1, 2009 maintained with financially sound and reputable insurers insurance with respect to their Assets, employees, officers and directors (or equivalent) and the Business, in such amounts and against such losses and risks as is customarily carried by Persons engaged in the same or similar business and as is required under the terms of any applicable Contractual Obligations. Except as disclosed on Section 3.24 of the Sellers' Disclosure Schedules, no insurer has, since January 1, 2009, (a) questioned, denied or disputed coverage of any claim pending under any Liability Policy or (b) threatened to cancel any Liability Policy. Except as disclosed on Section 3.24 of the Sellers' Disclosure Schedules, to the Company's Knowledge, no insurer plans to materially increase the premiums for, or materially alter the coverage under, any Current Liability Policy. Except as disclosed on Section 3.24 of the Sellers' Disclosure Schedules, the Company will after the Closing continue to have coverage under all of the Liability Policies with respect to events occurring prior to the Closing.

Section 3.25. No Brokers. Assuming the accuracy of Buyer's representation and warranty in Section 5.13, the Company has no Liability of any kind to, and is not subject to any claim of, any broker, finder or agent in connection with the Contemplated Transactions other than those which will be borne by the Sellers.

Section 3.26. Disclosure. No representation, warranty or statement contained in this ARTICLE III contains any untrue statement of material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF THE SELLERS AND PRINCIPALS.

The Sellers and the Principals hereby represent and warrant to Buyer that:

Section 4.01. Organization. Each Seller is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization.

Section 4.02. Power and Authorization.

(a) Each Seller has all requisite power and authority necessary for the execution, delivery and performance by such Seller of this Agreement and each Ancillary Agreement to which such Seller is a party. Each Seller has duly authorized by all necessary action on the part of its board of managers or board of directors (or equivalent body) the execution, delivery and performance of this Agreement and each Ancillary Agreement to which it is a party. The consummation of the Contemplated Transactions by such Seller are within the power and authority of such Seller and have been duly authorized by such Seller by all necessary action on the part of such Seller (and its Board of Directors (or equivalent) and holders of its Equity Interests). This Agreement and each Ancillary Agreement to which each Seller is a party (a) have been duly executed and delivered by such Seller and (b) is a legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms.

(b) Each Principal has full legal capacity, right and authority to execute, deliver and perform this Agreement and the Ancillary Agreements to which such Principal is or will be a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated by this Agreement. With respect to each Principal, this Agreement constitutes, and each Ancillary Agreement to which such Principal is or will be a party will constitute when executed and delivered, a legal, valid and binding agreement of such Principal, enforceable against such principal in accordance with its terms.

Section 4.03. Authorization of Governmental Authorities.

(a) No action by (including any authorization, consent or approval), or in respect of, or filing with, any Governmental Authority is required for, or in connection with, the valid and lawful (a) authorization, execution, delivery and performance by each Seller of this Agreement and each Ancillary Agreement to which such Seller is a party or (b) consummation of the Contemplated Transactions by such Seller.

(b) No action by (including any authorization, consent or approval), or in respect of, or filing with, any Governmental Authority is required for, or in connection with, the valid and lawful (a) authorization, execution, delivery and performance by any Principal of this Agreement and each Ancillary Agreement to which such Principal is a party or (b) consummation of the Contemplated Transactions by such Principal.

Section 4.04. Noncontravention.

(a) Except as disclosed on Section 4.04 of the Sellers' Disclosure Schedules, neither the execution, delivery and performance by each Seller of this Agreement or any Ancillary Agreement to which such Seller is a party nor the consummation of the Contemplated Transactions by such Seller will:

(i) assuming the taking of any action by (including the obtaining of each necessary authorization, consent or approval) or in respect of, and the making of all filings with, Governmental Authorities, in each case, as disclosed on Section 3.03 or 4.03 of the Sellers' Disclosure Schedules, violate any provision of any Legal Requirement applicable to each Seller; or

(ii) conflict with or result in a breach or violation of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or require any action by (including any authorization, consent or approval) or notice to any Person, or result in the creation of any Encumbrance upon any Equity Interests of each Seller under, any of the terms, conditions or provisions of (x) any Governmental Order applicable to or otherwise affecting such Seller or its assets or properties, (y) any material Contractual Obligation of such Seller, or (z) the Organizational Documents of such Seller.

(b) Except as disclosed on Section 4.04 of the Sellers' Disclosure Schedules, neither the execution, delivery and performance by any Principal of this Agreement or any Ancillary Agreement to which such Principal is a party nor the consummation of the Contemplated Transactions by such Principal will:

(i) assuming the taking of any action by (including the obtaining of each necessary authorization, consent or approval) or in respect of, and the making of all filings with, Governmental Authorities, in each case, as disclosed on Section 3.03 or 4.03 of the Sellers' Disclosure Schedules, violate any provision of any Legal Requirement applicable to such Principal; or

(ii) conflict with or result in a breach or violation of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or require any action by (including any authorization, consent or approval) or notice to any Person under, any of the terms, conditions or provisions of (x) any Governmental Order applicable to or otherwise affecting such Principal or such Principal's assets or properties or (y) any material Contractual Obligation of such Principal.

Section 4.05. Title.

(a) HBK is the record and beneficial owner of the outstanding Equity Interests in the Company set forth on Section 4.05(a) of the Sellers' Disclosure Schedules, and HBK has good and marketable title to such Equity Interests, free and clear of all Encumbrances. HBK has full right, power and authority to transfer and deliver to Buyer valid title to the Equity Interests held by HBK, free and clear of all Encumbrances. Except pursuant to this Agreement, there is no Contractual Obligation pursuant to which HBK has, directly or indirectly, granted any option, warrant or other right to any Person to acquire any Equity Interests in the Company. Except as disclosed on Section 4.05(a) of the Sellers' Disclosure Schedules, HBK is not a party to, and the Equity Interests in the Company set forth on Section 4.05(a) of the Sellers' Disclosure Schedules are not subject to, any shareholders agreement, voting agreement, voting trust, proxy or other Contractual Obligation relating to the transfer or voting of such Equity Interests.

(b) TFM is the record and beneficial owner of the outstanding Equity Interests (i) in the Company set forth on Section 4.05(b) of the Sellers' Disclosure Schedules and (ii) in HBK set forth on Section 4.05(b) of the Sellers' Disclosure Schedules, and TFM has good and marketable title to such Equity Interests, free and clear of all Encumbrances except as set forth on Section 4.05(b) of the Sellers' Disclosure Schedules. TFM has full right, power and authority to transfer and deliver to Buyer valid title to the Equity Interests in the Company held by TFM, free and clear of all Encumbrances. Except pursuant to this Agreement, there is no Contractual Obligation pursuant to which TFM has, directly or indirectly, granted any option, warrant or other right to any Person to acquire any Equity Interests in the Company or in HBK. Except as disclosed on Section 4.05(b) of the Sellers' Disclosure Schedules, TFM is not a party to, and the Equity Interests in the Company and in HBK set forth on Section 4.05(b) of the Sellers' Disclosure Schedules are not subject to, any shareholders agreement, voting agreement, voting trust, proxy or other Contractual Obligation relating to the transfer or voting of such Equity Interests.

(c) Section 4.05(c) of the Sellers' Disclosure Schedules sets forth the record and beneficial ownership of all outstanding Equity Interests of each of HBK, TFM, Trimaran Credit Managers LP and Trimaran Credit Managers Holdings LLC (collectively, the "Upstream Vehicles"), and the applicable owners of such Equity Interests have good and marketable title to such Equity Interests, free and clear of all Encumbrances except as set forth on Section 4.05(c) of the Sellers' Disclosure Schedules. Except pursuant to this Agreement, there is no Contractual Obligation pursuant to which such Principal, any Seller or any Upstream Vehicle has, directly or indirectly, granted any option, warrant or other right to any Person to acquire any Equity Interests in such Seller. Except as disclosed on Section 4.05(c) of the Sellers' Disclosure Schedules, such Principal, such Seller or such Upstream Vehicle is not a party to, and the Equity Interests in the Company are not subject to, any shareholders agreement, voting agreement, voting trust, proxy or other Contractual Obligation relating to the voting of such Equity Interests.

Section 4.06. Investment Representations. Each Seller and each Principal represents and warrants that he or it, as applicable, is an "accredited investor" within the meaning of Rule 501 under the 1933 Act. Each Seller and each Principal is acquiring KCAP Common Stock hereunder for such Seller's or such Principal's, as applicable, own account, for investment and not with a view to any resale or distribution thereof. Each Seller and each Principal understands that the KCAP Common Stock to be acquired by such Seller or such Principal, as applicable, hereunder has not been registered under the 1933 Act or any state securities laws and may not be assigned, sold or otherwise transferred without registration under the 1933 Act or any relevant state securities laws or exemption therefrom; that none of KCAP, Buyer or their Affiliates has any obligation or intention to register any of the KCAP Common Stock to be acquired by such Seller or such Principal, as applicable, hereunder under the 1933 Act or state securities laws; and that such Seller or such Principal, as applicable, therefore bear the economic risk of holding the KCAP Common Stock to be acquired hereunder for an indefinite period of time.

Section 4.07. No Brokers. Except as disclosed in Section 4.07 of the Sellers' Disclosure Schedules and assuming the accuracy of the Buyer's representation and warranty in Section 5.13, no Seller has any Liability of any kind to any broker, finder or agent with respect to the Contemplated Transactions, and each Seller agrees to satisfy in full any Liability required to be disclosed on Section 4.07 of the Sellers' Disclosure Schedules.

Section 4.08. Withholding. Each Seller and each Principal represents and warrants that no withholding Taxes and or any other amounts are required under the Code or any applicable Legal Requirement to be deducted and withheld from the Cash Consideration or the Equity Consideration payable to such Seller or such Principal pursuant to ARTICLE II.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES OF BUYER.

KCAP and Buyer hereby jointly and severally represent and warrant to the Sellers that:

Section 5.01. Organization. Each of KCAP and Buyer is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization.

Section 5.02. Power and Authorization. Each of KCAP and Buyer has all requisite power and authority necessary for the execution, delivery and performance by it of this Agreement and each Ancillary Agreement to which it is a party. Each of KCAP and Buyer has duly authorized by all necessary action on the part of the board of managers or board of directors (or equivalent body) of KCAP or Buyer, as applicable, the execution, delivery and performance of this Agreement and each Ancillary Agreement to which it is a party. The consummation of the Contemplated Transactions by Buyer is within the power and authority of Buyer and have been duly authorized by all necessary action on the part of Buyer. This Agreement and each Ancillary Agreement to which KCAP or Buyer is a party (a) have been duly executed and delivered by Buyer or KCAP, as applicable, and (b) is a legal, valid and binding obligation of Buyer and KCAP, enforceable against Buyer or KCAP, as applicable, in accordance with its terms.

Section 5.03. Authorization of Governmental Authorities. Except as disclosed on Section 5.03 of the Buyer Disclosure Schedules, no action by (including any authorization, consent or approval), or in respect of, or filing with, any Governmental Authority is required for, or in connection with, the valid and lawful (a) authorization, execution, delivery and performance by Buyer or KCAP of this Agreement and each Ancillary Agreement to which it is a party or (b) consummation of the Contemplated Transactions by Buyer and KCAP.

Section 5.04. Noncontravention. Except as disclosed on Section 5.04 of the Buyer Disclosure Schedules, neither the execution, delivery and performance by Buyer or KCAP of this Agreement or any Ancillary Agreement to which Buyer or KCAP, as applicable, is a party nor the consummation of the Contemplated Transactions will:

(a) assuming the taking of any action by (including the obtaining of each necessary authorization, consent or approval) or in respect of, and the making of all filings with, Governmental Authorities, in each case, as disclosed on Section 5.03 of the Buyer Disclosure Schedules, violate any provision of any Legal Requirement applicable to KCAP, Buyer or its Subsidiaries; or

(b) conflict with or result in a breach or violation of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or require any action by (including any authorization, consent or approval) or notice to any Person under, any of the terms, conditions or provisions of (i) any Governmental Order applicable to or otherwise affecting Buyer, its Subsidiaries or their respective assets or properties, (ii) any material Contractual Obligation of Buyer or its Subsidiaries, or (iii) the Organizational Documents of Buyer or its Subsidiaries.

Section 5.05. Capitalization.

(a) The authorized capital stock of KCAP consists of 100,000,000 shares of KCAP Common Stock. As of February 27,2012, 22,992,211 shares of KCAP Common Stock were issued and outstanding. No shares of KCAP Common Stock were issued after February 27, 2012 and prior to the date hereof, other than pursuant to the exercise of options previously disclosed in the KCAP SEC Reports. All outstanding shares of KCAP Common Stock have been duly authorized and are validly issued, fully paid and nonassessable. Other than as contemplated in the KCAP SEC Reports, KCAP has no KCAP Common Stock reserved for issuance. Except as set forth above or in the KCAP SEC Reports, as of the date of this Agreement, there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate KCAP or any of its Subsidiaries to issue or to sell any shares of capital stock or other securities of KCAP or any of its Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any securities of KCAP or any of its Subsidiaries, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(b) All the shares of KCAP Common Stock to be issued in connection with the Contemplated Transactions have been duly authorized and will be, when issued in accordance with this Agreement, validly issued, fully paid and nonassessable and not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of applicable Legal Requirements, the Organizational Documents of KCAP or any Contractual Obligation to which KCAP is a party or otherwise bound.

Section 5.06. Absence of Certain Developments. Other than as disclosed in the KCAP SEC Reports, since December 31, 2010:

(a) KCAP has not made any declaration, set aside or payment of any dividend or other distribution with respect to, or any repurchase, redemption or other acquisition of, any KCAP Common Stock or other securities;

(b) KCAP has not made (i) any material change in its methods of accounting or accounting practices (including with respect to reserves) or any change in any material election in respect of Taxes;

(c) KCAP has not made a change to its board of directors or the officers of KCAP; and

(d) No event, change, fact, condition or circumstance has occurred or arisen that has had, or would reasonably be expected to have, a Buyer Material Adverse Effect.

Section 5.07. Sufficient Funds. Buyer has sufficient funds available to consummate the Contemplated Transactions and to deliver the Cash Consideration.

Section 5.08. Registration Rights. Buyer will not, as of the date hereof, be under any obligation to register any of its securities under the 1933 Act, except for any continuing obligations of Buyer to maintain previously filed registration statements.

Section 5.09. No Registration. Assuming the accuracy of the representations and warranties made by each Seller in ARTICLE IV of this Agreement, the issuance and delivery to the Sellers and the Principals of the KCAP Common Stock hereunder in the manner contemplated by this Agreement are exempt from the registration requirements of the 1933 Act and applicable state securities laws (or are in compliance therewith).

Section 5.10. No Stockholder Vote Required. The consummation of the Contemplated Transactions, including the issuance of the KCAP Common Stock pursuant to ARTICLE II hereof, does not require the approval of the holders of any shares of capital stock of KCAP.

Section 5.11. Miscellaneous Securities Laws Matters. The KCAP Common Stock is registered pursuant to Section 12 of the 1934 Act and KCAP has taken no action intended to terminate the registration of the KCAP Common Stock under the 1934 Act, nor has Buyer received any written notification from the SEC that the SEC is seeking to terminate such registration. Since January 1, 2009, Buyer has not taken, and to the knowledge of Buyer no Person acting on its behalf has taken, in violation of any applicable Legal Requirement, any action intended to cause or result in unlawful manipulation of the price of KCAP Common Stock.

Section 5.12. SEC Filings; Financial Statements. Except as disclosed on Section 5.12(a) of the Buyer Disclosure Schedules:

(a) Since January 1, 2011, KCAP has timely filed and made available all forms, reports, schedules, statements and other documents, including any exhibits thereto, required to be filed by KCAP with the SEC (collectively, the "KCAP SEC Reports"). The KCAP SEC Reports (i) were prepared in all material respects in accordance with the applicable requirements of the 1933 Act, the 1934 Act and the Investment Company Act, as the case may be and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated in such KCAP SEC Reports or necessary to make the statements in such KCAP SEC Reports, in light of the circumstances under which they were and will be made, not misleading.

(b) Each of the consolidated financial statements (including, in each case, any related notes and schedules) contained in the KCAP SEC Reports complied, as of its respective date, in all material respects with all applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, was prepared in accordance with GAAP (except as may be indicated in the notes thereto) applied on a consistent basis throughout the periods involved and fairly presented the consolidated financial position of KCAP and its consolidated Subsidiaries as of the respective dates thereof and the consolidated results of its operations and cash flows of KCAP and its consolidated Subsidiaries for the periods indicated, except that any unaudited interim financial statements are subject to normal and recurring year-end adjustments which have not been and are not expected to be material in amount, individually or in the aggregate.

(c) To the Knowledge of the Buyer and KCAP, since the date of the most recently filed KCAP SEC Report, no event has occurred that would require KCAP to file an 8-K other than events related to the Contemplated Transactions.

Section 5.13. No Brokers. Buyer has no Liability of any kind to any broker, finder or agent with respect to the Contemplated Transactions for which any Seller or any Principal could be liable.

Section 5.14. Solvency. Immediately prior to the consummation of the Contemplated Transactions, KCAP (a) is not insolvent, (b) has not incurred debts beyond its ability to pay such debts as they mature and (c) does not have liabilities in excess of the reasonable market value of its assets.

Section 5.15. Anti-Takeover. Assuming that the only securities of KCAP that Jay R. Bloom and Dean C. Kehler own as of the date hereof are shares of KCAP Common Stock issued hereunder, no "fair price", "moratorium", "control share acquisition" or other similar anti-takeover statute or regulation, including, without limitation Section 203 of Delaware General Corporation Law, or any anti-takeover provision in the certificates of incorporation or bylaws of Buyer is applicable to Buyer or the KCAP Common Stock.

Section 5.16. No Other Representations or Warranties. Except for the representations and warranties contained in ARTICLES III and IV, Buyer acknowledges that (i) neither the Company, any Seller, any Principal nor any other Person on behalf of the Company, any Seller or any Principal makes any express or implied representation or warranty to Buyer and (ii) neither the Company, any Seller, any Principal nor any other Person on behalf of the Company, any Seller or any Principal will have or be subject to any Liability to Buyer or any of its Affiliates or their respective directors, officers or employees resulting from the distribution to Buyer, or Buyer's use of, any information, documents, projections, forecasts or other material available or made available to Buyer (except with regard to claims of fraud).

ARTICLE VI.
COVENANTS OF THE PARTIES

Section 6.01. Expenses. Subject to Section 8.04, each party will pay its own respective financial advisory, legal, accounting and other expenses incurred by it or for its benefit in connection with the preparation and execution of this Agreement and the Ancillary Agreements, the compliance herewith and therewith and the Contemplated Transactions; provided, however, that all such expenses (to the extent unpaid at Closing) incurred by the Company prior to or in connection with Closing will be borne by the Sellers. For the avoidance of doubt, none of the Company, the Sellers or the Principals shall be required to pay expenses constituting Special Accounting Expenses.

Section 6.02. Confidentiality.

(a) Confidentiality of the Principals and the Sellers.

(i) Each Principal and each Seller acknowledges that the success of the Company after the Closing depends upon the continued preservation of the confidentiality of certain information possessed by such Sellers and such Principals, that the preservation of the confidentiality of such information by the Sellers and the Principals is an essential premise of the bargain between the Sellers, the Principals and Buyer, and that Buyer would be unwilling to enter into this Agreement in the absence of this Section 6.02(a)(i). Accordingly, each of the Sellers and each of the Principals hereby severally agrees with Buyer that such Person and its Representatives shall not, and that such Person shall cause its Affiliates and such Affiliate's Representatives not to, at any time on or after the date hereof, directly or indirectly, without the prior written consent of Buyer, disclose or use, any information involving or relating to the Business or the Company (other than in the case of a Principal that is a director, officer or employee of the Company, in the course of fulfilling his duties to the Company in such capacity); provided, however, that the information subject to this Section 6.02(a)(i) will not include any information generally available to, or known by, the public (other than as a result of disclosure in violation hereof); provided, further, that the provisions of this Section 6.02(a)(i) will not prohibit any retention of copies of records or disclosure (A) required by any applicable Legal Requirement or Governmental Authority so long as reasonable prior notice is given to Buyer and the Company of such disclosure and a reasonable opportunity is afforded to Buyer and the Company to contest the same, (B) made or used in connection with the enforcement of any right or remedy relating to this Agreement or the Contemplated Transactions, (C) or use, of information delivered pursuant to Section 8.05 and (D) or use, of "track record" information for periods ending prior to January 1, 2011. With regard to track record information, the Sellers and the Principals may retain (and Buyer shall use commercially reasonable efforts to cause the Company to provide to the Principals) copies of all data (including trade tickets) reasonably necessary or appropriate to substantiate the same and may use such data solely for such purposes. Each Seller and each Principal agrees that it shall be responsible for any breach or violation of the provisions of this Section 6.02(a)(i) by any of its Affiliates or its or its Affiliates' Representatives.

(ii) Notwithstanding the foregoing, each of the parties hereto and their respective Representatives may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the Contemplated Transactions and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure, all as contemplated by Treasury Regulation Section 1.6011-4(b)(3)(iii).

(b) Confidentiality of Buyer. Buyer agrees that all information provided by or on behalf of the Company to Buyer and their Affiliates and Representatives under this Agreement or in connection with the Contemplated Transactions shall be treated in accordance with the Confidentiality Agreement.

Section 6.03. Publicity. No public announcement or disclosure (including any general announcement to employees, customers or suppliers) will be made by any party with respect to the subject matter of this Agreement or the Contemplated Transactions without the prior written consent of Buyer, the Company and each Seller; provided, that a party may, without the prior consent of the other party, make a public announcement or disclosure with respect to the subject matter of this Agreement or the Contemplated Transactions as may upon the written advice of counsel be required by applicable Legal Requirements or the rules and regulations of NASDAQ.

Section 6.04. Noncompetition and Nonsolicitation.

(a) During the Restricted Period, neither Principal nor their respective Affiliates shall engage directly or indirectly, as an owner, employee, independent contractor, consultant or otherwise, in a Competitive Business; provided, however, that the foregoing shall not prohibit (i) ownership by such Principal and his Affiliates of less than 5% in the aggregate of the outstanding publicly-traded common stock of any Person engaged in a Subject Business, whether or not all or any portion of such business is a Competitive Business, (ii) ownership by such Principal and his Affiliates of less than 15% in the aggregate of the outstanding equity securities, whether or not publicly traded, of any Person engaged in a Subject Business, whether or not all or any portion of such business is a Competitive Business, (iii) ownership by such Principal and his Affiliates of less than 75% in the aggregate of the equity securities, whether or not publicly traded, of any Person whose total revenues for its most recently completed fiscal year as of immediately prior to the date of determination from a division or business line that is a Competitive Business is less than 10% of such Person's aggregate consolidated total revenues for such period, (iv) such Principal's employment with or provision of services to any Person engaged in a Subject Business or (v) ownership of, employment with or performance of services to the Retained Entities so long as the operations of the Retained Entities are limited to the operations conducted or proposed to be conducted by the Retained Entities as of the date hereof including the formation and management of new collective investment vehicles or managed accounts having substantially the same investment objectives as those of such accounts or vehicles managed by such entities at any time after December 1, 2011 but before the date hereof (excluding, for the avoidance of doubt, any operations substantially similar to the Business), so long as, in the case of each of clauses (i) through (iv) above, neither such Principal nor any of his Affiliates is employed with, performing services of any kind to or otherwise exerting influence over the day-to-day operations of, whether or not for compensation, the portion of the Subject Business of such Person that is a Competitive Business.

(b) For a period of two (2) years from and after the date hereof (i) the Principals and the Sellers, severally, shall not, and shall not, severally, permit, cause or encourage any of their Affiliates to, recruit, offer employment, employ, engage as a consultant or independent contractor, lure or entice away, or in any other manner persuade or attempt to persuade, any Person who is, immediately after the Closing an employee of the Company, Buyer or its Affiliates to leave the employ of the Company, Buyer or its Affiliates, as applicable and (ii) Buyer shall not, and shall not permit, cause or encourage any of its Affiliates to, recruit, offer employment, employ, engage as a consultant or independent contractor, lure or entice away, or in any other manner persuade or attempt to persuade, any Person who is, immediately after the Closing an employee of any Seller or its Affiliates to leave the employ of such Seller or its Affiliates, as applicable.

(c) If the final judgment of a court of competent jurisdiction declares that any term or provision of this Section 6.04 is invalid or unenforceable, the parties hereto agree that the court making the determination of invalidity or unenforceability will have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement will be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

Section 6.05. Certain Additional Amounts.

(a) The parties acknowledge that Buyer or the Company may receive certain fees payable pursuant to the Client Contracts (including management fees, sub-advisory fees, incentive fees, performance fees and other similar payments) (the "CLO Fees") or payments with respect to the CLO Interests (including interest received) (the "CLO Payments") following the date hereof but which relate, in whole or in part, to services performed by, or amounts owed to, the Company during the period before the date hereof (the "Pre-Closing Period"). Reasonably promptly after such CLO Fees or CLO Payments are received by Buyer or the Company, Buyer or the Company shall deliver to the Sellers any such amounts attributable to the Pre-Closing Period; provided, that if any such CLO Fees or CLO Payments relate in part to services performed by, or amounts owed to, the Company during the Pre-Closing Period and in part to services performed by, or amounts owed to, Buyer or the Company during the period beginning on the date hereof (the "Post-Closing Period"), the amount delivered to the Sellers shall be the pro rata portion of such amounts based upon the number of days in the Pre-Closing Period versus the number of days in the Post-Closing Period. Such amounts shall, subject to Buyer's setoff rights in Section 7.07, be delivered to the Sellers by wire transfer of immediately available funds to such accounts as may be designated in writing by the Sellers to Buyer.

(b) The parties acknowledge that Sellers or the Principals may receive CLO Fees or CLO Payments during the Post-Closing Period which relate, in whole or in part, to services performed by, or amounts owed to, the Company during the Post-Closing Period. Reasonably promptly after such CLO Fees or CLO Payments are received by Sellers or the Principals, Sellers or the Principals shall deliver to the Buyer any such amounts attributable to the Post-Closing Period; provided, that if any such CLO Fees or CLO Payments relate in part to services performed by, or amounts owed to, the Company during the Pre-Closing Period and in part to services performed by, or amounts owed to, Buyer or the Company during the Post-Closing Period, the amount delivered to the Buyer shall be the pro rata portion of such amounts based upon the number of days in the Pre-Closing Period versus the number of days in the Post-Closing Period. Such amounts shall be delivered to the Buyer by wire transfer of immediately available funds to such accounts as may be designated in writing by the Buyer to Sellers.

Section 6.06. Allocation of Purchase Price. The parties acknowledge that, except for the allocation of $12 million of the Cash Consideration that shall be allocated to the CLO Interests, each of the parties is free to allocate the Purchase Price among the remaining assets of the Company as such party may determine is appropriate.

Section 6.07. Audited Financial Statements.

(a) Preparation of GAAP Financials. The Sellers and the Principals shall use reasonable commercial efforts to assist the Buyer and KCAP, including by providing all cooperation and information reasonably requested by Buyer or KCAP, to complete, within 30 days after the date hereof, the preparation of the following:

(i) audited balance sheets of the Company as of December 31, 2011, December 31, 2010 and December 31, 2009 and the related audited statements of income, cash flow and changes in owners' equity of the Company for the fiscal years then ended, accompanied by any notes thereto and the reports of the Company's independent accountants with respect thereto (collectively, the "GAAP Annual Financials"); and

(ii) (A) unaudited balance sheets of the Company as of the last day of each fiscal quarter ending after January 1, 2011 and on or prior to the date hereof, (B) the unaudited statements of income of the Company for the three month and year-to date periods then ended and cash flows of the Company for the year-to-date periods then ended, together with the statements for the corresponding periods of the immediately preceding year, and (C) the unaudited statements of income (1) for the three-month period ended December 31, 2010 and (2) from the most recently completed fiscal quarter, which fiscal quarter may be the last fiscal quarter of a year, through the date hereof (the "GAAP Interim Financials" and, together with the GAAP Annual Financials, the "GAAP Financials").

(b) Compliance with GAAP, etc. The Sellers and the Principals shall use reasonable commercial efforts to ensure that the GAAP Financials (including any notes thereto) shall (i) be prepared in accordance with the books and records of the Company, (ii) be prepared in accordance with GAAP, consistently applied (subject, in the case of the GAAP Interim Financials, to normal year-end audit adjustments, the effect of which will not, individually or in the aggregate, be materially adverse, and the absence of footnote disclosure that if presented, would not differ materially from those included in the GAAP Annual Financials), (iii) fairly present the consolidated financial position of the Company as of the respective dates thereof and the consolidated results of the operations of the Company and changes in financial position for the respective periods covered thereby and (iv) (A) with respect to the GAAP Annual Financials, be prepared and audited in accordance with the applicable rules and regulations promulgated by the SEC, including Regulation S-X and Rule 3-05 thereunder, and accompanied by a report and opinion of an independent registered public accounting firm of nationally recognized standing, which report and opinion shall be prepared in accordance with GAAS or, if such financial statements are required to be included in the 8-K and a PCAOB audit is necessary therefor, in accordance with PCAOB, and shall not be subject to any qualification or exception as to the scope of such audit, and (B) with respect to the GAAP Interim Financials, be prepared in accordance with the applicable rules and regulations promulgated by the SEC for interim financial information, including Regulation S-X and Rule 3-05 thereunder.

(c) GAAP Balance Sheet. The Sellers shall use commercially reasonable efforts to furnish to the Buyer, as promptly as practicable following the date hereof, a true and correct, unaudited, unconsolidated balance sheet of the Company, prepared in accordance with GAAP, as of immediately prior to the Closing. Buyer shall cause the Company to provide reasonable assistance to the Sellers in connection with the preparation of such balance sheet.

Section 6.08. Excluded Contracts. With respect to each Contractual Obligation listed on Schedule 6.08, the Buyer and the Sellers agree to work together in good faith to determine, as promptly as reasonably practicable following the Closing, which of such Contractual Obligations the Buyer desires to terminate (the "Excluded Contracts"), and the Sellers shall, with the reasonable cooperation of the Buyer, take all steps necessary to terminate the Excluded Contracts (or terminate the Company's rights and obligations thereunder). The Sellers shall bear all costs, fees and expenses incurred under the Excluded Contracts on or after the Closing, including all costs, fees and expenses incurred in connection with the termination of the Excluded Contracts. With respect to each Excluded Contract, the Buyer, the Company and the Sellers shall use reasonable commercial efforts to apply pre-paid expenses (existing as of the Closing, if any) in respect of such Excluded Contract toward the costs, expenses and liabilities described in the immediately preceding sentence. To the extent the same are so applied, the Sellers' obligations in such sentence shall be reduced.

Section 6.09. Further Assurances. From and after the date hereof, upon the request of either the Sellers, Buyer or the Company, each of the parties hereto severally shall do, execute, acknowledge and deliver all such further acts, assurances, deeds, assignments, transfers, conveyances and other instruments and papers as may be reasonably required or appropriate to carry out the Contemplated Transactions. During the Restricted Period, except to the extent required by Legal Requirement, neither any Seller nor any Principal shall severally take any action that is designed or intended to have the effect of discouraging any Client, investor in a CLO, lessor, licensor, supplier, distributor or customer of an Company Related Entity or other Person with whom a Company Related Entity has a relationship from maintaining the same relationship with the Company Related Entity after the Closing as it maintained prior to the Closing. Each Seller and each Principal severally shall, during the Restricted Period, refer all customer inquiries relating to the Business to the Company from and after the Closing. Buyer and the Company shall provide reasonable assistance to Sellers, at the Sellers' expense, in connection with the novation of any Real Property Lease to which the Company is a party as of the date hereof in order to remove the Company as a party thereto.

ARTICLE VII.
INDEMNIFICATION.

Section 7.01. Indemnification by the Sellers and Principals.

(a) Indemnification for Principal-Specific Matters. Subject to the limitations and other provisions set forth in this ARTICLE VII, from and after the Closing, each Principal (on a several basis and solely as to such Principal) shall indemnify and hold harmless Buyer and its Affiliates (including, following the Closing, the Company), and the Representatives, Affiliates, successors and assigns of each of the foregoing Persons (each, a "Buyer Indemnified Person"), from, against and in respect of any and all losses (including diminution in the value of the Company), damages (other than punitive damages, unless such punitive damages were awarded to a third party and are included in a Third Party Claim), dues, assessments, fines, penalties, Taxes, fees, costs (including costs of investigation, defense and enforcement of this Agreement), expenses or amounts paid in settlement (in each case, including reasonable attorneys' and experts' fees and expenses), whether or not involving a Third Party Claim (collectively, "Losses"), incurred or suffered by Buyer Indemnified Persons or any of them as a result of, arising out of, or relating to, directly or indirectly:

(i) any fraud or intentional misrepresentation on the part of such Principal (or any Affiliate or Representative thereof);

(ii) any breach of, or inaccuracy in, any representation, warranty or statement made by or on behalf of such Principal in Sections 4.02(b), 4.03(b), 4.04(b), 4.05(c) or 4.06 of this Agreement, the CLO Interests Agreement or the Trademark License Agreement (in each case, assuming that all qualifications contained in this Agreement and each such Ancillary Agreement as to materiality, including each qualifying reference to the defined term "Company Material Adverse Effect", the phrase "substantial compliance", the words "material" and "materially" and all similar thresholds, limitations, phrases and words were deleted therefrom); and

(iii) any breach or violation of any covenant or agreement of such Principal (including under this ARTICLE VII) in or pursuant to this Agreement, the CLO Interests Agreement or the Trademark License Agreement).

(b) Indemnification for Other Matters. Subject to the limitations and other provisions set forth in this ARTICLE VII, from and after the Closing, the Sellers and the Principals in accordance with their Pro-Rata Percentage shall indemnify and hold harmless each Buyer Indemnified Person, from, against and in respect of any and all Losses incurred or suffered by Buyer Indemnified Persons or any of them as a result of, arising out of, or relating to, directly or indirectly:

(i) any fraud or intentional misrepresentation on the part of any Company Related Entity or any Seller (or, in each case, any Affiliate or Representative thereof);

(ii) any breach of, or inaccuracy in, any representation, warranty or statement made by or on behalf of any Seller or any Principal or Company Related Entity in this Agreement (other than any representation, warranty or statement made by or on behalf of such Principal in Sections 4.02(b), 4.03(b), 4.04(b), 4.05(c) or 4.06 of this Agreement) or the CLO Interests Agreement or the Trademark License Agreement (other than any representation, warranty or statement made by or on behalf of such Principal in such Ancillary Agreement) or certificate delivered by or on behalf of the Company, any Seller or any Principal pursuant to Section 2.03(c) of this Agreement or the instrument of transfer contemplated by Section 2.03(c)(i) of this Agreement (in each case (other than the representation in Section 3.07(q)), assuming that all qualifications contained in this Agreement, each Ancillary Agreement and each such Schedule or certificate as to materiality, including each qualifying reference to the defined term "Company Material Adverse Effect", the phrase "substantial compliance", the words "material" and "materially" and all similar thresholds, limitations, phrases and words were deleted therefrom);

(iii) any breach or violation of any covenant or agreement of any Seller (including under this ARTICLE VII) in or pursuant to this Agreement, the CLO Interests Agreement or the Trademark License Agreement);

(iv) any Excluded Liabilities; and

(v) any Specified Liabilities.

(c) Monetary Limitations.

Neither any Seller nor any Principal will have any obligation to indemnify Buyer Indemnified Persons pursuant to Section 7.01(a)(ii), Section 7.01(b)(ii), or Section 7.01(b)(v) in respect of Losses arising from the breach of, or inaccuracy in, any representation, warranty or statement described therein (or arising in respect of any Specified Liability) unless and until the aggregate amount of all such Losses incurred or suffered by the Buyer Indemnified Persons exceeds $500,000 (at which point the Sellers and the Principals will indemnify the Buyer Indemnified Persons for all such Losses in excess of such amount in accordance with the other provisions of this ARTICLE VII). The Sellers' and the Principals' aggregate liability in respect of claims for indemnification pursuant to Section 7.01(a)(ii), Section 7.01(b)(ii), or Section 7.01(b)(v) will not exceed $10 million. The limitations in the immediately preceding two sentences will not apply to (a) claims for indemnification pursuant to Section 7.01(a)(ii) or Section 7.01(b)(ii) in respect of breaches of, or inaccuracies in, any Seller Fundamental Representation or (b) claims for indemnification based upon fraud, intentional misrepresentation or intentional breach of any representation or warranty in ARTICLE III or ARTICLE IV. Subject to the immediately following sentence, claims for indemnification pursuant to any provision of Section 7.01(a) or Section 7.01(b) (other than Section 7.01(a)(ii), Section 7.01(b)(ii), and Section 7.01(b)(v)) are not subject to the monetary limitations set forth in this Section 7.01(c). Notwithstanding anything to the contrary in this Agreement, (x) in no event shall the aggregate liability of the Principals and the Sellers under this ARTICLE VII and Section 8.01 exceed the Overall Indemnity Cap and (y) in no event shall the aggregate liability of any Principal under Section 7.01 and Section 8.01 (when combined, without duplication with his Pro Rata Percentage of the Sellers' liability under such provisions) exceed such Principal's Pro-Rata Percentage of the Overall Indemnity Cap. Notwithstanding anything to the contrary in this Agreement, no amounts distributed to Buyer out of the Escrow Cash Amount in accordance with the Escrow Agreement shall be applied against the $10 million limit described in the second sentence of this Section 7.01(c).

(d) Recoverable Losses. Losses recoverable pursuant to Section 7.01(a) or Section 7.01(b) shall be limited to Losses that are incurred by the Company and that are of the type that are reasonably expected to result from, arise out of, or relate to the matter or matters that give rise to the claim for indemnification; provided, however, that for the avoidance of doubt diminution in the value of the Business, the CLO Interests or the Company Equity directly resulting from, arising out of or relating to the breach of representation, warranty, statement, covenant or agreement giving rise to such claim for indemnification shall constitute Losses that are recoverable pursuant to Section 7.01(a) or Section 7.01(b). Anything in this Agreement to the contrary notwithstanding, Losses recoverable under Section 7.01(a)(ii) and Section 7.01(b)(ii) shall not include Losses arising out of, relating to or resulting from, Specified Liabilities.

Section 7.02. Indemnification by Buyer.

(a) Indemnification. Subject to the limitations and other provisions set forth in this ARTICLE VII, from and after the Closing, KCAP and Buyer shall jointly and severally indemnify and hold harmless each Seller and its Affiliates, and the Representatives, Affiliates, successors and assigns of each of the foregoing Persons (each, a "Seller Indemnified Person"), from, against and in respect of any and all Losses incurred or suffered by the Seller Indemnified Persons or any of them as a result of, arising out of, or relating to, directly or indirectly:

(i) any fraud or intentional misrepresentation on the part of KCAP or Buyer (in each case, or any Affiliate or Representative thereof);

(ii) any breach of, or inaccuracy in, any representation, warranty or statement made by or on behalf of Buyer or KCAP in this Agreement, the CLO Interests Agreement or the Trademark License Agreement or any certificate delivered by or on behalf of KCAP or Buyer pursuant to Section 2.03(b) of this Agreement (in each case (other than Section 5.06(d)), assuming that all qualifications contained in this Agreement, any Ancillary Agreement and each such Schedule or certificate as to "Buyer Material Adverse Effect" or materiality, including each qualifying reference to the phrase "substantial compliance", the words "material" and "materially" and all similar thresholds, limitations, phrases and words were deleted therefrom); or

(iii) any breach or violation of any covenant or agreement of any Buyer (including under this ARTICLE VII) or any covenant or agreement of the Company to the extent required to be performed or complied with by the Company after the Closing, in either case in or pursuant to this Agreement, the CLO Interests Agreement or the Trademark License Agreement.

(b) Monetary Limitations.

Buyer will have no obligation to indemnify the Seller Indemnified Persons pursuant to Section 7.02(a)(ii) in respect of Losses arising from the breach of, or inaccuracy in, any representation, warranty or statement described therein unless and until the aggregate amount of all such Losses incurred or suffered by the Seller Indemnified Persons exceeds $500,000 (at which point Buyer will indemnify the Seller Indemnified Persons for all such Losses in excess of such amount), and Buyer's aggregate liability in respect of claims for indemnification pursuant to Section 7.02(a)(ii) will not exceed $10 million; provided, however, that the foregoing limitations will not apply to (a) claims for indemnification pursuant to Section 7.02(a)(ii) in respect of breaches of, or inaccuracies in, any Buyer Fundamental Representation or (b) claims for indemnification based upon fraud, intentional misrepresentation or intentional breach of a representation or warranty in ARTICLE V. Claims for indemnification pursuant to any other provision of Section 7.02(a) are not subject to the limitations set forth in this Section 7.02(b). Notwithstanding anything to the contrary in this Agreement, in no event shall the aggregate liability of Buyer and KCAP under this ARTICLE VII and ARTICLE VIII exceed the Overall Indemnity Cap.

(c) Recoverable Losses. Losses recoverable pursuant to Section 7.02(a) shall be limited to Losses that result from, arise out of, or relate to the type that are reasonably expected to result from, arise out of, or relate to the matter or matters that give rise to the claim for indemnification; provided, however, that for the avoidance of doubt the diminution in value of the Equity Consideration directly resulting from, arising out of or relating to the breach of any representation, warranty, statement, covenant or agreement giving rise to such claim for indemnification shall constitute Losses that are recoverable pursuant to Section 7.02(a)).

Section 7.03. Time for Claims; Notice of Claims.

(a) Time for Claims. No claim may be made or suit instituted seeking indemnification pursuant to Section 7.01(a)(ii), Section 7.01(b)(ii) or Section 7.02(a)(ii) for any breach of, or inaccuracy in, any representation, warranty or statement unless a written notice is provided to the Indemnifying Party:

(i) at any time, in the case of any breach of, or inaccuracy in, any Seller Fundamental Representation or Buyer Fundamental Representation;

(ii) at any time, in the case of any claim or suit based upon fraud or intentional misrepresentation; and

(iii) at any time prior to the date that is 18 months following the date hereof in the case of any breach of, or inaccuracy in, any other representation, warranty or statement in this Agreement or the CLO Interests Agreement or in any Schedule or certificate delivered pursuant to this Agreement or the CLO Interests Agreement.

Claims for indemnification pursuant to any other provision of Section 7.01(a), Section 7.01(b) and Section 7.02(a) are not subject to the limitations set forth in this Section 7.03.

(b) Written Notice of Indemnification Claims. In the event that any Indemnified Person wishes to make a claim for indemnification under this ARTICLE VII the Indemnified Person shall give written notice of such claim to each Indemnifying Party. Any such notice shall describe the breach or inaccuracy and other material facts and circumstances upon which such claim is based and the estimated amount of Losses involved, in each case, in reasonable detail in light of the facts then known to the Indemnified Person; provided, that no defect in the information contained in such notice from the Indemnified Person to any Indemnifying Party will relieve such Indemnifying Party from any obligation under this ARTICLE VII, except to the extent such failure to include information actually and materially prejudices such Indemnifying Party.

Section 7.04. Third Party Claims.

(a) Notice of Third Party Claims. Promptly after receipt by an Indemnified Person of written notice of the assertion of a claim by any Person who is not a party to this Agreement (a "Third Party Claim") that may give rise to an Indemnity Claim against an Indemnifying Party under this ARTICLE VII, the Indemnified Person shall give written notice thereof to the Indemnifying Party; provided, that no delay on the part of the Indemnified Person in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation under this ARTICLE VII, except to the extent such delay actually and materially prejudices the Indemnifying Party (it being understood that such proviso is not intended to and does not extend the time limitations contained in Section 7.03).

(b) Assumption of Defense, etc. The Indemnifying Party will be entitled to participate in the defense of any Third Party Claim that is the subject of a notice given by or on behalf of any Indemnified Person pursuant to Section 7.04(a). In addition, the Indemnifying Party will have the right to defend the Indemnified Person against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Person so long as (i) the Indemnifying Party gives written notice to the Indemnified Person after the Indemnified Person has given notice of the Third Party Claim under Section 7.04(a) stating that the Indemnifying Party will, and thereby covenants to, indemnify, defend and hold harmless the Indemnified Person from and against the entirety of any and all Losses (subject to the limitations set forth in Section 7.01(c), Section 7.01(d), Section 7.02(b), Section 7.02(c), Section 7.03, Section 7.08, Section 7.09 and Section 7.14) the Indemnified Person may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim, (ii) the Indemnifying Party provides the Indemnified Person, at the Indemnified Person's request, evidence reasonably acceptable to the Indemnified Person that the Indemnifying Party will have adequate financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder, (iii) the Third Party Claim does not seek as its principal remedy an injunction against the Indemnified Person, (iv) the Indemnified Person has not been advised by counsel that an actual or potential conflict exists between the Indemnified Person and the Indemnifying Party in connection with the defense of the Third Party Claim, (v) the Third Party Claim does not relate to or otherwise arise in connection with Taxes or any criminal or regulatory enforcement Action, (vi) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently and (vii) the reasonable potential Losses associated with such Third Party Claim, would not, individually or in the aggregate with all other Losses for which the Principals or the Sellers (or KCAP or the Buyer, as the case may be) shall have become liable for indemnity under this Agreement, reasonably be expected to exceed, by any material amount, $10 million (to the extent such Losses are subject to such limit, and, if such limit does not apply, the reasonable potential Losses associated with such Third Party Claim, would not, individually or in the aggregate with all other Losses, for which the Principals or the Sellers (or KCAP or the Buyer, as the case may be) shall have become liable for indemnity under this Agreement, reasonably be expected to exceed by any material amount, the Overall Indemnity Cap) (or such greater amount as the Indemnifying Party may agree to increase such limit in respect of such claim), as reasonably determined by the Buyer (if the Indemnified Person is a Buyer Indemnified Person) or the Sellers (if the Indemnified Person is a Seller Indemnified Person). The Indemnified Person may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim; provided, that the Indemnifying Party will pay the fees and expenses of separate counsel retained by the Indemnified Person that are incurred prior to the Indemnifying Party's assumption of control of the defense of the Third Party Claim.

(c) Limitations on Indemnifying Party Control. The Indemnifying Party will not consent to the entry of any judgment or enter into any compromise or settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Person unless such judgment, compromise or settlement (i) provides (subject to the limitations (if applicable) in Section 7.01(c), Section 7.02(b), Section 7.08 and Section 7.09) for the payment by the Indemnifying Party of money as sole relief for the claimant, (ii) results in the full and general release of all Indemnified Person from all liabilities arising or relating to, or in connection with, the Third Party Claim and (iii) involves no finding or admission of any violation of Legal Requirements or the rights of any Person and no effect on any other claims that may be made against the Indemnified Person.

(d) Indemnified Person's Control. Until the Indemnifying Party delivers the notice contemplated by clause (i) of Section 7.04(b) and the evidence (if requested by the Indemnified Person) contemplated by clause (ii) of Section 7.04(b), or, if such notice and evidence (if so requested) have been so provided, at any time the Indemnifying Party fails to conduct the defense of the Third Party Claim actively and diligently, the Indemnified Person may defend the Third Party Claim in any manner it may deem appropriate; provided, that the Indemnified Person will not consent to entry of any judgment, or enter into any compromise or settlement, without providing prior written notice of such proposed entry of judgment, compromise or settlement (a "Proposed Settlement Notice") at least four Business Days before such proposed entry of judgment, compromise or settlement (accompanied by a reasonably detailed description of the same). In the event that the conditions set forth in clauses (i) through (vii) of Section 7.04(b) are capable of satisfaction with respect to the subject Third Party Claim and the Indemnifying Person delivers to the Indemnified Person at any time before the fourth Business Day after the delivery of the Proposed Settlement Notice the notice contemplated by clause (i) of Section 7.04(b) and the evidence (if requested by the Indemnified Person) contemplated by clause (ii) of Section 7.04(b), then the Indemnified Person shall not enter into any judgment, compromise or settlement of the subject Third Party Claim and, subject to the other limitations of this Section 7.04, the Indemnifying Party shall assume defense of such Third Party Claim. In the event that the conditions set forth in clauses (i) through (vii) of Section 7.04(b) are capable of satisfaction with respect to the subject Third Party Claim and the Indemnifying Party fails to assume the claim at any time before the fourth Business Day after the delivery of the Proposed Settlement Notice (as described in the previous sentence), the Indemnified Person may consent to the entry of any judgment or enter into any compromise or settlement in any matter it may deem appropriate (and the Indemnified Person need not consult with, or obtain consent from, the Indemnifying Party in connection therewith. In any event that the notice contemplated by clause (i) of Section 7.04(b) is delivered and the evidence (if requested by the Indemnified Person) contemplated by clause (ii) of Section 7.04(b) is given and the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently but any of the other conditions in Section 7.04(b) is or becomes unsatisfied, the Indemnified Person may defend the Third Party Claim; provided, that the Indemnified Person will not consent to the entry of any judgment, or enter into any compromise or settlement, without the prior written consent (which consent will not be unreasonably withheld, conditioned or delayed) of the Indemnifying Party. In the event that the Indemnified Person conducts the defense of the Third Party Claim pursuant to this Section 7.04(d), the Indemnifying Party will (i) advance the Indemnified Person promptly and periodically for the costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses) and (ii) remain responsible for any and all other Losses that the Indemnified Person may incur or suffer resulting from, arising out of, relating to, in the nature of or caused by the Third Party Claim to the fullest extent provided in this ARTICLE VII.

(e) Consent to Jurisdiction Regarding Third Party Claim. Buyer, each of the Principals and each of the Sellers each hereby consents to the non-exclusive jurisdiction of any court in which any Third Party Claim may be brought against any Indemnified Person for purposes of any claim which such Indemnified Person may have against any such Indemnifying Party pursuant to this Agreement in connection with such Third Party Claim, and in furtherance thereof, the provisions of Section 9.09 are incorporated herein by reference, mutatis mutandis.

(f) Exclusion of Certain Tax Claims. This Section 7.04 shall not apply to matters for which indemnification is obtained under ARTICLE VIII.

Section 7.05. No Circular Recovery. Each Seller and each Principal hereby severally agrees that it will not make any claim for indemnification against Buyer, KCAP or the Company by reason of the fact that such Seller or Principal was a controlling person, director, employee or Representative of the Company or was serving as such for another Person at the request of the Company (whether such claim is for Losses of any kind or otherwise and whether such claim is pursuant to any Legal Requirement, Organizational Document, Contractual Obligation or otherwise) with respect to any claim brought by a Buyer Indemnified Person against any Seller or any Principal under this Agreement or otherwise relating to this Agreement, any Ancillary Agreement or any of the Contemplated Transactions. With respect to any claim brought by a Buyer Indemnified Person against any Seller or any Principal under this Agreement or otherwise relating to this Agreement, any Ancillary Agreement or any of the Contemplated Transactions, each Seller and each Principal expressly waives, any right of subrogation, contribution, advancement, indemnification or other claim against the Company with respect to any amounts owed by such Seller or such Principal, as applicable, pursuant to this ARTICLE VII or otherwise.

Section 7.06. Escrow. The existence of the Escrow Share Amount and the Escrow Cash Amount will not be deemed to limit the amount of any allowable claims by any Buyer Indemnified Person pursuant to this Agreement for Losses in excess of the cash value of such Escrow Share Amount and the Escrow Cash Amount, nor shall any Buyer Indemnified Person have any obligation to seek recovery from the Escrow Share Amount or the Escrow Cash Amount prior to pursuing any of its other remedies under this ARTICLE VII or otherwise.

Section 7.07. Right to Setoff. Buyer may, at its sole option and election, in addition to any other remedies available to it at law or in equity, setoff and apply any and all amounts payable (as determined by agreement of Buyer and such Principal or by a court of competent jurisdiction) by the Sellers or the Principals as Indemnifying Parties to a Buyer Indemnified Person pursuant to ARTICLE VII or ARTICLE VIII against amounts due and payable to such Principal or such Principal's portion of (as determined in accordance with Section 7.12) the amount due and payable to the Sellers pursuant to Section 6.05 subject to, in the aggregate for all such setoffs, the limitations and other provisions of this ARTICLE VII.

Section 7.08. De Minimis Threshold. Until the first date upon which the aggregate amount of De Minimis Losses (defined below) exceeds $50,000, (i) the Principals and the Sellers shall not have any obligation to indemnify any Buyer Indemnified Person pursuant to Section 7.01(a)(ii), Section 7.01(b)(ii), or Section 7.01(b)(v) and (ii) the Buyer shall not have any obligation to indemnify any Seller Indemnified Person pursuant to Section 7.02(a)(ii), in the case of each of clause (i) and (ii) for any individual item, or group of items arising out of the same condition or circumstance, where the Losses related thereto for which the Sellers and the Principals, on the one hand, or the Buyer and KCAP, on the other hand, would otherwise be required to provide indemnification are less than $1,000 (any such Loss, a "De Minimis Loss").

Section 7.09. Insurance Proceeds. The obligation the Sellers and the Principals to indemnify the Buyer Indemnified Persons against any Losses under this ARTICLE VII shall be reduced by the amount of insurance proceeds actually received by any Buyer Indemnified Person from third party insurers with respect to such Losses, net of any insurance detriments suffered or incurred in connection therewith.

Section 7.10. Knowledge and Investigation. The right of any Buyer Indemnified Person or Seller Indemnified Person to indemnification pursuant to this ARTICLE VII will not be affected by any investigation conducted or knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing, with respect to the accuracy of any representation or warranty, or performance of or compliance with any covenant or agreement, referred to in Section 7.01 and Section 7.02. The waiver of any condition contained in this Agreement, the CLO Interests Agreement or the Trademark License Agreement based on the breach of any such representation or warranty, or on the performance of or compliance with any such covenant or agreement, will not affect the right of any Buyer Indemnified Person or Seller Indemnified Person to indemnification pursuant to this ARTICLE VII based on such representation, warranty, covenant or agreement.

Section 7.11. Tax Treatment. To the extent permitted by applicable Legal Requirements, the parties agree to treat all payments made under ARTICLE VIII or this ARTICLE VII as adjustments to the Purchase Price for all tax purposes.

Section 7.12. Shares in Escrow Account. Notwithstanding anything to the contrary in this Agreement, each Principal shall be deemed to own 50% of the Escrow Share Amount and the Escrow Cash Amount (less any such shares or cash transferred to such Principal pursuant to the Escrow Agreement and less any such shares liquidated or cash distributed in connection with any indemnification pursuant to Section 7.01 as provided in the Escrow Agreement), notwithstanding that the same may be registered in the name of the Escrow Agent and notwithstanding any notice to the Escrow Agent pursuant to Section I.7(a) of the Escrow Agreement.

Section 7.13. Remedies Cumulative. The rights of each Buyer Indemnified Person and Seller Indemnified Person under this ARTICLE VII are cumulative, and each Buyer Indemnified Person and Seller Indemnified Person will have the right in any particular circumstance, in its sole discretion, to enforce any provision of this ARTICLE VII without regard to the availability of a remedy under any other provision of this ARTICLE VII. Except for the rights of the parties hereto in ARTICLE VIII and the rights of the parties hereto in Section 9.10 and other than with respect to claims of fraud or intentional misrepresentation, the rights of the Buyer Indemnified Persons and Seller Indemnified Persons in this ARTICLE VII are exclusive with respect to breaches of covenants, or breaches of, and inaccuracies in, any representation, warranty or statement in this Agreement, any certificate delivered pursuant to Section 2.03(b) or Section 2.03(c) or the CLO Interests Agreement or the Trademark License Agreement and the payment of Excluded Liabilities and Specified Liabilities.

Section 7.14. Return of Excess Payments. The Buyer shall return to the Seller all payments made to the Buyer pursuant to Section I.4 of the Escrow Agreement to the extent the aggregate of such payments (together with interest thereon computed at a rate of interest derived from the income such amounts would have earned had they been invested by the Escrow Agent in the BNY Mellon Cash Reserve from the date of payment to the Buyer to the date such excess is paid to the Sellers) exceeds the aggregate of Losses recoverable under this Article VII in respect of any of the Specified Liabilities set forth on Schedule 1.01(D). If the aggregate of such Losses exceeds the aggregate of such payments, the amount of such Losses will be reduced by the amount of such payments.

ARTICLE VIII.
TAX MATTERS

Section 8.01. Tax Indemnification.

(a) From and after the date hereof, the Principals shall, on a several basis in accordance with such Principal's Pro-Rata Percentage, indemnify and hold harmless each Buyer Indemnified Person from, against and in respect of any and all Losses that constitute or that result from, arise out of or relate to, directly or indirectly (a) Taxes (or the non-payment thereof) of the Company for all Taxable periods ending on or before the date hereof and the portion through the end of the date hereof for any Taxable period that includes (but does not end on) the date hereof ("Pre-Closing Tax Period"), (b) all Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company is or was a member on or prior to the date hereof, including pursuant to Treasury Regulation Section 1.1502-6 or any analogous or similar Legal Requirement and (c) any and all Taxes of any Person imposed on the Company as a transferee or successor, by Contractual Obligation or otherwise, or as a result of any tax sharing or tax allocation agreement, arrangement or understanding; provided, that the Principals will be liable for Taxes pursuant to clauses (a), (b) and (c) above only to the extent that such Taxes exceed the amount, if any, reserved for such Taxes (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) on the face of the Audited Balance Sheet (rather than in any notes thereto), as such reserve is adjusted for the passage of time through the date hereof in accordance with the past custom and practice of the Company in filing its Tax Returns.

(b) After the Closing Date, Buyer shall timely notify Sellers and the Principals regarding the commencement of any notice of Tax deficiency, proposed Tax adjustment, Tax assessment, Tax audit, Tax examination or other administrative or court proceeding, suit, dispute or other claim with respect to Taxes with respect to the Taxes of the Company that, if determined adversely to the taxpayer or after the lapse of time would be grounds for a claim for indemnity pursuant to Section 8.01(a) hereof (a "Tax Claim"); provided, however, that a failure by Buyer to provide a timely notice of a Tax Claim shall not entitle the Sellers and the Principals to reduce the amount required to be paid pursuant to Section 8.01 unless such failure results in a material detriment to such party with respect to such claim for indemnity, in which case the amount the such party is required to pay with respect to such liability shall only be reduced by the amount of such detriment.

(c) Sellers and the Principals (at their sole cost and expense) shall have the right upon delivering a timely written notice to Buyer to control the defense of any such Tax Claim relating to any tax period that ends on or before the Closing Date and shall have the right to settle such Tax Claim; provided, however, (i) that Company may at its own expense fully participate in the proceedings related to such Tax Claim, (ii) Sellers and the Principals shall keep Company timely informed with respect to the commencement, status and nature of any such Tax Claim, (iii) Sellers and the Principals shall act in good faith to timely and diligently resolve such Tax Claim, and (iv) Sellers and the Principals shall not settle, compromise or dispose of any Tax Claim without the consent of Buyer, such consent not to be unreasonably withheld. Buyer shall control the defenses of any Tax Claim relating to the Taxes with respect to a period that includes but does not end on the Closing Date, provided, however, that (i) that Sellers and the Principals may fully participate (at its sole cost and expense) in the proceedings related to such Tax Claim, (ii) Buyer shall keep Sellers and the Principals informed with respect to the commencement, status and nature of any such Tax Claim, (iii) Buyer shall act in good faith, timely and diligently to resolve such Tax Claim and (iv) Buyer shall not settle, compromise or dispose of any Tax Claim without the consent of Sellers and the Principals, which consent shall not be unreasonably withheld. Buyer shall control any Tax Claim relating to periods that commence after the Closing Date. Anything in this Agreement to contrary notwithstanding, in no event shall a Principal's liabilities under this Section 8.01 (when added to his liabilities in ARTICLE VII and, without duplication, his Pro Rata Percentage of the Sellers' liabilities in ARTICLE VII) exceed his Pro Rata Percentage of the Overall Indemnity Cap.

Section 8.02. Straddle Period. In the case of any Taxable period that includes (but does not end on) the date hereof (a "Straddle Period"), the amount of any Taxes of the Company based upon or measured by net income or gain, activities, events or the level of any item for the Pre-Closing Tax Period will be determined based on an interim closing of the books as of the close of business on the date hereof (and for such purpose, the Taxable period of any partnership or other pass-through entity in which the Company holds a beneficial interest will be deemed to terminate at such time). The amount of Taxes other than Taxes of the Company based upon or measured by net income or gain, activities, events or the level of any item for a Straddle Period which relate to the Pre-Closing Tax Period will be deemed to be the amount of such Tax for the entire Taxable period multiplied by a fraction, the numerator of which is the number of days in the Taxable period ending on the date hereof and the denominator of which is the number of days in such Straddle Period.

Section 8.03. Tax Sharing Agreements. All Tax sharing agreements or similar Contractual Obligations and all powers of attorney with respect to or involving the Company will be terminated prior to the date hereof and, after the Closing, the Company will not be bound thereby or have any Liability thereunder.

Section 8.04. Certain Taxes and Fees. All transfer, documentary, sales, use, stamp, registration and other such Taxes, and any conveyance fees or recording charges incurred in connection with this Agreement, the CLO Interest Agreement and the Contemplated Transactions, will be paid 50% by the Sellers and 50% by the Buyer when due. The Sellers will file all necessary Tax Returns and other documentation with respect to all such Taxes, fees and charges and, if required by applicable Legal Requirements, Buyer will (and will cause its Affiliates to) join in the execution of any such Tax Returns and other documentation satisfactory to Buyer and will promptly remit its share of any Taxes payable under this Section 8.04.

Section 8.05. Cooperation on Tax Matters. Notwithstanding Section 6.02(a), each of the parties hereto shall (and shall cause their respective Affiliates to) (a) provide the other party and its Affiliates with such assistance as may be reasonably requested in connection with the preparation of any Tax Return or any audit or other examination by any taxing authority or any judicial or administrative proceeding relating to Taxes and (b) retain (and provide the other party and its Affiliates with reasonable access to) all records or information which may be reasonably expected to be relevant to such Tax Return, audit, examination or proceeding.

ARTICLE IX.
MISCELLANEOUS

Section 9.01. Notices. Any notice, request, demand, claim or other communication required or permitted to be delivered, given or otherwise provided under this Agreement must be in writing and must be delivered personally, delivered by nationally recognized overnight courier service, sent by certified or registered mail, postage prepaid, or (if a facsimile number is provided below) sent by facsimile (subject to electronic confirmation of good facsimile transmission). Any such notice, request, demand, claim or other communication shall be deemed to have been delivered and given (a) when delivered, if delivered personally, (b) the Business Day after it is deposited with such nationally recognized overnight courier service, if sent for overnight delivery by a nationally recognized overnight courier service, (c) the day of sending, if sent by facsimile prior to 5:00 p.m. (Eastern time) on any Business Day or the next succeeding Business Day if sent by facsimile after 5:00 p.m. (Eastern time) on any Business Day or on any day other than a Business Day or (d) five Business Days after the date of mailing, if mailed by certified or registered mail, postage prepaid, in each case, to the following address or, if applicable, facsimile number, or to such other address or addresses or facsimile number or numbers as such party may subsequently designate to the other parties by notice given hereunder:

If to Buyer or the Company, to:

Kohlberg Capital Corporation
295 Madison Avenue - 6th Floor
New York, NY 10017
Telephone number: (212) 455-8300
Facsimile number: (212) 983-7654
Attention: Dayl Pearson, Chief Executive Officer

with a copy (which shall not constitute notice) to:

Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02199
Telephone number: (617) 951-7802
Facsimile number: (617) 235-0514
Attention: Craig Marcus

If to any Seller or any Principal, to:

HBK Caravelle, LLC
Trimaran Fund Management, LLC
Jay Bloom
Dean Kehler
1325 Avenue of the Americas, 34th Floor
New York, NY 10019

Telephone number: 212-616-3710 (Jay Bloom)
Telephone number: 212-616-3730 (Dean Kehler)
Facsimile number: 212-616-3794
Attention: Jay Bloom and Dean Kehler

with a copy (which shall not constitute notice) to:

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, NY 10019
Telephone number: (212) 728-8278
Facsimile number: (212) 728-9278
Attention: Laurence Weltman

Each of the parties to this Agreement may specify a different address or addresses or facsimile number or facsimile numbers by giving notice in accordance with this Section 9.01 to each of the other parties hereto.

Section 9.02. Succession and Assignment; No Third-Party Beneficiaries. Subject to the immediately following sentence, this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, each of which such successors and permitted assigns will be deemed to be a party hereto for all purposes hereof. No party may assign, delegate or otherwise transfer either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other parties, and any attempt to do so will be null and void *ab initio*; provided, however, that (a) Buyer may assign this Agreement and any or all of its rights and interests hereunder to one or more of its Affiliates or designate one or more of its Affiliates to perform its obligations hereunder, (b) Buyer may assign this Agreement and any or all of its rights and interest hereunder to any purchaser of all or substantially all of both KCAP's and Buyer's assets so long as such purchaser agrees in a writing reasonably acceptable to the Sellers to perform all KCAP's and Buyer's obligations hereunder, (c) any of the Buyer Indemnified Persons may collaterally assign any or all of its rights and obligations hereunder to any provider of debt financing to it or any of its Affiliates, (d) any Seller may assign any of its rights hereunder to any Principal and (e) the Sellers and the Principals may assign some or all of their rights hereunder to any Affiliate thereof acquiring KCAP Common Stock. None of the assignments permitted by the immediately preceding sentence shall relieve KCAP, the Buyer, the Sellers, the Company and the Principals of their obligations hereunder. Except as expressly provided herein, this Agreement is for the sole benefit of the parties hereto and their successors and permitted assignees and nothing herein expressed or implied will give or be construed to give any Person, other than the parties hereto and such successors and permitted assignees, any other right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. For the avoidance of doubt, it is hereby acknowledged and agreed by the parties hereto that an Indemnified Person that is not party hereto is intended to be an express third party beneficiary of this Agreement.

Section 9.03. Amendments and Waivers. No amendment or waiver of any provision of this Agreement will be valid and binding unless it is in writing and signed, in the case of an amendment, by Buyer, the Company and each Principal, or in the case of a waiver, by the party against whom the waiver is to be effective. No waiver by any party of any breach or violation of, default under or inaccuracy in any representation, warranty or covenant hereunder, whether intentional or not, will be deemed to extend to any prior' or subsequent breach or violation of, default under, or inaccuracy in, any such representation, warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. No delay or omission on the part of any party in exercising any right, power or remedy under this Agreement will operate as a waiver thereof.

Section 9.04. Entire Agreement. This Agreement, together with the other Ancillary Agreements and the documents to be delivered at Closing pursuant to Section 2.03, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, with respect thereto. There are no restrictions, promises, warranties, representations, covenants, or undertakings, other than those expressly provided for herein and therein.

Section 9.05. Certain Matters of Construction.

(a) The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

(b) Section and subsection headings are not to be considered part of this Agreement, are included solely for convenience, are not intended to be full or accurate descriptions of the content of the Sections or subsections of this Agreement and shall not affect the construction hereof.

(c) Except as otherwise explicitly specified to the contrary herein, (i) the words “hereof,” “herein,” “hereunder” and words of similar import shall refer to this Agreement as a whole and not to any particular Section or subsection of this Agreement and reference to a particular Section of this Agreement shall include all subsections thereof, (ii) references to a Section, Exhibit, or Schedule means a Section of, or Exhibit, or Schedule to this Agreement, unless another agreement is specified, (iii) definitions shall be equally applicable to both the singular and plural forms of the terms defined, and references to the masculine, feminine or neuter gender shall include each other gender, (iv) the word “including” means including without limitation, (v) any reference to “$” or “dollars” means United States dollars and (vi) references to a particular statute or regulation include all rules and regulations thereunder and any successor statute, rule or regulation, in each case as amended or otherwise modified from time to time.

(d) Unless the context clearly requires otherwise, when used herein “or” shall not be exclusive (i.e., “or” shall mean “and/or”).

Section 9.06. Counterparts; Facsimile Signature. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute but one and the same instrument. This Agreement will become effective when duly executed and delivered by each party hereto. Counterpart signature pages to this Agreement may be delivered by facsimile or electronic delivery (i.e., by email of a PDF signature page) and each such counterpart signature page will constitute an original for all purposes.

Section 9.07. Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. In the event that any provision hereof would, under applicable Legal Requirements, be invalid or unenforceable in any respect, each party hereto intends that such provision will be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable Legal Requirements.

Section 9.08. Governing Law. This Agreement, the rights of the parties hereunder and all Actions arising in whole or in part under or in connection herewith, will be governed by and construed and enforced 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.

Section 9.09. Jurisdiction; Venue; Service of Process.

(a) Jurisdiction. Subject to the provisions of Section 7.04(e), each of the parties to this Agreement, by its execution hereof, (i) hereby irrevocably submits to the jurisdiction of the United States District Court located in the Southern District of New York, or if such Action may not be brought in federal court, the state courts of the State of New York located in the Borough of Manhattan for the purpose of any Action among any of the parties relating to or arising in whole or in part under or in connection with this Agreement, any Ancillary Agreement or the Contemplated Transactions, (ii) hereby waives to the extent not prohibited by applicable Legal Requirements, 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 Action in any other court other than one of the above-named courts, or that this Agreement, any Ancillary Agreement or the subject matter hereof or thereof may not be enforced in or by such court and (iii) 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.

(b) Venue. Each of the parties to this Agreement agrees that for any Action among any of the parties relating to or arising in whole or in part under or in connection with this Agreement, any Ancillary Agreement or the Contemplated Transactions, such party shall bring such Action only in the Borough of Manhattan. 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 hereto further waives any claim and will not assert that venue should properly lie in any other location within the selected jurisdiction.

(c) Service of Process. Each of the parties to this Agreement hereby (i) consents to service of process in any Action among any of the parties hereto relating to or arising in whole or in part under or in connection with this Agreement, any Ancillary Agreement or the Contemplated Transactions in any manner permitted by New York law, (ii) 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 (i) does not constitute good and valid service of process.

Section 9.10. Specific Performance. Each of the parties acknowledges and agrees that the other parties would be damaged irreparably in the event any of the provisions of ARTICLE VI of this Agreement are not performed in accordance with their specific terms or otherwise are breached or violated. Accordingly, each of the parties agrees that, without posting a bond or other undertaking, the other parties will be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of ARTICLE VI of this Agreement and to enforce specifically ARTICLE VI of this Agreement and the terms and provisions hereof in any Action instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity. Each party further agrees that, in the event of any action for specific performance in respect of such breach or violation, it will not assert that the defense that a remedy at law would be adequate.

Section 9.11. Waiver of Jury Trial. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION WHATSOEVER BETWEEN OR AMONG THEM RELATING TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS AND THAT SUCH ACTIONS WILL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

IN WITNESS WHEREOF, each of the undersigned has executed this Purchase and Sale Agreement as of the date first above written.

BUYER: COMMODORE HOLDINGS, L.L.C.

By: /s/ Dayl Pearson
Name: Dayl Pearson
Title: President

KCAP: KOHLBERG CAPITAL CORPORATION

By: /s/ Dayl Pearson
Name: Dayl Pearson
Title: President

THE COMPANY: TRIMARAN ADVISORS, L.L.C.

By: /s/ Jay R. Bloom
Name: Jay R. Bloom
Title: Managing Director

THE SELLERS: TRIMARAN FUND MANAGEMENT, L.L.C.

By: /s/ Jay R. Bloom
Name: Jay R. Bloom
Title: Managing Director

HBK CARAVELLE, L.L.C.

By: /s/ Jay R. Bloom
Name: Jay R. Bloom
Title: Managing Director

THE PRINCIPALS:

JAY R. BLOOM

/s/ Jay R. Bloom

DEAN C. KEHLER

/s/ Jay R. Bloom

Execution Version

ESCROW AGREEMENT

BETWEEN

COMMODORE HOLDINGS, L.L.C.,

HBK CARAVELLE, L.L.C.

TRIMARAN FUND MANAGEMENT, LLC

THE SELLERS' REPRESENTATIVE NAMED HEREIN

AND

THE BANK OF NEW YORK MELLON

DATED AS OF FEBRUARY 29, 2012

ACCOUNT NUMBER(S)_____

SHORT TITLE OF ACCOUNT_____

ESCROW AGREEMENT made this 29th day of February, 2012 by and among THE BANK OF NEW YORK MELLON ("Escrow Agent"), COMMODORE HOLDINGS, L.L.C., a Delaware limited liability company ("Buyer"), TRIMARAN FUND MANAGEMENT, LLC, a Delaware limited liability company ("TFM") and HBK CARAVELLE, L.L.C., a Delaware limited liability company (together with TFM, each a "Seller" and, collectively, the "Sellers") and the Sellers' Representative (as defined below).

WHEREAS, pursuant to that certain Purchase and Sale Agreement, dated as of February 29th, 2012, among Buyer, Kohlberg Capital Corporation, a Delaware corporation ("KCAP"), Trimaran Advisors, L.L.C., a Delaware limited liability company (the "Company"), each Seller, Jay R. Bloom and Dean C. Kehler (each, a "Principal" and, collectively, the "Principals") (the "Purchase Agreement"), Buyer is purchasing from the Sellers all of the equity interests in the Company;

WHEREAS, Section 2.03 of the Purchase Agreement provides that Buyer will deposit 2,150,000 shares of common stock, par value $0.01 per share, of KCAP ("KCAP Common Stock") out of the aggregate consideration to be paid under the Purchase Agreement (the "Escrow Shares") and $2,500,000 in cash (the "Escrow Cash") into an escrow account (the "Escrow Account") to be held and distributed by the Escrow Agent in accordance with the terms of this Agreement;

WHEREAS, the terms used and not defined herein shall have the meaning set forth in the Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereto agree that the Escrow Agent shall hold in escrow and shall distribute Escrow Share Property and Escrow Cash Property (each as defined herein) in accordance with and subject to the following Instructions and Terms and Conditions:

I. **INSTRUCTIONS:**

1. **Escrow Share Property and Escrow Cash Property**

The property and/or funds deposited or to be deposited with Escrow Agent by Buyer shall be the Escrow Shares and Escrow Cash. The Escrow Shares, plus all KCAP Common Stock delivered to the Escrow Agent or any other securities or other property and/or funds issued or distributed to the Escrow Agent with respect to the Escrow Shares (or Escrow Share Property) in connection with any stock dividend, stock split, recapitalization, merger or consolidation of KCAP other than, in all cases, cash dividends or interest payments ("Distributions"), less any property and/or funds distributed or paid in accordance with this Escrow Agreement, are, together with the Tendered Cash (as defined in Section 1.3(e)(vi) below), collectively referred to herein as "Escrow Share Property". The Escrow Cash, other than interest payments thereon, is referred to herein as "Escrow Cash Property."

The Escrow Agent shall cause all distributions of cash, whether or not constituting Escrow Share Property or Escrow Cash Property, required to be made to the Sellers' Representative or the Buyer, as the case may be, to be made no later than five Business Days after (i) in the case of cash constituting Distributions, its receipt of such cash, (ii) in the case of cash not constituting Distributions, within five Business Days of its receipt of the joint instructions from the Buyer and the Sellers' Representative instructing the Escrow Agent to distribute same. The Escrow Agent shall cause all distributions of Escrow Shares required to be made to the Sellers' Representative pursuant to Section I.3(e)(i), (ii) or (iv) to be made as promptly as practicable following its receipt of the joint instructions from the Buyer and the Sellers' Representative instructing the Escrow Agent to distribute same.

2. **Rights with Respect to Escrow Share Property and Escrow Cash Property**

(a) Escrow Share Property. The Sellers' Representative shall be entitled to vote, or give consent with respect to, all securities as are, from time to time, held as Escrow Share Property and to receive all cash dividends and interest payments thereon. The Sellers' Representative shall also be entitled to participate in any tender or exchange offer in respect of securities constituting Escrow Share Property with the proceeds from any such transaction to constitute Escrow Share Property. The Escrow Agent shall follow all instructions of Sellers' Representative in respect of the voting of Escrow Share Property. Escrow Agent shall notify Sellers' Representative of such rights or discretionary actions or of the date or dates by when such rights must be exercised or such action must be taken provided that Escrow Agent has received, from the issuer or the relevant depository, timely notice of such rights or discretionary corporate action or of the date or dates such rights must be exercised or such action must be taken. Absent actual receipt of such notice, Escrow Agent shall have no liability for failing to so notify Sellers' Representative. In order for Escrow Agent to act, it must receive Sellers' Representative's written directions at Escrow Agent's offices, addressed as Escrow Agent may from time to time request, not later than noon at least two (2) Business Days prior to the last scheduled date to act with respect to such securities (or such earlier date or time as Escrow Agent may notify Sellers' Representative). Absent Escrow Agent's timely receipt of such written direction, Escrow Agent shall not be liable for failure to take any action relating to or to exercise any rights conferred by such Securities. As used herein the term Business Day shall mean any day on which Escrow Agent and the relevant depositories are open for business.

(b) Escrow Cash Property. The Sellers' Representative shall be entitled to receive all investment payments on all Escrow Cash as is, from time to time, held as Escrow Cash Property.

3. **Distribution of Escrow Share Property**

The Escrow Agent is directed to hold and distribute the Escrow Share Property in accordance with this Section I.3.

(a) Indemnification Claim Notice. From time to time prior to the date that is 18 months after the date of this Agreement (the "Last Notice Date"), Buyer may provide the Sellers' Representative (with a copy to the Escrow Agent) with written notice (an "Indemnification Notice") setting forth the actual or estimated dollar amounts of any claim for which a Buyer Indemnified Person reasonably believes it may become entitled to indemnification, and, in reasonable detail (to the extent known) the nature of such claim, pursuant to Section 7.01 or 8.01 of the Purchase Agreement (a "Buyer Indemnification Claim"). If the Sellers' Representative does not provide the Escrow Agent with a written notice disputing such Buyer Indemnification Claim (an "Indemnification Claim Objection", the form of which is attached as Exhibit A) prior to 5:00 p.m., New York City time, on the twentieth (20th) day after the date on which the Escrow Agent received the applicable Indemnification Notice, then the dollar amount of such Buyer Indemnification Claim set forth in such Indemnification Notice shall be deemed conclusive for purposes of this Agreement, and on the Business Day immediately following such twentieth (20th) day, the Escrow Agent shall, subject to Section I.3(d) and, if applicable, Section I.3(e)(iii) and (iv), upon its receipt of a joint written direction from the Buyer and the Sellers' Representative (which joint written direction Buyer and the Sellers' Representative hereby agree to provide as promptly as reasonably practicable following such twentieth (20^{th}) day) which (i) identifies the number of Escrow Shares to be sold (which amount shall be sufficient to yield cash proceeds in an amount equal to 105% of the Buyer Indemnification Claim calculated using the VWAP of the Escrow Shares as of such twentieth (20^{th}) day); (ii) states that the restricted legend will be removed from such Escrow Shares following such sale; (iii) identifies any applicable volume limitations applicable to such sale and (iv) states that any holding requirements specified in Rule 144 promulgated under the 1933 Act (as in effect as amended from time to time, or any successor rule thereto, "Rule 144") have been satisfied (upon which the Escrow Agent shall be entitled to conclusively rely), liquidate, as soon as practicable (and subject to any applicable limitations under Rule 144 as identified in the aforementioned written direction) by Sale Order (as defined in Section I.3(e)(vi) below), Escrow Shares in the amount identified in the aforementioned written direction (net of any expenses associated with such sale) and shall distribute the lesser of (1) the net proceeds of such sale or (2) cash in an amount equal to the Buyer Indemnification Claim. To the extent that the Rule 144 volume limitation (or any other limitation) prevents the Escrow Agent from liquidating a sufficient number of shares in the Escrow Share Property to satisfy in full such Buyer Indemnification Claim, the Escrow Agent shall, as soon as eligible under Rule 144 (or such other limitation), which shall be determined by Sellers' Representative and notified (which notification the Sellers' Representative hereby agrees to provide as promptly as reasonably practicable) to the Escrow Agent in writing (and the Escrow Agent shall be entitled to conclusively rely upon such notification) liquidate, subject to Section I.3(d) and, if applicable, Section I.3(e)(iii) and (iv), by Sale Order such additional number of Escrow Shares as it is instructed to by Sellers' Representative (which instruction the Sellers' Representative hereby agrees to provide as promptly as reasonably practicable) necessary to yield cash proceeds in an amount equal to 105% of the unsatisfied portion of such Buyer Indemnification Claim calculated using the VWAP of the Escrow Shares as of the date of such letter and shall distribute the lesser of (1) the net proceeds of such sale or (2) cash in an amount equal to the unsatisfied portion of the Buyer Indemnification Claim. The Sellers' Representative shall send a copy of any Indemnification Claim Objection to Buyer at the same time and in the same manner as the Indemnification Claim Objection is delivered to the Escrow Agent. The Escrow Agent shall not inquire into or consider whether a Buyer Indemnification Claim complies with the requirements of the Purchase Agreement.

(b) Indemnification Claim Objection. If an Indemnification Claim Objection is given with respect to a Buyer Indemnification Claim, then, except as otherwise set forth in Section I.3(c), the Escrow Agent shall upon its receipt of a joint written direction from the Buyer and the Sellers' Representative (which joint written direction Buyer and the Sellers' Representative hereby agree to provide as promptly as reasonably practicable following the joint written instructions described in clause (A) of the first sentence of this Section I.3(b) or the Final Order referenced below) which (i) identifies the number of Escrow Shares to be sold (which amount shall be sufficient to yield cash proceeds in an amount equal to 105% of the amount identified in the joint written instructions described in clause (A) of the first sentence of this Section I.3(b) or the Final Order referenced below calculated using the VWAP of the Escrow Shares as of the date of such joint written instructions or Final Order); (ii) states that the restricted legend will be removed from such Escrow Shares following such sale; (iii) identifies any applicable volume limitations applicable to such sale and (iv) states that any holding requirements specified in Rule 144 have been satisfied (upon which the Escrow Agent shall be entitled to conclusively rely), liquidate, subject to Section I.3(d) and (h) and, if applicable, Section I.3(e)(iii) and (iv), and to any applicable limitations under Rule 144 as identified in the aforementioned written direction, by Sale Order a portion of the Escrow Shares (in the amount identified in the aforementioned written direction) with respect to such Buyer Indemnification Claim only in accordance with (A) joint written instructions of Buyer and Sellers' Representative or (B) a final, non-appealable court order enforcing an award with respect to such Buyer Indemnification Claim and directing a sale or distribution of all or a portion of the Escrow Share Property and the distribution to Buyer of some or all of the proceeds from such sale (net of any expense associated with such sale) equal (together with any cash constituting Escrow Share Property to be distributed to Buyer in accordance with such order) to the amount owing Buyer in respect of such Buyer Indemnification Claim (a "Final Order") and the Escrow Agent will distribute the lesser of (1) the net proceeds of such sale or (2) cash in an amount equal to the amount identified in the joint written instructions described in clause (A) of the first sentence of this Section I.3(b) or the Final Order; provided, however, that to the extent that the Rule 144 volume limitation (or any other limitation) prevents the Escrow Agent from liquidating the number of shares in the Escrow Share Property to be so liquidated in accordance with such joint instruction described in clause (A) of the first sentence of this Section I.3(b) or such Final Order, the Escrow Agent shall, as soon as eligible under Rule 144 (or such other limitation), which shall be determined by Sellers' Representative and notified (which notification the Sellers' Representative hereby agrees to provide as promptly as reasonably practicable) to the Escrow Agent in writing (and the Escrow Agent shall be entitled to conclusively rely upon such notification) liquidate, subject to Section I.3(d) and, if applicable, Section I.3(e)(iii) and (iv), by Sale Order such additional number of Escrow Shares as it is instructed to by Sellers' Representative (which instruction the Sellers' Representative hereby agrees to provide as promptly as reasonably practicable) necessary to yield cash proceeds in an amount equal to 105% of the unsatisfied portion of the amount identified in such joint instruction described in clause (A) of the first sentence of this Section I.3(b) or such Final Order calculated using the VWAP of the Escrow Shares as of the date of such letter and shall distribute the lesser of (1) the net proceeds of such sale or (2) cash in an amount equal to the unsatisfied portion of the amount identified in such joint instruction described in clause (A) of the first sentence of this Section I.3(b) or such Final Order. If the Escrow Agent does not receive joint written instructions, or a copy of a Final Order, with respect to such Indemnification Claim Objection that, in either case, directs the Escrow Agent to effect a liquidation or sale of a portion of the Escrow Share Property and distribute the proceeds to Buyer, then the Escrow Agent shall continue to hold the portion of the Escrow Share Property that was the subject of such Indemnification Claim Objection pursuant to this Agreement until distributed as provided in Section I.3(e).

(c) Partial Objection. If an Indemnification Claim Objection includes an objection to only a portion of a Buyer Indemnification Claim, then the Escrow Agent shall upon its receipt of a joint written direction from the Buyer and the Sellers' Representative (which joint written direction Buyer and the Sellers' Representative hereby agree to provide as promptly as reasonably practicable after delivery of such Indemnification Claim Objection) which (i) identifies the number of Escrow Shares to be sold (which amount shall be sufficient to yield cash proceeds in an amount equal to 105% of the portion of the Buyer Indemnification Claim for which there is no objection calculated using the VWAP of the Escrow Shares as of the date of delivery of such Indemnification Claim Objection); (ii) states that the restricted legend will be removed from such Escrow Shares following such sale; (iii) identifies any applicable volume limitations applicable to such sale and (iv) states that any holding requirements specified in Rule 144 have been satisfied (upon which the Escrow Agent shall be entitled to conclusively rely) liquidate, as soon as practicable (and subject to any applicable limitations under Rule 144 as identified in the aforementioned written direction) by Sale Order, Escrow Shares in the amount identified in the aforementioned written direction (net of any expenses associated with such sale) and shall distribute the lesser of (1) the net proceeds of such sale or (2) cash in an amount equal to the portion of the Buyer Indemnification Claim for which there is no objection. To the extent that the Rule 144 volume limitation (or any other limitation) prevents the Escrow Agent from liquidating a sufficient number of shares in the Escrow Share Property to satisfy in full the portion of the Buyer Indemnification Claim for which there is no objection, the Escrow Agent shall, as soon as eligible under Rule 144 (or such other limitation) which shall be determined by Sellers' Representative and notified (which notification the Sellers' Representative hereby agrees to provide as promptly as reasonably practicable) to the Escrow Agent in writing (and the Escrow Agent shall be entitled to conclusively rely upon such notification) liquidate, subject to Section I.3(d) and, if applicable, Section I.3(e)(iii) and (iv), by Sale Order such additional number of Escrow Shares as it is instructed to by Sellers' Representative (which instruction the Sellers' Representative hereby agrees to provide as promptly as reasonably practicable) necessary to yield cash proceeds in an amount equal to 105% of the unsatisfied portion of the portion of such Buyer Indemnification Claim for which there is no objection calculated using the VWAP of the Escrow Shares as of the date of such letter and shall distribute the lesser of (1) the net proceeds of such sale or (2) cash in an amount equal to the unsatisfied portion of the portion of the Buyer Indemnification Claim for which there is no objection.

(d) Material Non-Public Information. Notwithstanding anything to the contrary in this Agreement, the Sellers' Representative shall not be required to deliver any instruction or direction to the Escrow Agent directing the sale of Escrow Share Property if, in the Sellers' Representative' reasonable judgment, the Sellers, the Principals or any of their affiliates possess information concerning KCAP or its subsidiaries that has not been publicly disclosed, for purposes of the federal securities laws, so long as the Sellers' Representative delivers (in lieu of and at such time as such instruction or direction would have been otherwise required to be delivered) (i) to the Buyer a notice describing such information in reasonable detail and (ii) either (1) to the Escrow Agent Tendered Cash in immediately available funds equal to the obligation of the Sellers' Representative pursuant to Section I.3(a), (b) or (c), as the case may be, giving rise to the need to liquidate the Escrow Share Property or (2) to the Escrow Agent and Buyer an affidavit to the effect that none of the Sellers nor the Principals nor any of their controlled affiliates (so long as such controlled affiliate is not prohibited by applicable Legal Requirements from liquidating such interest to settle such claim) has sufficient available cash or cash equivalents (after taking into account cash or cash equivalents required for reasonable living expenses for the following six month period) to satisfy the obligation of the Sellers' Representative pursuant to Section I.3(a), (b) or (c), as the case may be. To the extent the Sellers' Representative deliver to the Escrow Agent Tendered Cash pursuant to clause (ii)(2) above, the Escrow Agent shall use such Tendered Cash to satisfy the obligation of the Sellers' Representative pursuant to Section I.3(a), (b) or (c), as the case may be. Unless the Sellers' Representative has delivered to the Escrow Agent Tendered sufficient Cash to satisfy in full the obligation of the Sellers' Representative pursuant to Section I.3(a), (b) or (c), as the case may be, the Sellers' Representative agrees to deliver, reasonably promptly after it concludes that none of it nor any of its affiliates possesses material information concerning KCAP or its subsidiaries that has not been publicly disclosed for purposes of the federal securities laws, any instruction or direction to the Escrow Agent necessary to direct the sale of Escrow Share Property necessary to satisfy in full the obligation of the Sellers' Representative pursuant to Section I.3(a), (b) or (c), as the case may be.

(e) Escrow Share Property Distributions to the Sellers' Representative.

(i) Release of Escrow Share Property on First Release Date. On the date that is the earlier of the thirtieth (30th) day after (A) the date on which KCAP's audited consolidated financial statements for 2012 have been completed and filed with the SEC as part of KCAP's Annual Report on Form 10-K or (B) March 31, 2013 (the "First Release Date"), the Buyer and the Sellers' Representative shall deliver to the Escrow Agent a joint written instruction instructing the Escrow Agent to distribute to the Sellers' Representative the First Release Escrow Share Property (as defined in Section I.3(e)(vi) below, provided such instruction shall identify the relevant number of Escrow Shares and amount of Escrow Share Property not included in the definition of First Release Escrow Share Property), as of such date, less the aggregate amount of all Unpaid Claims (as defined in Section I.3(e)(vi) below) as of such date, such reduction to be effected in accordance with Section I.3(e)(v) and the Escrow Agent shall comply with such instructions.

(ii) Release of Escrow Share Property on Last Notice Date. On the Last Notice Date (as defined in Section I.3(a)), the Buyer and the Sellers' Representative shall deliver to the Escrow Agent a joint written instruction instructing the Escrow Agent to distribute to the Sellers' Representative the Last Notice Escrow Share Property (as defined in Section I.3(e)(vi) below), as of such date, less the aggregate amount of all Unpaid Claims (as defined in Section I.3(e)(vi) below) as of such date, such reduction to be effected in accordance with Section I.3(e)(v) and the Escrow Agent shall comply with such instructions.

(iii) Liquidation of First Release Escrow Share Property and Last Notice Date Escrow Share Property Remaining Subject to Escrow. (A) After the First Release Date but before the Last Notice Date, the Escrow Agent shall liquidate by Sale Order the portion of the First Release Escrow Share Property withheld on the First Release Date, in respect of an Unpaid Claim pursuant to Section I.3(e)(i), and all other First Release Escrow Share Property received by the Escrow Agent in respect of such Unpaid Claim, to the extent required by, and in accordance with, Section I.3(a) – (d), and, to the extent the proceeds in respect of (and cash constituting) such property is not adequate to discharge such Unpaid Claim, the Escrow Agent shall liquidate by Sale Order such portion of the Escrow Share Property that is not First Release Escrow Share Property, in accordance with Section I.3(a) – (d), as is necessary to satisfy in full such Unpaid Claim and, in each case, deliver the proceeds of such liquidation (and cash constituting Escrow Share Property in respect of such claim), up to the amount of such Unpaid Claim, to the Buyer. (B) After the Last Notice Date, the Escrow Agent shall liquidate by Sale Order, to the extent required by and in accordance with, Section I.3(a) – (d), the portion of the Last Notice Escrow Share Property withheld on such date in respect of each Unpaid Claim pursuant to Section I.3(e)(ii) and all other Last Notice Escrow Share Property thereafter received by the Escrow Agent in respect of any such Unpaid Claim and shall deliver the proceeds of such liquidation (and cash constituting Escrow Share Property in respect of such claim), up to the amount of such Unpaid Claim, to the Buyer.

(iv) Certain Distributions of Escrow Share Property after First Release Date and Last Notice Date. On each Payment Date (as defined below) in respect of an Unpaid Claim, the Escrow Agent shall distribute the portion of the Escrow Share Property (other than Tendered Cash), and on the date on which any Unpaid Claim is no longer outstanding, the Escrow Agent shall distribute the portion of the Escrow Share Property (including Tendered Cash), in each case in respect of such claim, to the Sellers' Representative; provided that no distribution pursuant to this Section I.3(e)(iv) shall be permitted prior to the Last Notice Date in respect of any Buyer Indemnification Claim asserted and notified to the Sellers' Representative after the First Release Date.

(v) Computation of Withheld Portions of First Release Escrow Share Property and Last Notice Escrow Share Property; Taxes and Expenses. The portion of First Release Escrow Share Property and Last Release Escrow Share Property withheld in respect of Unpaid Claims shall be set forth in a certificate prepared by the Buyer and submitted to the Escrow Agent and the Sellers' Representative, such portion shall be determined as follows: (x) first, to the extent any portion of the First Release Escrow Share Property or Last Release Escrow Share Property, as the case may be, constitutes cash, an amount of cash equal to the amount of such Unpaid Claim shall be withheld; (y) second, to the extent the amount of such cash included in such portion of the Escrow Share Property is less than the amount of such Unpaid Claim, a number of Escrow Shares included in such portion of such Escrow Share Property equal to the quotient obtained by dividing the remaining amount of such Unpaid Claim by the VWAP (as defined in Section 1.3(e)(vi)) of the KCAP Common Stock as of the date of such release date; and (z) third, to the extent the Escrow Share Property withheld pursuant to the immediately preceding clauses (x) and (y) is less than the amount of such Unpaid Claim, other assets included in such portion of such Escrow Share Property shall be so withheld based on the fair market value (as reasonably determined by the Buyer) of such assets (with such value, in the case of publicly traded securities, to equal the VWAP thereof as of the date of such release date).

(vi) Certain Definitions. As used herein, (A) an "Unpaid Claim" means, in respect of any date (1) any Buyer Indemnification Claim that is due and payable pursuant to Section I.3 of this Agreement but unpaid as of such date and (2) any Buyer Indemnification Claim that has been asserted and notified to the Sellers' Representative but is the subject of an Indemnification Claim Objection (in whole or in part) or with respect to which the time period for the Sellers' Representative to deliver an Indemnification Claim Objection has not expired, and (B) the amount of an Unpaid Claim described in subclause (2) above means the amount of such claim remaining subject to dispute pursuant to the terms of the Purchase Agreement and this Agreement. Buyer and the Sellers' Representative shall promptly notify the Escrow Agent, in writing, when an Unpaid Claim is no longer outstanding or of any other reduction in the amount of such claim.

(B) "First Release Escrow Share Property" means all Escrow Share Property (other than 900,000 Escrow Shares and all other Escrow Share Property in respect of or held in connection with such 900,000 Escrow Shares) as of the First Release Date, such number of shares to be adjusted for any reverse stock split in respect of the KCAP Common Stock, and all other Escrow Share Property received by the Escrow Agent pursuant to Section I.1 or I.2(a) and Tendered Cash received by the Escrow Agent, in each case in respect of such Escrow Share Property (other than such 900,000 Escrow Shares and other Escrow Share Property in respect of or held in connection therewith) after such date but on or before the Last Notice Date.

(C) "Last Notice Escrow Share Property" means all Escrow Share Property as of the Last Notice Date (including First Release Escrow Share Property to the extent not previously distributed), and all other Escrow Share Property received by the Escrow Agent pursuant to Section 1.1 or I.2(a) and Tendered Cash received by the Escrow Agent, in each case after such date.

(D) "Payment Date" means, in respect of an Unpaid Claim, the date (such date not to be earlier than the First Release Date) on which the Sellers' Representative deposits with the Escrow Agent, as Escrow Share Property, Tendered Cash in respect of such claim.

(E) "Sale Order" means a market not held percentage of volume order not less than 20% of the days trading volume while simultaneously sourcing and seeking liquidity (demand) on a best efforts basis.

(F) "Tendered Cash" means, in respect of an Unpaid Claim, cash which the Sellers' Representative deposits with the Escrow Agent as Escrow Share Property and specifies in a notice given to the Escrow Agent and the Buyer on or before the date of such deposit that such cash is to be available for distribution to the Buyer at such time as the liquidation of Escrow Share Property in respect of such claim would otherwise be required pursuant to this Agreement; provided that the amount of such cash is at least equal to the amount of such Unpaid Claim.

(G) "VWAP" means in respect of any publicly traded security and date, the simple arithmetic average of the daily volume weighted average price of such security as determined by Bloomberg during a period of 30 consecutive trading days ending on and including the trading day immediately preceding such date.

(vii) Termination. This Agreement shall terminate, without any act by any party, upon the final distribution of all of the Escrow Share Property in accordance with the terms of this Agreement.

(f) Investment of Cash. The Escrow Agent shall invest cash included in the Escrow Share Property in The BNY Mellon Cash Reserve. All income from such investment shall be distributed to the Sellers' Representative upon and in accordance with the written direction of the Sellers' Representative and shall not constitute Escrow Share Property. The Escrow Agent will not be liable for any losses resulting from any investment made in accordance with the terms of this Section I.3(f). The Escrow Agent will have the right to liquidate any investments held in accordance with the terms of this Section in order to provide funds necessary to make required payments under this Agreement. The Escrow Agent will not be liable for any loss incurred at such liquidation which is due to fluctuations in market rates, depreciation in the value of the investment or penalties incurred in connection with any such liquidation. In addition, the Escrow Agent shall not be responsible for assuring that the cash is sufficient for the disbursements contemplated hereunder.

(g) Transaction Restrictions. From and after the date on which Escrow Share Property is required to be liquidated pursuant to Section I.3(a)-(e) (determined without regard to any limitation on sale arising under Rule 144) in respect of an Unpaid Claim and until such claim is no longer outstanding, none of the Sellers or any Principal shall (and each shall cause each of its affiliates whose sales would be aggregated with it for purposes of Rule 144 to not) engage in any transaction in the securities of KCAP that would reduce the volume of securities that may be liquidated by the Escrow Agent hereunder at any time. For the avoidance of doubt, neither the liquidation of Escrow Share Property pursuant to this Agreement nor the transfer of securities (including Escrow Share Property) (pursuant to a tender offer or exchange offer or pursuant to any sale or exchange in respect of securities (including Escrow Share Property) arising by operation of law, including, without limitation, a merger, consolidation or recapitalization), shall be deemed to be a transaction engaged in by the Sellers or any of their affiliates for purposes of this Section I.3(g).

(h) Instructions. Each of the Buyer and the Sellers' Representative agree that any joint written instruction delivered to the Escrow Agent with respect to sales effected pursuant to Section I.3(b), (c) or (e)(iii) shall instruct the Escrow Agent that no such Sale Order shall be placed during the three Business Day period commencing with the date on which such sale is first required to occur at a price less than 90% of VWAP for such shares as of the date such sale is first required to occur (which price and period the Buyer and Sellers' Representative agree to specify in such joint written instruction). The instruction shall also state that following such three Business Day period, such Sale Order shall be executed without regards to the VWAP limitation described in this Section I.3(h). The Escrow Agent shall effect all the sales referred in the immediately preceding sentence in accordance with such instructions.

(i) Further Assurances. The Sellers, the Sellers' Representative and each Principal shall execute and deliver such certificates, instruments and instructions to the Escrow Agent and take such other actions, and the Escrow Agent shall execute and deliver such instruments, as may be requested and which are reasonable and customary in respect of sales made pursuant to Rule 144 to give effect to the provisions of this Agreement including, without limitation, the liquidation of Escrow Share Property or the Escrow Cash Property as specified in this Agreement.

(j) Escrow Agent Disclaimer. Escrow Agent may enter into subcontracts, agreements and understandings with any BNYM Affiliate, whenever and on such terms and conditions as it deems necessary or appropriate to perform its services hereunder. No such subcontract, agreement or understanding shall discharge Escrow Agent from its obligations hereunder. "BNYM Affiliate" shall mean any office, branch or subsidiary of The Bank of New York Mellon Corporation. In liquidating Escrow Shares hereunder, the Escrow Agent shall not be responsible or liable for (i) the sales price of such Escrow Shares (including but not limited to any losses associated with fluctuations in market rates or depreciation in the value of the Escrow Shares) which are sold in accordance with this Agreement or any instruction given by Buyer and/or Sellers' Representative in accordance therewith; (ii) verifying the sufficiency of the proceeds of such liquidation for distribution purposes hereunder; or (iii) evaluating or certifying compliance with any securities laws, rules or regulations. The liquidation of Escrow Shares hereunder shall be subject to customary settlement timing for the sale of restricted securities.

4. **Distribution of Escrow Cash Property**

The Escrow Agent is directed to hold and distribute the Escrow Cash Property in accordance with this Section I.4.

(a) Cash Release Dates. No later than five Business Days following each Cash Release Date (as defined in Schedule I.4), the Buyer and the Sellers' Representative shall deliver to the Escrow Agent a joint written instruction instructing the Escrow Agent to distribute to the Sellers' Representative and/or to the Buyer, as the case may be, the Cash Release Amount (as defined in Schedule I.4) applicable to such Cash Release Date.

(b) Investment of Cash. The Escrow Agent shall invest cash included in the Escrow Cash Property in The BNY Mellon Cash Reserve. All income from such investment shall be distributed to the Sellers' Representative upon and in accordance with the written direction of the Sellers' Representative and shall not constitute Escrow Cash Property. The Escrow Agent will not be liable for any losses resulting from any investment made in accordance with the terms of this Section I.4(b). The Escrow Agent will have the right to liquidate any investments held in accordance with the terms of this Section in order to provide funds necessary to make required payments under this Agreement. The Escrow Agent will not be liable for any loss incurred at such liquidation which is due to fluctuations in market rates, depreciation in the value of the investment or penalties incurred in connection with any such liquidation. In addition, the Escrow Agent shall not be responsible for assuring that the cash is sufficient for the disbursements contemplated hereunder.

5. **Addresses**

Notices, instructions and other communications shall be sent to:

If to the Escrow Agent, to:

The Bank of New York Mellon
Corporate Trust Administration
101 Barclay Street-Floor 8W
New York, New York 10286
Telephone number: (212) 815-3219
Facsimile number: (212) 815-5877
Attn: Matthew Louis

If to Buyer, to:

Commodore Holdings, L.L.C.
c/o Kohlberg Capital Corporation
295 Madison Avenue - 6th Floor
New York, NY 10017
Telephone number: (212) 455-8300
Facsimile number: (212) 983-7654
Attention: Dayl Pearson, Chief Executive Officer

with a copy (which shall not constitute notice) to:

Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02199
Telephone number: (617) 951-7802
Facsimile number: (617) 235-0514
Attention: Craig Marcus

If to the Sellers or the Sellers' Representative, to:

HBK Caravelle, LLC
Trimaran Fund Management, LLC
1325 Avenue of the Americas, 34th Floor
New York, NY 10019

Telephone number: 212-616-3710
Facsimile number: 212-616-3794
Attention: Jay Bloom

Telephone number: 212-616-3730
Facsimile number: 212-616-3794

Attention: Dean Kehler

With a copy (which shall not constitute notice) to:

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, NY 10019
Telephone number: (212) 728-8278
Facsimile number: (212) 728-9278
Attention: Laurence Weltman

6. **Compensation**

(a) The Escrow Agent shall be paid by Buyer an annual fee of $7,500, payable upon execution of this Agreement and thereafter on each anniversary date of this Agreement. The annual fee shall not be pro-rated for any portion of a year.

(b) Buyer shall pay all activity charges as per Escrow Agent's current fee schedule.

(c) Buyer shall be responsible for, and shall reimburse Escrow Agent upon demand for, all reasonable expenses, disbursements and advances incurred or made by Escrow Agent in connection with this Agreement. Nothing in this Section I.6(c) shall affect the Buyer's and the Sellers' Representative's obligations in Section II.9 and 22.

7. **Tax Matters; Ownership**

(a) Ownership. The Sellers shall be treated as the owners of the Escrow Cash Property and the Escrow Share Property (together with any net income or net gain from the Escrow Cash Property and the Escrow Share Property) for tax reporting purposes, unless and until the proceeds from any liquidation thereof are paid to Buyer pursuant to Section I.3 or I.4, as the case may be. As of the date hereof, each of the Principals has a 50% beneficial interest in the Escrow Cash Property and Escrow Share Property. The Sellers' Representative may, upon notice to the Escrow Agent and the Buyer, change such beneficial interest. The Escrow Agent shall distribute Escrow Cash Property, Escrow Share Property and cash required to be distributed to the Sellers' Representative hereunder to the Principals as the Sellers' Representative may so instruct in a notice given by the Sellers' Representative to the Escrow Agent and the Buyer.

(b) **Appointment of Sellers' Representative**. Each Seller hereby irrevocably appoints TFM as the sole and exclusive agent, proxy and attorney-in-fact for such Seller for all purposes of this Agreement, with full and exclusive power and authority to act on such Seller's behalf (the "Seller's Representative"). The appointment of the Sellers' Representative hereunder is coupled with an interest, shall be irrevocable and shall not be affected by the death, incapacity, insolvency, bankruptcy, illness or other inability to act of any Seller. Each Seller may, by notice pursuant to Section II.8, designate any other entity to act as the Sellers' Representative under this Agreement.

II. **TERMS AND CONDITIONS:**

1. The duties, responsibilities and obligations of Escrow Agent shall be limited to those expressly set forth herein and no duties, responsibilities or obligations shall be inferred or implied. Escrow Agent shall not be subject to, nor required to comply with, any other agreement between Buyer and the Sellers (including but not limited to the Purchase Agreement) or to which Buyer and the Sellers are parties, even though reference thereto may be made herein, or to comply with any direction or instruction (other than those contained herein or delivered in accordance with this Escrow Agreement) from either of Buyer or the Sellers. Escrow Agent shall not be required to, and shall not, expend or risk any of its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

2. This Agreement is for the exclusive benefit of the parties hereto and their respective successors hereunder, and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever.

3. If at any time Escrow Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process which in any way affects Escrow Share Property or the Escrow Cash Property (including but not limited to orders of attachment or garnishment or other forms of levies or injunctions or stays relating to the transfer of Escrow Share Property or the Escrow Cash Property), Escrow Agent is authorized to comply therewith in any manner as it or its legal counsel of its own choosing deems appropriate; and if Escrow Agent complies with any such judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process, Escrow Agent shall not be liable to any of the parties hereto or to any other person or entity even though such order, judgment, decree, writ or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

4. (a) Escrow Agent shall not be liable for any action taken or omitted or for any loss or injury resulting from its actions or its performance or lack of performance of its duties hereunder in the absence of gross negligence or willful misconduct on its part. In no event shall Escrow Agent be liable (i) for acting in accordance with or relying upon any instruction, notice, demand, certificate or document from either of Buyer or the Sellers' Representative or any entity acting on behalf of either of Buyer or the Sellers' Representative (and the Escrow Agent shall have no responsibility to verify the accuracy or validity of any information contained in any such instruction, notice, demand, certificate or document), (ii) for any consequential, punitive or special damages, (iii) for the acts or omissions of its nominees, correspondents, designees, subagents or subcustodians so long as the Escrow Agent appoints such party with due care, (iv) for an amount in excess of the value of the Escrow Share Property and the Escrow Cash Property, valued as of the date of deposit or (v) for any variation in the value of the Escrow Share Property or Escrow Cash Property as a result of changes in the market price of the KCAP Common Stock or other securities or other property held as Escrow Share Property or Escrow Cash Property.

(b) Escrow Agent may consult with legal counsel at the expense of the Buyer as to any matter relating to this Escrow Agreement, and Escrow Agent shall not incur any liability in acting in good faith in accordance with any advice from such counsel.

(c) Escrow Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of Escrow Agent (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility).

5. Unless otherwise specifically set forth herein, Escrow Agent shall proceed as soon as practicable to collect any checks or other collection items at any time deposited hereunder. All such collections shall be subject to Escrow Agent's usual collection practices or terms regarding items received by Escrow Agent for deposit or collection. Escrow Agent shall not be required, or have any duty, to notify anyone of any payment or maturity under the terms of any instrument deposited hereunder, nor to take any legal action to enforce payment of any check, note or security deposited hereunder or to exercise any right or privilege which may be afforded to the holder of any such security.

6. Escrow Agent shall provide to each of Buyer and the Sellers' Representative monthly statements identifying transactions, transfers or holdings of Escrow Share Property and Escrow Cash Property and each such statement shall be deemed to be correct and final upon receipt thereof by Buyer and the Sellers' Representative, respectively, unless Escrow Agent is notified in writing to the contrary within thirty (30) Business Days of the date of such statement.

7. Escrow Agent shall not be responsible in any respect for the form, execution, validity, value or genuineness of documents or securities deposited hereunder, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document, security or endorsement.

8. Notices, instructions or other communications shall be in writing and shall be given to the address set forth in Section I.5 herein (or to such other address as may be substituted therefor by written notification to Escrow Agent, Buyer, the Sellers and Sellers' Representative). Notices to Escrow Agent shall be deemed to be given when actually received by Escrow Agent's Insurance Trust and Escrow Unit of the Corporate Trust Division at the address provided in Section I.5. A notice to Buyer, any Seller or Sellers' Representative shall be deemed to be given (a) when delivered, if delivered personally, (b) the Business Day after it is deposited with such nationally recognized overnight courier service, if sent for overnight delivery by a nationally recognized overnight courier service, (c) the day of sending, if sent by facsimile prior to 5:00 p.m. (Eastern time) on any Business Day or the next succeeding Business Day if sent by facsimile after 5:00 p.m. (Eastern time) on any Business Day or on any day other than a Business Day or (d) five Business Days after the date of mailing, if mailed by certified or registered mail, postage prepaid, in each case, to the address provided for Buyer, any Seller or Sellers' Representative, as the case may be, in Section I.5. Escrow Agent is authorized to comply with and rely upon any notices, instructions or other communications believed by it to have been sent or given by Buyer or the Sellers' Representative or by a person or persons authorized by Buyer or the Sellers' Representative. Whenever under the terms hereof the time for giving a notice or performing an act falls upon a Saturday, Sunday, or banking holiday, such time shall be extended to the next day on which Escrow Agent is open for business. The Escrow Agent may request that the Buyer, the Sellers and the Sellers' Representative deliver a certificate setting forth the names of individuals and or titles of officers authorized at such time to take specific actions pursuant to this Agreement and shall be entitled to rely upon such certificate until a new certificate is delivered to Escrow Agent.

9. Buyer shall reimburse and indemnify Escrow Agent and hold Escrow Agent harmless from and against, any and all claims, losses, liabilities, costs, damages or expenses (including reasonable attorneys' fees and expenses) (collectively, "Losses") arising from or in connection with or related to this Escrow Agreement or being Escrow Agent hereunder (including but not limited to Losses incurred by Escrow Agent in connection with its successful defense, in whole or in part, of any claim of gross negligence or willful misconduct on its part); provided, however, that nothing contained herein shall require Escrow Agent to be indemnified for Losses caused by its gross negligence or willful misconduct.

10. (a) Buyer and the Sellers' Representative may remove Escrow Agent at any time by giving to Escrow Agent thirty (30) calendar days' prior notice in writing signed by each of Buyer and the Sellers' Representative. Escrow Agent may resign at any time by giving ten (10) calendar days' prior written notice thereof.

(b) Within ten (10) calendar days after giving the foregoing notice of removal to Escrow Agent or receiving the foregoing notice of resignation from Escrow Agent, Buyer and the Sellers' Representative shall jointly agree on and appoint a successor Escrow Agent. If a successor Escrow Agent has not accepted such appointment by the end of such 10-day period, Escrow Agent may, in its sole discretion, deliver the Escrow Share Property and the Escrow Cash Property to a court of competent jurisdiction for the appointment of a successor Escrow Agent or for other appropriate relief. The costs and expenses (including reasonable attorneys' fees and expenses) incurred by Escrow Agent in connection with such proceeding shall be paid by, and be deemed a joint and several obligation of, Buyer and the Sellers' Representative.

(c) Upon receipt of the identity of the successor Escrow Agent (the "Successor Escrow Agent"), Escrow Agent shall deliver the Escrow Share Property and the Escrow Cash Property then held hereunder to the Successor Escrow Agent.

(d) Upon delivery of the Escrow Share Property and the Escrow Cash Property to the Successor Escrow Agent, Escrow Agent shall have no further duties, responsibilities or obligations hereunder.

(e) Anything in this Agreement to the contrary notwithstanding the Escrow Agent shall have no recourse to the Escrow Share Property or the Escrow Cash Property for its fees, costs or other payments to be made thereto hereunder.

11. (a) In the event of any ambiguity or uncertainty hereunder or in any notice, instruction or other communication received by Escrow Agent hereunder, Escrow Agent may, in its sole discretion, refrain from taking any action other than retain possession of the Escrow Share Property and the Escrow Cash Property, unless Escrow Agent receives written instructions, signed by Buyer and the Sellers' Representative, which eliminates such ambiguity or uncertainty.

(b) In the event of any dispute between or conflicting claims by or among Buyer and the Sellers' Representative and/or any other person or entity with respect to any Escrow Share Property or Escrow Cash Property, Escrow Agent shall be entitled, in its sole discretion, to refuse to comply with any and all claims, demands or instructions with respect to such Escrow Share Property or Escrow Cash Property so long as such dispute or conflict shall continue, and Escrow Agent shall not be or become liable in any way to the Buyer or the Sellers' Representative for failure or refusal to comply with such conflicting claims, demands or instructions. Escrow Agent shall be entitled to refuse to act until, in its sole discretion, either (i) such conflicting or adverse claims or demands shall have been determined by a final order, judgment or decree of a court of competent jurisdiction, which order, judgment or decree is not subject to appeal, or settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent or (ii) Escrow Agent shall have received security or an indemnity satisfactory to it sufficient to hold it harmless from and against any and all Losses which it may incur by reason of so acting. Escrow Agent may, in addition, elect, in its sole discretion, to commence an interpleader action or seek other judicial relief or orders as it may deem, in its sole discretion, necessary. The costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with such proceeding shall be paid by Buyer.

12. This Agreement shall be interpreted, construed, enforced and administered in accordance with the internal substantive laws (and not the choice of law rules) of the State of New York. Each of Buyer, each of the Sellers and the Sellers' Representative hereby submits to the personal jurisdiction of and each agrees that all proceedings relating hereto shall be brought in courts located within the City and State of New York or elsewhere as Escrow Agent may select. Each of Buyer, each of the Sellers and the Sellers' Representative hereby waives the right to trial by jury and to assert counterclaims in any such proceedings. To the extent that in any jurisdiction any of Buyer, any Seller or the Sellers' Representative may be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (whether before or after judgment) or other legal process, each hereby irrevocably agrees not to claim, and hereby waives, such immunity. Each of Buyer, each of the Sellers and the Sellers' Representative waives personal service of process and consents to service of process by certified or registered mail, return receipt requested, directed to it at the address last specified for notices hereunder, and such service shall be deemed completed ten (10) calendar days after the same is so mailed.

13. Except as otherwise permitted herein, this Escrow Agreement may be modified only by a written amendment signed by all the parties hereto, and no waiver of any provision hereof shall be effective unless expressed in a writing signed by the party to be charged.

14. The rights and remedies conferred upon the parties hereto shall be cumulative, and the exercise or waiver of any such right or remedy shall not preclude or inhibit the exercise of any additional rights or remedies. The waiver of any right or remedy hereunder shall not preclude the subsequent exercise of such right or remedy.

15. Each of Escrow Agent, Buyer, each Seller and the Sellers' Representative hereby represents and warrants (a) that this Escrow Agreement has been duly authorized, executed and delivered on its behalf and constitutes its legal, valid and binding obligation and (b) that the execution, delivery and performance of this Escrow Agreement by Escrow Agent, Buyer, such Seller or the Sellers' Representative, as applicable, do not and will not violate any applicable law or regulation.

16. The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way affect the validity, legality or enforceability of any other provision; and if any provision is held to be enforceable as a matter of law, the other provisions shall not be affected thereby and shall remain in full force and effect.

17. This Agreement shall constitute the entire agreement of the parties with respect to the subject matter and supersedes all prior oral or written agreements in regard thereto.

18. No printed or other material in any language, including prospectuses, notices, reports, and promotional material which mentions "The Bank of New York Mellon" by name or the rights, powers, or duties of the Escrow Agent under this Agreement shall be issued by any other parties hereto, or on such party's behalf, without the prior written consent of Escrow Agent.

19. The headings contained in this Agreement are for convenience of reference only and shall have no effect on the interpretation or operation hereof.

20. This Escrow Agreement may be executed by each of the parties hereto in any number of counterparts, each of which counterpart, when so executed and delivered, shall be deemed to be an original and all such counterparts shall together constitute one and the same agreement.

21. The Escrow Agent does not have any interest in the Escrow Share Property or the Escrow Cash Property deposited hereunder but is serving as escrow holder only and having only possession thereof. Buyer shall pay or reimburse the Escrow Agent upon request the amount of any transfer taxes or other taxes relating to the Escrow Share Property or the Escrow Cash Property incurred in connection herewith and shall indemnify and hold harmless the Escrow Agent for any amounts that it is obligated to pay in the way of such taxes. Any payments of income from this Escrow Account shall be subject to withholding regulations then in force with respect to United States taxes. The parties hereto will provide the Escrow Agent with appropriate W-9 forms for tax I.D., number certifications, or W-8 forms for non-resident alien certifications. It is understood that the Escrow Agent shall be responsible for income reporting only with respect to income earned on investment of funds which are a part of the Escrow Share Property or the Escrow Cash Property and is not responsible for any other reporting. This Section, Section I.6 and Section II.9 shall survive notwithstanding any termination of this Escrow Agreement or the resignation of the Escrow Agent.

22. Buyer shall indemnify and hold harmless the Escrow Agent against any and all Losses incurred or sustained by the Escrow Agent as a result of or in connection with the Escrow Agent's reliance upon and compliance with instructions or directions given by facsimile or electronic transmission by Buyer or Sellers' Representative, as the case may be; provided, however, that such losses have not arisen from the gross negligence or willful misconduct of the Escrow Agent, it being understood that the failure of the Escrow Agent to verify or confirm that the person giving the instructions or directions, is in fact, an authorized person, does not constitute gross negligence or willful misconduct.

IN WITNESS WHEREOF, each of the parties has caused this Escrow Agreement to be executed by a duly authorized officer as of the day and year first written above.

COMMODORE HOLDINGS, L.L.C.

By: /s/ Dayl Pearson
Name Dayl Pearson
Title: President

HBK CARAVELLE, L.L.C.

By: /s/ Jay R. Bloom
Name: Jay R. Bloom
Title: Managing Member

TRIMARAN FUND MANAGEMENT, LLC

By: /s/ Jay R. Bloom
Name: Jay R. Bloom
Title: Managing Member

THE BANK OF NEW YORK MELLON, as Escrow Agent

By: /s/ Colette R. Wosko
Name: Colette R. Wosko
Title: Vice President

TRIMARAN FUND MANAGEMENT, LLC, as Sellers' Representative

By: /s/ Jay R. Bloom
Name: Managing Member
Title: Jay R. Bloom

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 of the Corporation, as amended from time to time (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 promulgated 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) pursuant to the Corporation's notice with respect to such meeting, (b) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) 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. Clause (c) of the preceding sentence shall be the exclusive means for a stockholder to make nominations for election of directors before a meeting of stockholders, and, unless the Board of Directors has determined that directors will be elected at a special meeting of the stockholders, no stockholder may nominate directors for election at any special meeting of the stockholders.

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, which notice shall include the information contemplated by this Section 11.

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. In no event shall any adjournment or postponement of an annual or special meeting of the stockholders or the announcement thereof commence a new time period for the delivery of such notice by a stockholder.

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, classes or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person, (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 (v) a description of all direct and indirect compensation and other material monetary arrangements, agreements or understandings during the past three years, and any other material relationship, if any, between the stockholder and its respective affiliates or associates, or others with whom they are acting in concert, on the one hand, and the proposed nominee, and his or her respective affiliates or associates, on the other hand; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class, classes or series and number of shares of capital stock of the Corporation which are directly or indirectly owned beneficially or of record by such stockholder or any Stockholder Associated Person (as defined below), (iii) any option, warrant, convertible security, stock appreciation right or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class (or, if applicable, series) of shares of stock of the Corporation or with a value derived in whole or in part from the value of any class (or, if applicable, series) of shares of stock of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (each, a "Derivative Instrument") directly or indirectly owned beneficially or of record by such stockholder or any Stockholder Associated Person and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of stock of the Corporation of the stockholder or any Stockholder Associated Person, (iv) any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any securities of the Corporation, (v) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or beneficially owns an interest in a general partner, (vi) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of the shares of stock of the Corporation or Derivative Instruments, (vii) whether the stockholder intends to deliver a proxy statement and form of proxy to holders of a sufficient number of the Corporation's voting shares reasonably believed by such stockholder to be sufficient to elect such nominee or nominees, (viii) 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 (ix) 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. If the stockholder holds its shares by or through a nominee, the information contemplated by this Section 11 shall be provided about each person who has sole or shared power to direct the voting and disposition of the shares of capital stock of the Corporation and each person who has a pecuniary interest in such shares in lieu of the stockholder. The 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. In addition, any nominee proposed by a stockholder shall complete a questionnaire, in a form provided by the Corporation, within 10 days of receipt of the form of questionnaire from the Corporation, and the Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

Subject to the Certificate of Incorporation and applicable law, 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. Notwithstanding the foregoing provisions of this Section 11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder.

For purposes of these Bylaws, (a) "public disclosure" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act, and (b) a "Stockholder Associated Person" of any stockholder means (i) any "affiliate" or "associate" (as those terms are defined in Rule 12b-2 under the Exchange Act) of the stockholder and (ii) any person acting in concert with such stockholder or any affiliate or associate of such stockholder with respect to the capital stock or any other security or Derivative Instrument of the Corporation.

SECTION 12. Advance Notice Provisions for Business to be Transacted at Meetings. 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 the Corporation or 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. Clause (c) of the preceding sentence shall be the exclusive means for a stockholder to propose business (other than matters properly brought under Rule 14a-8 under the Exchange Act and included in the Corporation's notice of meeting) before an annual meeting of stockholders.

In addition to any other applicable requirements, for business to be properly brought before a meeting by a stockholder, the business must be a proper matter for stockholder action under the Delaware General Corporation Law, and such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation, which notice shall contain the information contemplated by this Section 12.

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, (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, and (c) in the case of a special meeting of stockholders, 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. In no event shall any adjournment or postponement of a meeting of the stockholders or the announcement thereof commence a new time period for the delivery of such notice by a stockholder.

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 meeting (i) a brief description of the proposal desired to be brought before the meeting and the reasons for making such proposal at the meeting, (ii) the name and record address of such stockholder, (iii) the class, classes 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 proposal, (v) any Derivative Instrument directly or indirectly owned beneficially or of record by such stockholder or any Stockholder Associated Person and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of stock of the Corporation of the stockholder or any Stockholder Associated Person, (vi) any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any securities of the Corporation, (vii) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or beneficially owns an interest in a general partner, (viii) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of the shares of stock of the Corporation or Derivative Instruments, (ix) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting, and (x) whether the stockholder intends to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal. If the stockholder holds its shares by or through a nominee, the information contemplated by this Section 12 shall be provided about each person who has sole or shared power to direct the voting and disposition of the shares of capital stock of the Corporation and each person who has a pecuniary interest in such shares in lieu of the stockholder.

Notwithstanding anything in these Bylaws to the contrary, subject to the Certificate of Incorporation and applicable law, no business shall be conducted at a meeting of stockholders except business brought before the meeting in accordance with the procedures set forth in this Section 12; provided, however, that nothing in this Section 12 shall effect any rights, if any, of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable provisions of federal law, including the Exchange Act. If the chairman of a meeting determines that a proposal was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the proposal was not properly brought before the meeting and such proposal shall not be transacted, discussed or voted on. Notwithstanding the foregoing provisions of this Section 12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder.

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 seven (7) 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. The Chairman of the Board of Directors (if one is elected) 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. The Chairman of the Board of Directors shall be a director and may be, but need not be, a stockholder. The Chairman of the Board of Directors (if one is elected) shall, if present, preside at each meeting 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. 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 (d) below:

(a) 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.

(b) 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.

(c) 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.

(d) Other Committees; Alternate Committee Members. 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) and (c) 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(d) 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 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. An officer may be, but does not need to be, a director or a stockholder. The Chairman of the Board of Directors will not be considered an officer of the Corporation. Any number of offices may be held by the same person. 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 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(a) 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. 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 8. 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 9. 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 10. 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 11. 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 12. 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 13. 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 14. 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 15. 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 16. 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 17. 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 18. 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.

NOTE PURCHASE AGREEMENT

This NOTE PURCHASE AGREEMENT (as it may be amended from time to time, the "Agreement") dated as of February 24, 2012 (the "Effective Date") is entered into by and among Kohlberg Capital Corporation, in its capacity as Junior Noteholder (as defined herein), Kohlberg Capital Corporation, in its capacity as portfolio manager under this agreement (the "Portfolio Manager"), Credit Suisse AG, Cayman Islands Branch ("CS"), in its capacities as Senior Commitment Party and Senior Noteholder (each, as defined herein), Credit Suisse Securities (USA) LLC (the "Arranger"), KCAP Funding (the "Issuer") and The Bank of New York Mellon Trust Company, National Association (the "Bank"), in its capacities as Collateral Administrator and Collateral Agent (each, as defined herein).

WHEREAS, it is intended that the Senior Commitment Party and the Junior Noteholder will provide financing to the Issuer to purchase Collateral Debt Obligations (as defined below);

WHEREAS, it is intended that the Issuer will refinance its obligations under the Senior Notes and Junior Notes (each, as defined below) with proceeds of a Refinancing Transaction (as defined below); and

WHEREAS, it is intended that the Issuer pledge the Collateral (as defined below) to the Collateral Agent for the benefit of the Senior Noteholder and the Junior Noteholder in accordance with the priorities set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I
INTERPRETATION

Section 1.1. Definitions.

The following terms have the respective meanings set forth below:

"Account": Each account established by the Collateral Administrator under the Collateral Administration Agreement, including the Interest Account, the Principal Account and the CLO Asset Management Fees Account.

"Additional Junior Notes": The meaning specified in Section 2.1(c).

"Advisers Act": The Investment Advisers Act of 1940, as amended.

"Agreement": The meaning specified in the recitals.

"Applicable Interest Period": With respect to the Senior Notes and each loan or portion thereof represented thereby, the period beginning on and including the date such loan was funded and ending on but excluding the date on which such loan (or portion thereof) has been paid in full.

"Arranger": The meaning specified in the recitals.

"Authenticating Agent": The meaning specified in Section 2.1(d).

"Available Funds": The aggregate amount of funds (a) in the Interest Account; (b) in the Principal Account (other than amounts designated by the Portfolio Manager for reinvestment pursuant to Section 3.1(e); (c) if applicable, Refinancing Proceeds; (d) contributed by the Junior Noteholder or constituting the purchase price of Additional Junior Notes; and (e) after the occurrence of a Failure to Pay, funds in the CLO Asset Management Fees Account.

"Bank": The meaning specified in the recitals.

"Business Day": A day on which commercial banks and foreign exchange markets settle payments in (a) New York, (b) the city in which the principal office of the Collateral Administrator is located (initially Houston, Texas), (c) solely in respect of the issuance of Additional Junior Notes, the Cayman Islands, and (d) following a Failure to Pay, the city in which the principal office of the Collateral Agent is located.

"Caa Obligation": Any Collateral Debt Obligation other than a Defaulted Collateral Debt Obligation with a Moody's Default Probability Rating lower than "B3."

"CCC Obligation": Any Collateral Debt Obligation other than a Defaulted Collateral Debt Obligation with an S&P Rating lower than "B-."

"Certificate": Each physical certificate representing a Note.

"Clearing Corporation": The meaning specified in Article 8 of the UCC.

"Clearing Corporation Security": A security that is registered in the name of, or endorsed to, a Clearing Corporation or its nominee or is in the possession of the Clearing Corporation in bearer form or endorsed in blank by an appropriate person.

"CLO Asset Management Fees": The senior management fees and subordinated management fees paid by Trimaran CLO IV Ltd., Trimaran CLO V Ltd., Trimaran CLO VI Ltd. and Trimaran CLO VII Ltd. to the Portfolio Manager.

"CLO Asset Management Fees Account": The meaning specified in the Collateral Administration Agreement.

"Code": The U.S. Internal Revenue Code of 1986, as amended.

"Collateral": The meaning specified in Section 8.1(b).

"Collateral Agent": The meaning specified in Section 8.1(e).

"Collateral Administrator": The Collateral Administrator under the Collateral Administration Agreement.

"Collateral Administration Agreement": The collateral administration agreement among the Collateral Administrator, the Senior Commitment Party, the Issuer and the Portfolio Manager.

"Collateral Debt Obligation": A U.S. senior secured leveraged loan, second lien loan or mezzanine loan that in each case satisfies the Eligibility Criteria and is purchased or committed to be purchased by the Issuer during the Loan Facility Period.

"Collateral Report": Each report containing the information set forth under Content of Collateral Reports on Exhibit A (as the same may be modified and amended by mutual agreement of the Senior Commitment Party, the Portfolio Manager and the Collateral Administrator from time to time) that is delivered pursuant to Section 6.1(a).

"Concentration Limits": Limits that are satisfied if the aggregate amount of Collateral Debt Obligations described under the related "Collateral Type" does not exceed the maximum limitations listed in the table below:

Collateral Type	Maximum (amount or % of the aggregate amount of Collateral Debt Obligations)
(a) obligations of any one obligor (together with affiliated obligors	$ 2,000,000
(b) obligations issued by obligors in any one industry determined by the S&P's CDO Monitor Asset Classifications; *provided* that the limit in this clause (b) will not apply to the Issuer's commitment to purchase Collateral Debt Obligations that are part of the Initial Portfolio	20.0%

"Conditions of Accumulation": The meaning specified in Section 2.4.

"Controlling Party": The Senior Commitment Party until the Senior Note is paid in full, and thereafter, the Junior Noteholder.

"Credit Suisse Party": The Arranger, the Senior Commitment Party and their respective affiliates.

"Custody Account": The meaning specified in the Collateral Administration Agreement.

"Defaulted Collateral Debt Obligation": Any Collateral Debt Obligation with respect to which:

(i) there has occurred and is continuing a payment default by the obligor (without giving effect to any applicable grace period or waiver set forth in the relevant Underlying Instruments); *provided*, *however*, that in the case of a default that the Portfolio Manager certifies to the Collateral Administrator that it is solely for administrative reasons that are not credit-related, such default will not constitute a default under this clause (i) unless it has continued for the lesser of five Business Days and the applicable grace period in the related underlying instrument;

(ii) there has occurred a default (other than a payment default) that has resulted in an acceleration of the maturity of all or a portion of the principal amount of such obligation, but only until such default has been cured or waived;

(iii) any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the obligor of such Collateral Debt Obligation and in the case of an involuntary petition, such petition has not been dismissed or stayed within 60 days of filing; *provided*, *however*, that a Collateral Debt Obligation shall not be treated as a Defaulted Collateral Debt Obligation under this clause (iii) if it is a "Debtor-In-Possession" loan; *provided*, *further*, that in the case of such a proceeding with respect to a synthetic security counterparty or a selling institution (or their respective guarantors), the related synthetic security or participation, respectively, shall constitute a Defaulted Collateral Debt Obligation under this clause (iii);

(iv) the Portfolio Manager knows the obligor thereof is (or is reasonably expected by the Portfolio Manager to be, as of the next scheduled payment distribution date) in default as to payment of principal and/or interest on another obligation that is senior or pari passu in right of payment to such Collateral Debt Obligation (without giving effect to any applicable grace period or waiver) and such default has not been cured or waived and the holders thereof have accelerated the maturity of all or a portion of the principal amount of such obligation; or

(v) the obligor of such Collateral Debt Obligation has (A) a Moody's probability of default rating of "Ca" or lower, "D" or "LD" if in the Moody's press release assigning the "LD" specifies such Collateral Debt Obligation as the cause or (B) an issuer credit rating from S&P of "CC" or lower, "D" or "SD"; *provided*, *however*, that a Collateral Debt Obligation will not be treated as a Defaulted Obligation under this clause (v) if it is a "Debtor-In-Possession" loan.

Notwithstanding the foregoing, the Portfolio Manager may declare any Collateral Debt Obligation to be a Defaulted Collateral Debt Obligation.

"Deliver": For purposes of this definition, all capitalized terms not otherwise defined herein have the meaning specified under the UCC. The taking of the following steps:

(a) in the case of each Certificated Security or Instrument (other than a Clearing Corporation Security or an Instrument evidencing debt underlying a participation), (A) causing the delivery of such Certificated Security or Instrument to the Intermediary registered in the name of the Intermediary or its affiliated nominee or endorsed to the Intermediary or in blank, (B) causing the Intermediary to continuously identify on its books and records that such Certificated Security or Instrument is credited to the relevant Account and (C) causing the Intermediary to maintain continuous possession of such Certificated Security or Instrument;

(b) in the case of each Uncertificated Security (other than a Clearing Corporation Security), (A) causing such Uncertificated Security to be continuously registered on the books of the obligor thereof to the Intermediary and (B) causing the Intermediary to continuously identify on its books and records that such Uncertificated Security is credited to the relevant Account;

(c) in the case of each Clearing Corporation Security, causing (A) the relevant Clearing Corporation to continuously credit such Clearing Corporation Security to the securities account of the Intermediary at such Clearing Corporation and (B) the Intermediary to continuously identify on its books and records that such Clearing Corporation Security is credited to the relevant Account;

(d) in the case of any Financial Asset that is maintained in book-entry form on the records of an FRB, causing (A) the continuous crediting of such Financial Asset to a securities account of the Intermediary at any FRB and (B) the Intermediary to continuously identify on its books and records that such Financial Asset is credited to the relevant Account;

(e) in the case of CLO Asset Management Fees, causing the deposit of such CLO Asset Management Fees with the Intermediary and, until any such CLO Asset Management Fees are applied in accordance with the terms and conditions of this Agreement, causing the Intermediary to continuously identify on its books and records that such CLO Asset Management Fees are credited to the CLO Asset Management Fees Account;

(f) in the case of cash, causing the deposit of such cash with the Intermediary and causing the Intermediary to continuously identify on its books and records that such cash is credited to the relevant Account;

(g) in the case of each Financial Asset not covered by the foregoing clauses (a) through (e), causing the transfer of such Financial Asset to the Intermediary in accordance with applicable law and regulation and causing the Intermediary to continuously credit such Financial Asset to the relevant Account; and

(h) in all cases, the filing of an appropriate financing statement in the appropriate filing office in accordance with the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Draw Date": The date specified in the Notice of Borrowing as the date on which the Senior Note Required Draw Down Amount is to be funded.

"Effective Date": The meaning specified in the recitals.

"Effective Date Expenses": Legal and collateral administration fees to be paid on the Effective Date by the Junior Noteholder in an amount not to exceed $100,000.

"Effective Date Fee": $300,000 to be paid on the Effective Date by the Junior Noteholder to the Arranger.

"Eligibility Criteria": The meaning specified on Annex I.

"ERISA": The United States Employee Retirement Income Security Act of 1974, as amended.

"Excepted Property": $500 (comprised of $250 received in connection with the issuance of the ordinary shares of the Issuer and $250 payable to the Issuer as a fee for acquiring the Collateral and issuing the Notes), together with the bank account of the Issuer in the Cayman Islands in which such funds are deposited and any interest earned thereon.

"Failure to Pay": With respect to any Payment Date, the failure to pay to the Senior Noteholder, the full amount of Senior Note Interest and the Senior Note Quarterly Partial Redemption Amount due and payable on such Payment Date.

"Final Settlement Date": The Business Day mutually agreed upon by the Junior Noteholder and the Senior Commitment Party, which day will be five Business Days after the Maturity Date or, in the event that the reconciliation of one or more Accounts has not been completed, a date that is as soon as practicable after the Maturity Date.

"Gross Loss": The sum of all Realized Losses on Collateral Debt Obligations and all Unrealized Losses on, without duplication, Ineligible Collateral Debt Obligations, Defaulted Collateral Debt Obligations, Caa Obligations and CCC Obligations held by the Issuer.

For purposes of this definition:

"Gross Purchase Price" means the sum of the Original Purchase Prices of the Collateral Debt Obligations currently held by the Issuer.

"Realized Losses" means the excess, if any, of (a) the Original Purchase Price of any Collateral Obligation over (b) the sale proceeds (net of any expenses related to the sale) of such Collateral Debt Obligations determined as of the date of sale of such Collateral Debt Obligation.

"Unrealized Losses" means the Gross Purchase Price less the current Portfolio Mark to Market.

"Portfolio Mark to Market" means the aggregate market value using the lower of the bid side levels as reported by Markit and Loan Pricing Corporation ("LPC") of the Collateral Debt Obligations currently held by the Issuer. In the event there is no reported price by either Markit or LPC, then the market value of the Collateral Debt Obligations held by the Issuer will be determined by the Arranger. At all times, the market value of the Collateral Debt Obligations held by the Issuer may be the bid side levels as provided by the Arranger provided reasonable market-based evidence exists for such values.

"Ineligible Collateral Debt Obligation": A Collateral Debt Obligation that fails to satisfy the Eligibility Criteria at any time during the Loan Facility Period.

"Initial Portfolio": The loans that are mutually agreed to by the Senior Commitment Party and the Portfolio Manager prior to the Effective Date that comprise Collateral Debt Obligations, as set forth on Annex VI.

"Interest": Any interest (including paid and unpaid accrued interest), premiums and fees accrued on and other items of income on the Collateral Debt Obligations.

"Interest Account": The meaning specified in the Collateral Administration Agreement.

"Investment Company Act": The U.S. Investment Company Act of 1940, as amended.

"Issuer": The meaning specified in the recitals.

"Junior Note Commitment Amount": $12,500,000

"Junior Noteholder": The meaning specified in the recitals, which will be the registered holder of the Junior Notes appearing in the Note Register.

"Junior Notes": The Junior Notes issued pursuant to Section 2.1(c).

"Loan Facility Interest": An amount equal to the aggregate amount of Interest during the Loan Facility Period, and any earnings thereon *minus* all accrued and unpaid Interest that was included in the purchase price of the Collateral Debt Obligations.

"Loan Facility Period": The period (a) commencing on the Effective Date and (b) ending on the Maturity Date.

"Liabilities": The meaning specified in Section 9.1(b).

"LIBOR": The three-month London interbank offered rate (reset daily) as calculated by the British Bankers' Association (or any successor thereto) and reported on Bloomberg Financial Markets Commodities News (or any successor thereto), as of 11:00 a.m. (London Time) on the Effective Date and on each Business Day thereafter.

"Liquidation Event": The occurrence of either (a) a Termination Event or (b) the Scheduled Maturity Date.

"Maturity Date": The earlier of (i) the Refinancing Date or (ii) the date on which all Collateral Debt Obligations have been liquidated or otherwise disposed of following the occurrence of a Liquidation Event.

"Moody's": Moody's Investors Service and any successor thereto.

"Moody's Default Probability Rating": The meaning specified on Annex III.

"Moody's Rating": The meaning specified on Annex III.

"Note": Each Senior Note and Junior Note.

"Note Register": The register of Senior Notes and Junior Notes maintained on behalf of the Issuer.

"Note Registrar": The Bank, acting in its capacity as Note Registrar.

"Notice of Borrowing": A notice substantially in the form of Exhibit B.

"Original Purchase Price": The clean price paid by the Issuer for each Collateral Debt Obligation adjusted for any payments of principal received by the Issuer on such Collateral Debt Obligation. For purposes of this definition, a "clean" purchase price with respect to a Collateral Debt Obligation means a price that does not include any accrued and unpaid interest on such Collateral Debt Obligation.

"Outstanding Junior Note Amount": As of any date of determination, the amount of the Junior Notes, including Additional Junior Notes, that have not been repaid by the Issuer.

"Outstanding Senior Note Amount": With respect to the Senior Notes, as of any date of determination, the amount of the Senior Note Commitment Amount that has been drawn down (and not repaid) by the Issuer for purchases of Collateral Debt Obligations from time to time pursuant to this Agreement; *provided* that, at any time that more than one Senior Note is outstanding, the Outstanding Senior Note Amount with respect to each such Senior Note will be the portion of the drawn amount represented by such Senior Note.

"Payment Date": The 20th day of March, June, September and December of each year, commencing in June 2012 (or, if such day is not a Business Day, the next Business Day); *provided*, that the last Payment Date will be the Final Settlement Date.

"Portfolio Manager": The meaning specified in the recitals.

"Portfolio Manager Breach": The occurrence of any of the following: (a) an act of gross negligence, bad faith or willful misconduct by the Portfolio Manager in the performance of any of its duties under this Agreement; (b) a breach by the Portfolio Manager of this Agreement or any representation or warranty by the Portfolio Manager in this Agreement fails to be true and correct, (c) failure to offer the Arranger a right of first refusal on any Refinancing Transaction prior to the Maturity Date or (d) failure to pay the Senior Notes in full upon a Refinancing Transaction.

"Portfolio Manager Party": The Portfolio Manager, its affiliates and any fund or portfolio managed by the Portfolio Manager or any of its affiliates.

"Positive Carry": With respect to each Payment Date, all Loan Facility Interest received by the Issuer since the preceding Payment Date in excess of (a) the Senior Note Interest due and payable on that Payment Date, (b) all other amounts senior in right of payment to the Junior Notes under clause (a)(v) of the Priority of Payments on that Payment Date.

"Principal Account": The meaning specified in the Collateral Administration Agreement.

"Priority of Payments": The meaning specified in Section 4.1.

"Qualified Institutional Buyer": Any person that, at the time of its acquisition, purported acquisition or proposed acquisition of Notes, is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act.

"Qualified Purchaser": Any person that, at the time of its acquisition, purported acquisition or proposed acquisition of Notes, is a qualified purchaser within the meaning of the Investment Company Act.

"Refinancing Date": The date (if any) on which a Refinancing Transaction occurs.

"Refinancing Proceeds": The proceeds of any Refinancing Transaction available to the Issuer for payments on the Notes on the Final Settlement Date.

"Refinancing Transaction": Any collateralized loan obligation transaction or any issuance of equity and/or debt securities, in each case by the Issuer or a Portfolio Manager Party for which the Arranger acts as placement agent or initial purchaser for a fee no less than the customary fee for such services in similar transactions.

"Reinvestment Period": The period beginning on the Effective Date and ending on the earliest to occur of (a) the first anniversary of the Effective Date, (b) the date on which a Termination Event occurs or (c) the Maturity Date.

"Scheduled Maturity Date": The date that is the three year anniversary of the earlier of (i) December 20, 2011 or (ii) the date of the first purchase of a Collateral Debt Obligation hereunder except that if a Refinancing Transaction has priced but not closed by the Scheduled Maturity, then the Scheduled Maturity Date will be deemed to be the Refinancing Date.

"S&P": Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and any successor or successors thereto.

"S&P CDO Monitor Asset Classifications": The meaning specified in Annex V.

"S&P Rating": The meaning specified on Annex IV.

"Secured Obligations": The obligation of the Issuer to make payments (a) under the Senior Note and the Junior Note, in accordance with the Priority of Payments, and (b) to the Collateral Agent and the Collateral Administrator, in accordance with this Agreement and the Collateral Administration Agreement.

"Secured Parties": Each of the Senior Noteholder, the Junior Noteholder, the Collateral Agent and the Collateral Administrator.

"Securities Act": The U.S. Securities Act of 1933, as amended.

"Senior Commitment Party": CS.

"Senior Note Applicable Interest Rate": The Senior Note Applicable Interest Rate, as of any date of determination:

(a) from and including the Effective Date to but excluding the first anniversary of the Effective Date, LIBOR + 300 bps;

(b) from and including the first anniversary of the Effective Date to but excluding the second anniversary of the Effective Date, LIBOR + 350 bps; and

(c) from and including the second anniversary of the Effective Date to but excluding the third anniversary of the Effective Date, LIBOR + 400 bps.

"Senior Note Commitment Amount": As of any date of determination, the Senior Note Initial Commitment Amount minus the sum of (x) the Outstanding Senior Note Amount and (y) the aggregate amount of principal that had been repaid on the Senior Notes on or prior to that date.

"Senior Note Initial Commitment Amount": $30,000,000.

"Senior Note Interest": The aggregate amount of interest accrued on the Senior Notes at the Senior Note Interest Rate during the related Senior Note Interest Period.

"Senior Note Interest Period": The period beginning on and including the Effective Date and ending on, but excluding, the first Payment Date, and each successive period beginning on and including a Payment Date and ending on, but excluding, the next Payment Date.

"Senior Note Interest Rate": A per annum rate equal to the Senior Note Applicable Interest Rate accrued on a daily basis on the then Outstanding Senior Note Amount.

"Senior Note Quarterly Partial Redemption Amount": $1,000,000.

"Senior Note Required Draw Down Amount": The meaning specified in Section 2.3.

"Senior Noteholder": Each registered holder of the Senior Notes appearing in the Note Register.

"Senior Notes": The Senior Notes issued pursuant to Section 2.1(b).

"Tax Operating Guidelines": The guidelines set forth on Annex II.

"Termination Event": The occurrence of any of the following events, as determined by the Arranger in its sole discretion:

(a) a Portfolio Manager Breach;

(b) failure to satisfy the requirements of Section 7.2;

(c) a Failure to Pay; or

(d) if at any time the Gross Loss exceeds 65% of the Outstanding Junior Note Amount for more than one Business Day unless the Portfolio Manager has posted cash collateral to the Senior Commitment Party equal to the amount of such excess.

"Trading Gains": The amount (if positive) equal to the clean sale price minus the clean purchase price upon the sale of a Collateral Debt Obligation (each expressed as a percentage of par) multiplied by the notional amount of such Collateral Debt Obligation at the time of sale. For the avoidance of doubt, Trading Gains will be applied to offset any Trading Losses. For purposes of this definition, a "clean" price with respect to a Collateral Debt Obligation means a price that does not include any accrued and unpaid interest on such Collateral Debt Obligation.

"Trading Losses": The amount (if positive) equal to the clean purchase price minus the clean sale price upon the sale of a Collateral Debt Obligation (each expressed as a percentage of par) (the "Loss") multiplied by the notional amount of such Collateral Debt Obligation at the time of sale minus (a) first, any Trading Gains up to the amount of the Loss, and (b) second, if the application of the Trading Gains does not completely offset the Loss, then minus any Positive Carry up to the amount needed to completely offset the Loss. For purposes of this definition, a "clean" price with respect to a Collateral Debt Obligation means a price that does not include any accrued and unpaid interest on such Collateral Debt Obligation.

"Transfer Certificate": A certificate in the form of Exhibit E executed by a transferee of Senior Notes.

"UCC": The Uniform Commercial Code, as in effect from time to time in the State of New York.

Section 1.2. Calculations.

(a) The calculation of Gross Loss and related determinations will be performed by the Arranger.

(b) All calculations required to be performed by the Collateral Administrator pursuant to this Agreement shall be performed by the Collateral Administrator in consultation with the Arranger and the Portfolio Manager. To the extent the Arranger and the Portfolio Manager disagree with respect to any calculation, the Arranger and the Portfolio Manager each agree to work diligently to reach an agreement with respect thereto.

ARTICLE II
COMMITMENTS; NOTES; FUNDING

Section 2.1. Commitment; Notes.

(a) The Senior Commitment Party hereby agrees to hold available to the Issuer a line of credit in an amount equal to the Senior Note Commitment Amount, subject to the terms and conditions herein.

(b) On the Effective Date, upon payment of the Effective Date Fee and Effective Date Expenses, the Issuer agrees to issue a Senior Note in fully registered form having a face amount equal to the Senior Note Initial Commitment Amount and registered in the name of Credit Suisse AG, Cayman Islands Branch, in the Note Register. During each Senior Note Interest Period, the Outstanding Senior Note Amount will accrue interest which will be calculated on a daily basis based on the Outstanding Senior Note Amount and the Senior Note Applicable Interest Rate and accrued interest will be payable in arrears on each Payment Date.

Certificates representing such Senior Notes will be issued substantially in the form of Exhibit C and duly executed by the Issuer and authenticated by the Collateral Administrator as described in clause (d) below.

The Issuer will redeem the Senior Note on the Final Settlement Date at a redemption price equal to the Outstanding Senior Note Amount. All payments on the Senior Note shall be subject to the Priority of Payments. All or a portion of the Outstanding Senior Note Amount of any Senior Note may be prepaid at the discretion of the Issuer. If more than one Senior Note is outstanding at the time of a prepayment, such prepayment will be allocated to each outstanding Senior Note pro rata based upon the Outstanding Senior Note Amount of such Senior Note. Any prepayment of principal will reduce the Outstanding Senior Note Amount of the Senior Note to which such payments are applied.

All or a portion of the Outstanding Senior Note Amount may be transferred to a person that is either (i) a Qualified Institutional Buyer and a Qualified Purchaser or (ii) a non-U.S. person (as defined in Regulation S under the Securities Act) that in each case is acquiring such Senior Notes for its own account and provides a Transfer Certificate to the Note Registrar. Upon receipt by the Note Registrar of the Transfer Certificate, the Note Registrar shall record the transfer in the Note Register with an Outstanding Senior Note equal to the transferred principal amount. Any purported transfer in violation of the foregoing requirements shall be null and void *ab initio*, and the Note Registrar shall not register any such purported transfer. For the avoidance of doubt, a transfer of an interest in the Senior Note will not reduce the Senior Note Commitment Amount.

(c) On the Effective Date, the Issuer agrees to issue a Junior Note in uncertificated, fully registered form having a face amount equal to the Junior Note Commitment Amount and registered in the name of Kohlberg Capital Corporation in the Note Register. The Junior Note does not have a stated coupon but will receive, as interest, any Positive Carry not applied to reduce Losses as set forth in the definition of Trading Loss. Certificates representing such Junior Notes will be issued only upon request of the Junior Noteholder and, if issued, will be substantially in the form of Exhibit D and duly executed by the Issuer and authenticated by the Collateral Administrator as described in clause (d) below.

Upon two Business Days notice, the Issuer will issue additional Junior Notes ("Additional Junior Notes") at the request of the Junior Noteholder having a face amount equal to the amount of funds deposited by the Junior Noteholder into the Principal Account for use as Available Funds on the following Payment Date. Certificates representing such Additional Junior Notes will be issued only upon request of the Junior Noteholder and, if issued, will be substantially in the form of Exhibit D and duly executed by the Issuer and authenticated by the Collateral Administrator as described in clause (d) below. The Additional Junior Notes will be registered in the Note Register.

The Issuer shall redeem the Junior Notes on the Final Settlement Date at the redemption price specified in the Priority of Payments. All payments on the Junior Notes shall be subject to the Priority of Payments. At any time that the Outstanding Senior Note Amount equals zero, the Outstanding Junior Note Amount may be prepaid at the discretion of the Portfolio Manager. The Junior Notes may not be transferred.

(d) The Issuer hereby appoints the Collateral Administrator as the "Authenticating Agent" to authenticate the Notes. If a Certificate is issued with respect to a Note, no such Note will be entitled to any benefit under this Agreement or be valid or obligatory for any purpose, unless there appears on the related Certificate, a certificate of authentication, substantially in the form provided for in Exhibit C or D, as applicable, executed by the Authenticating Agent at the direction of the Issuer by the manual signature of one of its authorized signatories, and such certificate of authentication upon any such Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly authenticated and delivered hereunder.

(e) The Issuer shall cause to be kept the Note Register in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for (i) the registration of Notes, (ii) the recording of any increases (pursuant to Section 2.2) or decreases (as a result of principal payments) in the Outstanding Senior Note Amount, (iii) the recording of any increases (as a result of the issuance of Additional Junior Notes) or decreases (as a result of principal payments) in the Outstanding Junior Note Amount and (iv) the registration of any transfers of Senior Notes pursuant to Section 2.1(b). The Issuer hereby appoints the Bank as the Note Registrar to maintain the Note Register.

(f) On the Effective Date, (i) each of the initial Senior Noteholder and Junior Noteholder hereby makes the representations, warranties, acknowledgements and covenants set forth in Section 7.1(a) through (d), as applicable, (ii) the Issuer hereby makes the representations and warranties set forth in Section 7.1(e) and (iii) the Portfolio Manager hereby makes the covenants set forth in Section 7.2.

(g) Notwithstanding anything in this Agreement or the Notes to the contrary, the Issuer and the Junior Noteholder agree for the benefit of the Senior Noteholder that the Junior Note and the Issuer's rights in and to the Collateral shall be subordinate and junior to the Senior Notes to the extent and in the manner set forth in this Agreement including, without limitation, as set forth in the Priority of Payments.

Section 2.2. Credit Extensions.

Subject to the terms and conditions of this Agreement, the Issuer may draw upon the Senior Note Commitment Amount as follows. The Issuer may, in a Notice of Borrowing delivered no later than two Business Days prior to the Draw Date request the Senior Commitment Party to make, and the Senior Commitment Party shall make, one or more loans, subject to the terms of this Agreement; *provided*, that the aggregate Outstanding Senior Note Amount (after giving effect to the request set forth in the Notice of Borrowing) will not exceed the amount of the Senior Note Commitment Amount. Each loan will be funded by wire to the account specified on the Notice of Borrowing no later than 10 a.m. (New York time) on the applicable Draw Date. Upon funding, the Note Registrar will record a corresponding increase in the Outstanding Senior Note Amount of the Senior Note registered in the name of the Senior Commitment Party or, if no Senior Note is registered in the name of the Senior Commitment Party at that time, will register in the Note Register a new uncertificated Senior Note in the name of CS with an Outstanding Senior Amount equal to the amount of such funding.

Section 2.3. Conditions Precedent to Credit Extensions.

(a) The obligation of the Senior Commitment Party to make a loan hereunder shall be subject to the following conditions precedent:

(i) the aggregate amount requested for funding by the Senior Commitment Party (such amount, the "Senior Note Required Draw Down Amount") does not exceed the amount the Portfolio Manager reasonably expects will be required to purchase all Collateral Debt Obligations that the Issuer has entered into commitments to purchase (but which have not yet settled);

(ii) the Senior Note Required Draw Down Amount does not exceed the Senior Note Commitment Amount;

(iii) the Notice of Borrowing includes a certification by the Portfolio Manager that the Conditions of Accumulation have been satisfied with respect to the purchased (but unsettled) Collateral Debt Obligations to which the proceeds of the borrowing will be applied; and

(iv) the Draw Date is at least two Business Days following the date on which the Notice of Borrowing is delivered to the Senior Commitment Party.

Section 2.4. Conditions of Accumulation.

The Issuer may purchase a Collateral Debt Obligation as directed by the Portfolio Manager, so long as the following conditions are satisfied as of the date of the commitment to purchase such Collateral Debt Obligation (the "Conditions of Accumulation"):

(a) a certification (a trade confirmation delivered to the Collateral Administrator will be deemed to be such certification) from the Portfolio Manager that the Collateral Debt Obligation satisfies the Eligibility Criteria and that such purchase will not result in a violation of the Tax Operating Guidelines;

(b) the Arranger has given its approval in writing to the Issuer for a purchase of such Collateral Debt Obligation within the last 30 days and has not withdrawn such approval; and

(c) no Termination Event has occurred.

ARTICLE III
COLLATERAL DEBT OBLIGATIONS

Section 3.1. Purchases and Sales.

This Section 3.1 shall apply to all purchases and to sales other than sales pursuant to Section 3.2.

(a) The Issuer will purchase and sell Collateral Debt Obligations upon the instruction of the Portfolio Manager and approval of the Senior Commitment Party; *provided* that after giving effect to such purchase, the Concentration Limits are satisfied. The Senior Commitment Party will, in its sole discretion, approve or decline to approve the purchase or sale of any Collateral Debt Obligation.

(b) The Portfolio Manager will select Collateral Debt Obligations for acquisition or disposition, subject to the Eligibility Criteria set forth in Annex I.

(c) The Issuer will sell any Defaulted Collateral Debt Obligation within five Business Days of becoming aware that such Collateral Debt Obligation has become a Defaulted Collateral Debt Obligation, subject to approval of the Senior Commitment Party.

(d) The Issuer may sell any Collateral Debt Obligation at any time that the Gross Loss Amount exceeds 40% of the Outstanding Junior Note Amount, subject to approval of the Senior Commitment Party.

(e) During the Reinvestment Period, the Issuer, at the discretion of the Portfolio Manager, will reinvest the proceeds of any prepayment or sale of Collateral Debt Obligations, subject to the Conditions of Accumulation. After the Reinvestment Period, no reinvestment will be permitted.

(f) Except as provided in clause (e), the proceeds of any sale of Collateral Debt Obligations will be deposited in the Principal Account and will be Available Funds on the next Payment Date unless the Senior Commitment Party agrees otherwise.

Section 3.2. Liquidation.

(a) Upon a Liquidation Event, the Issuer will liquidate Collateral Debt Obligations as follows. The Issuer at the direction of the Arranger, will promptly (and in any case within five Business Days) either liquidate or instruct the Portfolio Manager to liquidate all of the Collateral Debt Obligations held by the Issuer based on the highest bid prices received by the Arranger (which bid may, in compliance with Article 9 of the UCC, be from the Arranger or a Portfolio Manager Party) for each Collateral Debt Obligation. Notwithstanding the foregoing, the Senior Commitment Party will have approval rights on all sales and sales prices if the aggregate sales are not expected to be sufficient to repay the Outstanding Senior Note Amount and all accrued and unpaid interest on the Senior Note in the sole determination of the Arranger.

If the Refinancing Date has occurred, and there are any Collateral Debt Obligations that will not be pledged by the Issuer as collateral to secure the Refinancing Transaction, such Collateral Debt Obligations will be liquidated as set forth in the first paragraph of this Section 3.2(a), but in no event will such liquidation occur after the Final Settlement Date.

(b) Upon a Termination Event, the Arranger will promptly notify the Issuer, the Senior Commitment Party, the Portfolio Manager and the Bank, in its capacities as Collateral Administrator and Collateral Agent.

(c) On the Maturity Date (other than where the occurrence of the Maturity Date is due to a Termination Event), one or more Portfolio Manager Parties may purchase all (but not less than all) of the Collateral Debt Obligations in full for their own account within a five Business Day period provided that as a result of such purchase the Senior Notes would be redeemed in full and all amounts senior to the Senior Notes under the Priority of Payments would be paid in full.

Section 3.3. Tax Operating Guidelines.

The Issuer (and the Portfolio Manager on its behalf) shall comply with the Tax Operating Guidelines at all times during the Loan Facility Period.

ARTICLE IV
PRIORITY OF PAYMENTS

Section 4.1. Priority of Payments.

Funds will be distributed in accordance with the following payment priorities (collectively, the "Priority of Payments"):

(a) On each Payment Date (other than as provided in Section 4.1(b)), Available Funds, in the following order of priority:

(i) to the payment of any accrued and unpaid taxes, costs and expenses of the Issuer relating to this Agreement or the Collateral Administration Agreement (including any indemnities payable by the Issuer);

(ii) to the Senior Noteholder, the Senior Note Interest due and payable on the Senior Notes;

(iii) to the Senior Noteholder, to the payment of the Senior Note Quarterly Partial Redemption Amount;

(iv) to the Senior Noteholder, to the payment of principal on the Senior Notes (A) unless a Failure to Pay has occurred, at the discretion of the Portfolio Manager, an amount equal to the lesser of (x) the amount designated by the Portfolio Manager and (y) funds in the Principal Account or (B) if a Failure to Pay has occurred, all funds in the Interest Account, the Principal Account and the CLO Asset Management Fees Account, in each case until the Outstanding Senior Note Amount has been reduced to zero;

(v) to the Junior Noteholder, the Positive Carry due and payable to the Junior Notes (to the extent not applied to offset Trading Losses); and

(vi) all remaining Available Funds will be retained by the Issuer.

(b) If the Refinancing Date or the Liquidation Date occurs, on the Final Settlement Date, Available Funds and, until the Outstanding Senior Note Amount has been reduced to zero, the CLO Asset Management Fees, in the following order of priority:

(i) to the payment of any taxes, costs and expenses of the Issuer relating to this Agreement or the Collateral Administration Agreement accrued and unpaid as of such date (including any indemnities payable by the Issuer);

(ii) to the Senior Noteholder, the Senior Note Interest due and payable on the Senior Notes;

(iii) to the Senior Noteholder, the Outstanding Senior Note Amount as the redemption price of the Senior Notes;

(iv) to the Junior Noteholder, the Positive Carry due and payable to the Junior Notes (which amount will be determined after giving effect to the offset of Losses pursuant to the definition of Trading Loss);

(v) to the Junior Noteholder, the Outstanding Junior Note Amount (reduced by the sum of all remaining Trading Losses) as the redemption price of the Junior Notes; and

(vi) to the Junior Noteholder, all remaining proceeds.

Section 4.2. Loan Facility Interest.

To the extent that there is accrued and unpaid Loan Facility Interest on (a) the Refinancing Date, such amounts will be paid from the proceeds of the Refinancing Transaction, or (b) the Final Settlement Date after a Liquidation Event occurs, the Arranger will direct the Collateral Administrator to distribute such amounts no later than the next Business Day after their receipt from the Collateral Administrator in accordance with Section 4.1 (b).

ARTICLE V
NOTICES

Section 5.1. Notices.

Except as otherwise expressly provided herein, any request, demand, authorization, direction, notice, consent or waiver or other documents provided or permitted by this Agreement to be made upon, given or furnished to, or filed with any of the parties indicated below shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to and mailed, by certified mail, return receipt requested, hand delivered, sent by overnight courier service guaranteeing next day delivery or by facsimile in legible form or by electronic mail with delivery confirmed at the address set forth on Schedule 1 (or at any other address provided in writing by the relevant party).

ARTICLE VI
REPORTING; CONFIDENTIALITY

Section 6.1. Reporting.

(a) On each Business Day during the Loan Facility Period, the Collateral Administrator shall provide to the Senior Commitment Party, the Arranger and the Portfolio Manager a Collateral Report with the information set forth in paragraph (a) of the Content of Collateral Reports on Exhibit A. As soon as practicable after the last Business Day of each month, the Collateral Administrator shall provide to the Senior Commitment Party, the Arranger and the Portfolio Manager a Collateral Report with the information set forth in paragraph (b) of the Content of Collateral Reports on Exhibit A.

(b) Not later than the third Business Day prior to the Final Settlement Date (*provided* that the Collateral Administrator has been given notice of such Final Settlement Date at least four Business Days prior to the occurrence thereof), the Collateral Administrator shall provide the Senior Commitment Party, the Arranger and the Portfolio Manager a draft of a final report with a calculation in reasonable detail specifying the information set forth in paragraph (c) of the Content of Collateral Reports on Exhibit A. The Collateral Administrator shall provide the Senior Commitment Party, the Arranger and the Portfolio Manager, in addition to the Collateral Reports, on the Final Settlement Date, the final version of such final report as approved by the Senior Commitment Party and the Portfolio Manager prior to any distributions on that date.

Each of the Senior Commitment Party, the Arranger and the Portfolio Manager agrees and acknowledges that failure of the Collateral Administrator to give any information hereunder (including Collateral Reports) or any defect therein, shall not impair or affect the obligations of such parties hereunder (including under Article III and Article IV).

Each of the Senior Commitment Party, the Arranger and the Portfolio Manager agrees and acknowledges that certain material delivered hereunder may be provided by third parties and is intended for informational purposes only and has not been independently verified by the Collateral Administrator or any of their respective affiliates.

Section 6.2. Confidentiality.

(a) The parties hereto agree that the terms and substance of this Agreement and any term sheet setting forth the terms embodied herein shall be kept confidential and shall not be disclosed, directly or indirectly, to any other person except on a need-to-know basis to the respective employees, directors, auditors, accountants, counsel and other advisors of the parties hereto that are directly involved in the considerations of the matters set forth herein and to the extent required or compelled in a judicial or administrative proceeding or as otherwise required by relevant law or relevant regulatory authority, including without limitation, U.S. federal securities laws, rules or regulations.

(b) The Junior Noteholder agrees to maintain the confidentiality of any information relating to the Collateral Debt Obligations that it may obtain from any Credit Suisse Party, and to the extent that any such information is subject to a confidentiality agreement, the Junior Noteholder will be deemed to have executed such agreement as of the date it receives confidential information.

ARTICLE VII
REPRESENTATIONS; COVENANTS

Section 7.1. Representations of the Parties.

(a) Each of the Junior Noteholder and CS (in its capacities as initial Senior Noteholder and Senior Commitment Party) represents and warrants to the other that:

(i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized;

(ii) it has full power and authority and has taken all action necessary to execute and deliver this Agreement and to fulfill its obligations hereunder and to consummate the transactions hereby;

(iii) the making and performance by it of this Agreement does not and will not violate any law or regulation of the jurisdiction under which it exists, any other law or regulation applicable to it, any other agreement to which it is a party or by which it is bound or to which any of its assets is subject, or any provisions of its charter or by-laws;

(iv) this Agreement has been duly executed and delivered by it and, when duly executed by the other party, constitutes the legal, valid and binding obligation, enforceable against it in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and by a court's discretion in relation to equitable remedies);

(v) all approvals, authorizations and other actions by, or filings with, any governmental authority necessary for, the validity or enforceability of its obligations under this Agreement have been obtained; and

(vi) it is not, nor shall it be deemed to be, a fiduciary of, or otherwise have a trust relationship with, any other party in connection with this Agreement or any transaction contemplated herein and, except as expressly set forth herein, shall have no obligation, duty or responsibility to such other party.

(b) Each of the Junior Noteholder and the Senior Commitment Party represents and warrants as of the date of this Agreement and as of each Draw Date and the initial Senior Noteholder represents and warrants as of the date of this Agreement, in each case to the Issuer and to each Credit Suisse Party that:

(i) it is a Qualified Institutional Buyer that is also a Qualified Purchaser and is acquiring the Notes for its own account;

(ii) it understands that: (A) subject to the terms of this Agreement, proceeds from the issuance of the Notes will be invested in Collateral Debt Obligations; (B) if the Collateral is liquidated pursuant to this Agreement, such liquidation may take place under market conditions that are not advantageous to the Issuer, and as a result of any such liquidation, the Noteholders may suffer a loss, which loss could equal its entire investment in the applicable Notes; (C) all payments to the Junior Noteholder are subordinate to payments to the Senior Noteholder pursuant to the Priority of Payments and (D) all payments to it and any payments upon redemption of the Notes are subordinated to all other obligations of the Issuer, and will be payable only in accordance with the Priority of Payments to the extent the Issuer has sufficient Available Funds;

(iii) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Collateral Debt Obligations and is able to bear the economic risk of such investment;

(iv) it understands that an investment in the Collateral Debt Obligations involves certain risks, including the risk that a Refinancing Transaction will not be completed and the risk of loss of all or a substantial part of its investment; and it has had access to such financial and other information concerning the Issuer, the Portfolio Manager, the Collateral Debt Obligations and the credit markets as it deemed necessary or appropriate in order to make an informed decision with respect to its entering into this Agreement;

(v) it has made its own independent investigation in connection with its decision to purchase Notes and is not relying on any advice, counsel or representations (whether written or oral) of the Issuer, any Credit Suisse Party (in the case of the Junior Noteholder), any Portfolio Manager Party (in the case of the Senior Commitment Party and initial Senior Noteholder) or any other person in connection therewith;

(vi) it is not a member of the public in the Cayman Islands;

(vii) it is not purchasing the Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act.

(viii) with respect to the Junior Noteholder only, the funds that it is using or will use to fund any Junior Notes are not assets of a person who is or at any time prior to the Maturity Date will be (A) an “employee benefit plan” as defined in Section 3(3) of ERISA, subject to Title I of ERISA, (B) a “plan” described in Section 4975(e)(1) of the Code to which Section 4975 of the Code applies or (C) an entity whose underlying assets could be deemed to include “plan assets” by reason of an employee benefit plan’s or a plan’s investment in the entity within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA) or otherwise;

(ix) in the case of the Senior Commitment Party and the initial Senior Noteholder, it understands that the Senior Notes are not transferable except to a transferee that makes all of the representations and warranties contained in a Transfer Certificate or following receipt by the Issuer of an opinion of nationally recognized counsel acceptable to the Issuer to the effect that, following such transfer, the Senior Notes will continue to be exempt from the registration requirements of the Securities Act and that neither the Issuer nor the pool of assets owned by the Issuer will be required to register as an investment company under the Investment Company Act; and

(x) in the case of the Junior Noteholder, it understands that the Junior Notes may not be transferred.

(c) The Junior Noteholder represents and warrants to the Issuer and each Credit Suisse Party, and CS (in its capacities as Senior Commitment Party and initial Senior Noteholder) represents and warrants to the Issuer, as of the date of this Agreement and as of each Draw Date that:

(i) no Credit Suisse Party has given the Junior Noteholder, and no Portfolio Manager Party has given CS (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) of the Notes;

(ii) it acknowledges that, other than as expressly set forth herein, it has no rights or recourse with respect to the Collateral Debt Obligations or against any Credit Suisse Party, the Portfolio Manager or the Issuer;

(iii) sales of Collateral Debt Obligations may result in Trading Losses that may reduce the amount payable on the Notes under the Priority of Payments;

(iv) in the case of the Junior Noteholder, none of the Credit Suisse Parties has a fiduciary, advisory or agency relationship with the Junior Noteholder or its affiliates in respect of any of the transactions contemplated by this Agreement, irrespective of whether any Credit Suisse Party has advised or is advising the Junior Noteholder (or its affiliates) on other matters and it waives, to the fullest extent permitted by law, any claims it may have against the Credit Suisse Parties for breach of fiduciary duty or alleged breach of fiduciary duty in respect of any of the transactions contemplated by this Agreement and agrees that the Credit Suisse Parties shall have no liability (whether direct or indirect) to the Junior Noteholder (or its affiliates) in respect of any such fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Junior Noteholder (or its affiliates), including directors, partners, equity holders, employees or creditors of the Junior Noteholder (or its affiliates);

(v) in the case of each Credit Suisse Party, the Portfolio Manager does not have a fiduciary, advisory or agency relationship with any Credit Suisse Party in respect of any of the transactions contemplated by this Agreement, irrespective of whether the Portfolio Manager has advised or is advising any Credit Suisse Party on other matters and it waives, to the fullest extent permitted by law, any claims it may have against the Portfolio Manager for breach of fiduciary duty or alleged breach of fiduciary duty in respect of any of the transactions contemplated by this Agreement and agrees that the Portfolio Manager shall have no liability (whether direct or indirect) to any Credit Suisse Party in respect of any such fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of any Credit Suisse Party, including directors, partners, equity holders, employees or creditors of any Credit Suisse Party;

(vi) in the case of the Junior Noteholder, it has been advised that the Credit Suisse Parties are engaged in a broad range of transactions which may involve interests that differ from those of the Junior Noteholder (or its affiliates) and agrees that the Credit Suisse Parties have no obligation to disclose such interests and transactions to the Junior Noteholder (or its affiliates) by virtue of any fiduciary, advisory or agency relationship or otherwise; and

(vii) in the case of each Credit Suisse Party, it has been advised that the Portfolio Manager is engaged in a broad range of transactions which may involve interests that differ from those of any Credit Suisse Party and agrees that the Portfolio Manager has no obligation to disclose such interests and transactions to any Credit Suisse Party by virtue of any fiduciary, advisory or agency relationship or otherwise.

(d) The Junior Noteholder represents and warrants to each Credit Suisse Party as of the date of this Agreement and as of each Draw Date that:

(i) the Senior Commitment Party may, in its sole discretion, decline to purchase or finance any Collateral Debt Obligations selected by the Portfolio Manager, and will be free, in its sole discretion, to follow or decline to follow any recommendations made by the Portfolio Manager, the Junior Noteholder or any other entity with respect to the Collateral Debt Obligations;

(ii) the Credit Suisse Parties are full service securities firms engaged in securities trading and brokerage activities, as well as the provision of investment banking and structuring services. In the ordinary course of their business, the Credit Suisse Parties may from time to time effect transactions for their own accounts or for the accounts of customers, and underwrite, act as placement agent for or hold positions in, securities or options on securities of the Portfolio Manager, its affiliates and obligors of the Collateral Debt Obligations, may act as selling institution with respect to participations that are Collateral Debt Obligations and may sell certain Collateral Debt Obligations to the Issuer;

(e) The Issuer represents to each Credit Suisse Party, the Junior Noteholder and the Bank as of the date of this Agreement and as of each Draw Date that:

(i) It (A) has not incurred any material liability or contingent obligation except under this Agreement and the Collateral Administration Agreement and as may be satisfied or terminated as of the date hereof and (B) has no subsidiaries. The Issuer has issued no shares or other equity interests other than its ordinary shares and no securities other than the Senior Notes and Junior Notes. All payments that the Issuer may make in respect of debt other than the Senior Notes or the Junior Notes hereunder are expressly subordinated to the Senior Notes and the Junior Notes hereunder.

(ii) It is the sole owner of and has full power, authority and legal right to pledge and transfer all assets pledged by it hereunder free and clear of, and such pledge and transfer will not create, any lien thereon (other than the lien created by this Agreement), and upon filing of a financing statement under the Uniform Commercial Code with the Recorder of Deeds of the District of Columbia with respect thereto naming the Issuer as debtor and the Collateral Agent as secured party, the Collateral Agent will have a first priority perfected security interest in such assets. The Issuer acquired ownership of such assets for value in good faith without notice of any adverse claim and has not assigned, pledged or otherwise encumbered any interest in such assets other than hereunder.

(iii) Its full and correct legal name as of the date hereof is as set forth in the preamble hereof. It is an exempted limited liability company incorporated under the laws of the Cayman Islands. Its location (as defined in Section 9-307 of the Uniform Commercial Code), place of business and chief executive office is: P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

Section 7.2. Covenants of the Portfolio Manager.

(a) The Portfolio Manager agrees that a Portfolio Manager Breach shall be deemed to have occurred unless on or before March 15, 2012, the Portfolio Manager:

(i) has completed the acquisition of the rights to receive the CLO Asset Management Fees;

(ii) has an unencumbered right to grant a security interest in such CLO Asset Management Fees to the Issuer;

(iii) has granted to the Issuer a security interest in the CLO Asset Management Fees, which security interest is perfected and senior to the rights of any creditor of the Portfolio Manager other than the Issuer; and

(iv) has arranged for the CLO Asset Management Fees to be paid to the CLO Asset Management Fees Account until such time as the Outstanding Senior Note Amount has been reduced to zero and has taken such other measures as the Issuer may reasonably request for the perfection of such security interest.

(b) Upon the occurrence of a Portfolio Manager Breach, the Portfolio Manager will promptly notify the Issuer, the Senior Commitment Party, the Arranger and the Bank, in its capacities as Collateral Administrator and Collateral Agent.

Section 7.3. Covenants of the Issuer.

(a) At least one of the directors of the Issuer will be a person who (i) does not have and is not committed to acquire any material direct or indirect financial interest in the Issuer or in an portfolio manager of the foregoing, and (ii) is not connected with the Issuer or the portfolio manager of the Issuer as an officer, employee, promoter, underwriter, voting trustee, partner, director (except as in the capacity of an independent director) or person performing similar functions.

(b) The Issuer will not enter into any agreements that provide for a future financial obligation on the part of the Issuer, except for any agreements that contain customary “no petition” and limited recourse provisions or where a reserve has been established solely for the payment such future financial obligations.

(c) The Issuer will at all times:

(i) maintain its books, accounting records and other corporate documents and records separate from those of its affiliates or any other entity;

(ii) not commingle its assets with those of any affiliate or any other entity, and not hold itself out as being liable for the debts of another;

(iii) maintain its books of account separate from those of any affiliate;

(iv) act solely in its corporate name and through its own authorised Directors, officers and agents (including attorneys-in-fact appointed for and on behalf of the Issuer);

(v) not send out any correspondence or any written communication in the name of the Issuer on the letterhead of any affiliate or other entity;

(vi) separately manage its liabilities from those of any of its affiliates and pay its own liabilities from its own separate assets;

(vii) pay from its assets all obligations and indebtedness of any kind incurred by the Issuer;

(viii) operate in such a manner that it would not be substantively consolidated with any other entity

(ix) maintain an arm's-length relationship with its affiliates;

(x) not acquire any obligations, securities of any partner, member or shareholder;

(xi) not pledge its assets for the benefit of any other entity or make any loans or advances to any entity (except as provided in the transaction documents);

(xii) maintain separate financial statements, if any;

(xiii) hold itself out as a separate entity;

(xiv) correct any known misunderstanding regarding its separate identity;

(xv) maintain adequate capital in light of its contemplated business operations; and

(xvi) not engage in any business or activity other than as permitted in this Agreement (or incidental thereto), or with the consent of the Senior Commitment Party.

(d) The Issuer will abide by all corporate formalities, including the maintenance of current minute books, and the Issuer will keep books and records in a manner that indicates the separate existence of the Issuer and its assets and liabilities.

(e) The Issuer will not assume the liabilities of any other, and will not guarantee the liabilities of any other.

(f) The officers of the Issuer and the Directors will make decisions with respect to the business and daily operations of the Issuer independent of and not dictated by any affiliate of the Issuer.

(g) The Issuer will not have any employees (other than its directors).

(h) The Issuer will not establish any subsidiaries without consent of the Senior Commitment Party except to the extent such subsidiary is established to prevent the Issuer from being subject to withholding taxes or from being engaged, or deemed to be engaged, in the conduct of a trade or business in the United States for U.S. federal income tax purposes or otherwise subject to tax on a net basis in any jurisdiction. Any subsidiary of the Issuer will be subject to restrictions and limitations comparable to those set forth herein, including those set forth in this Section 7.3.

ARTICLE VIII
THE COLLATERAL

Section 8.1. Collateral.

(a) As collateral security for the performance of its obligations hereunder, the Portfolio Manager hereby (i) pledges to the Issuer and grants to the Issuer a security interest in all of the Portfolio Manager's right, title and interest in, to and under the CLO Asset Management Fees and all proceeds of the foregoing, in each case whether now owned or hereafter acquired and whether now existing or hereafter coming into existence and (ii) acknowledges and agrees that the Issuer will pledge its rights therein to the Collateral Agent as provided in Section 8.1(b).

(b) As collateral security for the prompt payment in full and performance when due (whether at stated maturity, by acceleration, by liquidation or otherwise) of the Secured Obligations to the Collateral Agent on behalf of the Secured Parties in accordance with the Priority of Payments, the Issuer hereby pledges to the Collateral Agent and grants to the Secured Parties a security interest in all of the Issuer's right, title and interest in, to and under (i) each Collateral Debt Obligation, (ii) all underlying instruments with respect to Collateral Debt Obligations, (iii) the Collateral Administration Agreement, (iv) the Administration Agreement by and between the Issuer and MaplesFS Limited, as amended from time to time in accordance with its terms, (v) the Registered Office Agreement dated as of September 26, 2011 by and between the Issuer and MaplesFS Limited, as amended from time to time in accordance with its terms, (vi) each Account and all assets credited to and funds on deposit therein, (vii) the CLO Asset Management Fees and (viii) all proceeds of the foregoing, in each case whether now owned or hereafter acquired and whether now existing or hereafter coming into existence, other than Excepted Property (collectively, the "Collateral").

(c) The Issuer will:

(i) Deliver to the Collateral Administrator any and all securities and instruments evidencing or otherwise relating to Collateral, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Secured Parties may reasonably request, including by taking all steps necessary to ensure that all Collateral Debt Obligations are credited to the applicable Account and the CLO Asset Management Fees are credited to the CLO Asset Management Fees Account by the Collateral Administrator and held in accordance with the Collateral Administration Agreement;

(ii) give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be necessary or desirable (in the reasonable judgment of either Secured Party) to create, preserve, perfect or validate the security interest granted hereunder or to enable the Senior Noteholder to exercise and enforce its rights hereunder with respect to such pledge and security interest;

(iii) promptly furnish or cause to be furnished to the Senior Noteholder or Junior Noteholder any information that it may reasonably request concerning the Collateral; and

(iv) preserve and protect (with respect to the Collateral) the Secured Parties' perfected, first priority security interest in the Collateral, and take or cause any action requested by a Secured Party and necessary to preserve, defend, protect or perfect such first priority security interest.

(d) Except as expressly permitted hereunder and under the Collateral Administration Agreement, the Portfolio Manager (with respect to the CLO Asset Management Fees) and the Issuer (with respect to the Collateral) will not sell, assign, pledge, grant any security interest in, exchange, transfer, hypothecate or otherwise dispose of or grant any option with respect to such CLO Asset Management Fees or Collateral, respectively, or agree to do any of the foregoing, without the prior written consent of Senior Commitment Party.

(e) The Secured Parties hereby appoint the Bank as "Collateral Agent" to act on their behalf in accordance with this Agreement. If a Liquidation Event occurs, the liquidation shall be effected as set forth in Section 3.2. The Bank in each of its capacities under this Agreement shall have the same indemnities and immunities provided to the Bank as Collateral Administrator under the Collateral Administration Agreement. In connection with a resignation of the Bank as Collateral Administrator, the Bank may resign from its other capacities pursuant to this Agreement.

(f) The Issuer hereby irrevocably appoints the Collateral Agent as its attorney-in-fact with full power of substitution and authorizes the Collateral Agent to take any action and execute any instruments with respect to the Collateral that the Controlling Party may deem necessary or advisable in connection with (i) the Issuer's grant of a security interest in the Collateral to the Secured Parties and any rights and remedies that the Collateral Agent may exercise in respect thereof upon the occurrence a Liquidation Event, (ii) the filing of one or more financing or continuation statements with respect to the Collateral, (iii) the sale, termination or other disposition of any Collateral Debt Obligations as provided herein or (iv) accomplishing any other purposes of this Agreement. The Issuer agrees that the powers granted by this paragraph are exercisable at the direction of the Controlling Party and are not intended to impose the obligations of Issuer on the Collateral Agent. This power of attorney shall be binding upon, and enforceable against, all beneficiaries, successors, assigns, transferees and legal representatives of the Issuer.

(g) The security interest granted to secure the Secured Obligations hereunder shall be terminated and released and all rights in the Collateral will revert to the Issuer on the Refinancing Date upon application of the Available Funds in accordance with the Priority of Payments. In connection with such termination and release, the Collateral Agent shall execute and deliver such documents, instruments and certificates as the Issuer shall reasonably require at the Issuer's expense.

ARTICLE IX
PORTFOLIO MANAGER

Section 9.1. Portfolio Manager.

(a) The Issuer hereby appoints the Portfolio Manager to be the Issuer's portfolio manager for purposes of the transactions contemplated by this Agreement for so long as this Agreement shall be in effect, and the Portfolio Manager hereby accepts such appointment. Such appointment shall terminate automatically (x) upon the execution of an investment management agreement among the Issuer, the Portfolio Manager and any other third parties on the Refinancing Date or (y) if a Liquidation Event occurs, on the Final Settlement Date. Pursuant to this Agreement, the Portfolio Manager shall provide the following services to the Issuer: selecting, supervising, managing, monitoring and directing on behalf of the Issuer the investment, reinvestment and disposition of Collateral Debt Obligations and assisting the Issuer in fulfilling its obligations, and exercising the rights and obtaining the benefits to which it is entitled, hereunder and under and in connection with Collateral Debt Obligations. Without limiting the foregoing:

(i) the Portfolio Manager shall, except as otherwise expressly required hereunder, perform its obligations hereunder with reasonable care and in a manner that the Portfolio Manager reasonably believes is consistent with those policies and procedures as are customarily used by institutional managers of recognized standing in connection with the management of assets of the nature and the character of the Collateral Debt Obligations (and to the extent not inconsistent with the foregoing, the Portfolio Manager shall follow its customary standards, policies and procedures in performing its duties hereunder);

(ii) the Portfolio Manager shall exercise reasonable care to avoid taking any action that would (i) not be permitted under the organizational documents of the Issuer, (ii) cause the Issuer to violate any law, rule or regulation of any governmental body or agency having jurisdiction over the Issuer, (iii) require registration of the Issuer as an "investment company" under the Investment Company Act, (iv) cause the Issuer to be engaged in a trade or business in the United States, or (v) cause the Issuer to violate the terms hereof;

(iii) the Portfolio Manager shall comply in all material respects with all laws and regulations applicable to it in connection with the performance of its duties hereunder; and

(iv) to the extent it is necessary or appropriate in the judgment of the Portfolio Manager to perform any services to be performed by it as portfolio manager hereunder and in connection with any related documents and Collateral Debt Obligations, the Portfolio Manager shall have the power to execute and deliver documents and instruments and take actions in the name of or on behalf of the Issuer with respect thereto (and the Issuer agrees to follow the lawful instructions and directions of the Portfolio Manager in performing its services hereunder).

(b) The Portfolio Manager assumes no responsibility or liability hereunder other than to render the services required to be performed hereunder in good faith and (subject to the standard of conduct described in above) shall not be responsible for and shall have no liability for any action or inaction of the Issuer, the Arranger, the Senior Commitment Party, the Collateral Administrator or any other person in following or declining to follow any advice, recommendation or direction of the Portfolio Manager. None of the Portfolio Manager, its affiliates and any of their respective members, managers, directors, officers, stockholders, agents, partners or employees shall be liable to the Issuer, the Lender or any other person for any expenses, losses, claims, damages, judgments, assessments, charges, demands, costs or other liabilities (collectively, "Liabilities") incurred by the Issuer, the Lender or such other person that arise out of or in connection with the performance by the Portfolio Manager of the services required to be performed hereunder or for any decrease in the value of the Collateral Debt Obligations, except for Liabilities arising from (i) a failure of the Portfolio Manager to adhere to the standards of conduct described in clause (a) above or (ii) a failure of the Portfolio Manager to render the services required to be performed hereunder in good faith.

(c) The Portfolio Manager shall devote such part of its time as is reasonably needed for the performance of the services contemplated by this Agreement; *provided* that this Agreement shall not prevent the Portfolio Manager from rendering similar services to other persons. Nothing in this Agreement shall limit or restrict the Portfolio Manager or any of its officers, affiliates or employees from, as permitted by law, buying, selling or trading in any securities for its own or their own accounts. The Arranger, CS and the Issuer acknowledge that the Portfolio Manager and its officers, affiliates and employees, and the Portfolio Manager's other clients may as permitted by law at any time have, acquire, increase, decrease, or dispose of positions in investments which are at the same time being acquired or disposed of by the Issuer.

(d) The Portfolio Manager shall not purchase any Collateral Debt Obligation for inclusion in the Collateral directly from itself or any of its affiliates as principal or any account or portfolio for which Portfolio Manager or any of its affiliates serve as investment advisor, or sell directly any Collateral Debt Obligation to itself or any of its affiliates as principal or any account or portfolio for which the Portfolio Manager or any of its affiliates serve as investment advisor, unless the Portfolio Manager shall have certified to the Issuer with respect to each such transaction that (i) such transaction is exempt from the prohibited transaction rules of ERISA and the Code, if applicable, and will be consummated on terms prevailing in the market, (ii) the terms of such transaction are substantially as advantageous to the Issuer as the terms the Issuer would obtain in a comparable arm's length transaction with a non-affiliate and (iii) such transaction complies with the Advisers Act, to the extent applicable. In accordance with the foregoing, the Portfolio Manager may effect client cross-transactions where the Portfolio Manager causes a transaction to be effected between the Issuer and another fund or another account managed or advised by it or one or more of its affiliates, but neither it nor the affiliate will receive any commission or similar fee in connection with such cross-transaction.

(e) The Portfolio Manager is responsible for the investment decisions made on behalf of other advisory clients, including certain discretionary accounts. The Portfolio Manager may determine that the Issuer and one or more other clients should purchase or sell the same loans at the same time. In addition, from time to time, the Portfolio Manager may aggregate purchase or sale orders for loans in the secondary market for clients. In either case, the Portfolio Manager will follow its customary practices and policies. Under some circumstances, such aggregation or allocation may adversely affect the Issuer with respect to the price or size or the loan positions obtainable or salable. Moreover, it is possible, due to differing investment objectives or other reasons, that the Portfolio Manager or its affiliates may purchase loans of an issuer for one client and sell such loans for another client, including the Issuer. Therefore, the Issuer may not participate in gains or losses that were experienced by other client accounts (and the Issuer's portfolio yield may be higher or lower than that of other client accounts) with similar investment objectives.

(f) The Portfolio Manager will not (i) sell, assign or transfer the management agreements under which the CLO Asset Management Fees are paid to the Portfolio Manager, (ii) amend or modify such management agreements with regard to the payment of CLO Asset Management Fees (other than an amendment to increase such fees) or (iii) otherwise take or permit any action to be taken that would impair or encumber the right of the Portfolio Manager to receive the CLO Asset Management Fees, in each case until the Outstanding Senior Note Amount and the Senior Note Commitment Amount have been reduced to zero.

ARTICLE X
MISCELLANEOUS

Section 10.1. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 10.2. This Agreement shall remain in full force and effect until the Final Settlement Date. Upon the application of all Available Funds in accordance with the Priority of Payments, on the Final Settlement Date, this Agreement shall automatically terminate without any further action by the parties hereto. The parties hereto shall not be bound by any modification, amendment, termination, cancellation, rescission or supersession of this Agreement unless the same shall be in writing and signed by each party.

Section 10.3. No assignment of this Agreement shall be made by the Junior Noteholder without the prior written consent of the Senior Commitment Party. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 10.4. References in this Agreement to "$" refer to United States Dollars.

Section 10.5. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument.

Section 10.6. Notwithstanding any other provision of this Agreement, the parties hereto may not, prior to the date that is one year (or, if longer, the then applicable preference period) plus one day after termination of this Agreement or, in the event securities of the Issuer are issued pursuant to any Refinancing Transaction, the payment in full of all such notes institute against, or join any other individual or entity in instituting against the Issuer, any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other proceedings under Cayman Islands bankruptcy laws, United States federal or state bankruptcy laws, or any similar laws.

None of the directors, officers, incorporators, shareholders, partners, agents or employees of the Issuer shall be personally liable for any of the obligations of the Issuer under this Agreement. Notwithstanding anything to the contrary contained herein, the Issuer's sole source of funds for payment of all amounts due hereunder shall be the Collateral, and, upon application of the proceeds of the Collateral in accordance with the terms and under the circumstances described herein (including the Priority of Payments), no recourse shall be had against the Issuer for any amounts still outstanding by the Issuer and all obligations of, and any claims against, the Issuer arising from this Agreement or any transactions contemplated hereby shall be extinguished and shall not thereafter revive.

The provisions of this Section 10.6 shall survive the termination of this Agreement.

Section 10.7. The parties hereto irrevocably submit to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York and any court of the State of New York located in the City and County of New York, and any appellate court from any court thereof, in any action, suit or proceeding brought against it, arising out of or relating to this Agreement or the transactions contemplated hereunder or for recognition or enforcement of any judgment, and the parties hereto hereby irrevocably and unconditionally agree that all claims in respect of any such action or proceeding may be heard or determined in such New York State court or, to the extent permitted by law, in such federal court. The parties hereto agree that a final judgment in any such action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. To the extent permitted by applicable law, the parties hereto hereby waive and agree not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the related documents or the subject matter thereof may not be litigated in or by such courts.

Section 10.8. THE PARTIES HERETO VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR THE COLLATERAL ADMINISTRATION AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY OF THE PARTIES HERETO AND THERETO. THE PARTIES HERETO HEREBY AGREE THAT THEY WILL NOT SEEK TO CONSOLIDATE ANY SUCH LITIGATION WITH ANY OTHER LITIGATION IN WHICH A JURY TRIAL HAS NOT OR CANNOT BE WAIVED. THE PROVISIONS OF THIS SECTION 10.8 HAVE BEEN FULLY NEGOTIATED BY THE PARTIES HERETO AND SHALL BE SUBJECT TO NO EXCEPTIONS. EACH PARTY ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR EACH PARTY ENTERING INTO THIS AGREEMENT AND THE COLLATERAL ADMINISTRATION AGREEMENT.

Section 10.9. The Bank, in its capacities as Collateral Agent and Collateral Administrator, agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured email, facsimile transmission or other similar unsecured electronic methods; *provided*, *however*, that each party providing such instructions or directions shall provide to the Bank an incumbency certificate listing persons designated to provide such instructions or directions, which incumbency certificate shall be amended whenever a person is added or deleted from the listing. If such party elects to give the Bank email or facsimile instructions (or instructions by a similar electronic method) and the Bank in its discretion elects to act upon such instructions, the Bank's reasonable understanding of such instructions shall be deemed controlling. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflicting with or being inconsistent with a subsequent written instruction received by the Bank after such action taken by the Bank in reliance upon or in compliance with such earlier instructions. Each party hereto agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Bank, including without limitation the risk of the Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties. Any party providing such instructions acknowledges and agrees that there may be more secure methods of transmitting such instructions than the method(s) selected by it and agrees that the security procedures (if any) to be followed in connection with its transmission of such instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

Section 10.10. Notwithstanding anything to the contrary, (a) the Issuer and each holder and each beneficial owner of a Senior Note, by acceptance of its Senior Note, or its interest in a Senior Note, will be deemed to have agreed to treat, and will treat, such Senior Note (or interest therein) as debt of the Issuer for U.S. federal, state and local income tax purposes, and will be deemed to acknowledge that the Issuer will treat the Senior Notes as debt of the Issuer for U.S. federal income tax purposes and (b) the Issuer and each holder and each beneficial owner of a Junior Note, by acceptance of its Junior Note or its interest therein will be deemed to have agreed to treat, and will treat, such Junior Note (or interest therein) as equity in the Issuer for U.S. federal income tax purposes.

IN WITNESS WHEREOF, the parties hereto have executed this Note Purchase Agreement as of the date first written above.

CREDIT SUISSE SECURITIES (USA) LLC,
as Arranger

By: /s/ Brad Larson
Name: Brad Larson
Title: Director

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as Senior Commitment Party and Senior Noteholder

By: /s/ Bik Kwan Chung
Name: Bik Kwan Chung
Title: Authorized Signatory

By: /s/ Louis J. Impellizeri
Name: Louis J. Impellizeri
Title: Authorized Signatory

KOHLBERG CAPITAL CORPORATION,
as Portfolio Manager and Junior Noteholder

By: /s/ Dayl W. Pearson
Name: Dayl W. Pearson
Title: Chief Executive Officer
Kohlberg Capital Corporation

KCAP FUNDING,
as Issuer

By: /s/ Cleveland Stewart
Name: Cleveland Stewart
Title: Director

THE BANK OF NEW YORK MELLON TRUST COMPANY,
NATIONAL ASSOCIATION,
as Collateral Administrator and Collateral Agent

By: /s/ MARIA D. CALZADO
Name: MARIA D. CALZADO
Title: Vice President

SCHEDULE 1

NOTICE ADDRESSES

Arranger:	Credit Suisse Securities (USA) LLC 11 Madison Avenue New York, New York 10010 Attention: Brad Larson; Sandeep Hoshing telephone number: (212) 325-9207; (212) 325-1819 fax number: (212) 743-5484 email: brad.larson@credit-suisse.com; sandeep.hoshing@credit-suisse.com
Senior Commitment Party:	Credit Suisse AG, Cayman Islands Branch 11 Madison Avenue New York, New York 10010 Attention: Brad Larson; Sandeep Hoshing telephone number: (212) 325-9207; (212) 325-1819 fax number: (212) 743-5484 email: brad.larson@credit-suisse.com; sandeep.hoshing@credit-suisse.com
Senior Noteholder:	as specified in the Note Register, which shall initially be Credit Suisse AG, Cayman Islands Branch 11 Madison Avenue New York, New York 10010 Attention: Brad Larson; Sandeep Hoshing telephone number: (212) 325-9207; (212) 325-1819 fax number: (212) 743-5484 email: brad.larson@credit-suisse.com; sandeep.hoshing@credit-suisse.com
Portfolio Manager:	Kohlberg Capital Corporation 295 Madison Avenue, Floor 6 New York, New York 10017 Attention: Dan Gilligan telephone number: (212) 455-8333 fax number: (212) 983-7654 email: gilligan@kohlbergcap.com

Junior Noteholder:	as specified in the Note Register, which shall initially be Kohlberg Capital Corporation 295 Madison Avenue, Floor 6 New York, New York 10017 Attention: Dan Gilligan telephone number: (212) 455-8333 fax number: (212) 983-7654 email: gilligan@kohlbergcap.com
Issuer	KCAP Funding c/o MaplesFS Limited P.O. Box 1093 Boundary Hall, Cricket Square Grand Cayman, KY1-1102 Cayman Islands Attention: Directors – KCAP Funding telephone number: (345) 945-7099 fax number: (345) 945-7100 (with a copy to +1 (345) 949-8080) email: cayman@maplesfs.com
Collateral Administrator:	The Bank of New York Mellon Trust Company, National Association 601 Travis Street, 16th Floor Houston, Texas 77002 Attention: Global Corporate Trust – KCAP Funding telephone number: (713) 483-6000 fax number: (713) 483-6001 email: maria.calzado@bnymellon.com; brian.j.kapko@bnymellon.com

EXHIBIT A

REPORTING

I. Content of Collateral Reports

Each Collateral Report will include, to the extent such information is available:

(a) Daily

For each Collateral Debt Obligation:

- Identification number (*e.g.*, CUSIP, LoanX ID);
- Issuer name;
- Asset name;
- Asset type;
- Spread;
- Maturity Date;
- Principal amount (par balance);
- Purchase Price (expressed as a percentage of par);
- Settlement date;
- LIBOR setting
- Accrued interest, amount of interest paid;
- The amount of any principal proceeds (including any sale proceeds or principal prepayments);
- Date of any principal prepayment;
- Moody's Rating, S&P Rating (if available); and
- Moody's industry category (if available).

(b) Monthly

Based on information in (a) and with respect to all Collateral Debt Obligations a calculation of the following determined as of the last Business Day of the preceding month:

- the aggregate principal proceeds (including any sale proceeds or principal prepayments) received since the prior reporting period;

- the amount on deposit in each Account;

- the Gross Purchase Price; and

- the aggregate Loan Facility Interest.

(c) Payment Date

- the information set forth in (b) determined as of the third Business Day prior to such Payment Date;
- the amount of Available Funds to be distributed on such Payment Date;
- the amount of CLO Asset Management Fees (if any) to be distributed on such Payment Date; and
- a detailed accounting of the amounts to be distributed on such Payment Date under each level of the Priority of Payments.

Final Settlement Date

Each Collateral Report will include the information set forth in (b) determined as of the dates set forth in Section 6.1(b).

II. Wire instructions

The Bank of New York Mellon
ABA # [ ]
For Credit to GLA: [ ]
For Final Credit to: [ ]
Account Name: KCAP Funding
Attention: Brian Kapko
Reference: Borrower Name, Type of Payment/Description

EXHIBIT B

FORM OF NOTICE OF BORROWING

NOTICE OF BORROWING

[Date]

Credit Suisse AG, Cayman Islands Branch

[ ]

We refer to the Note Purchase Agreement dated as of February 24, 2012 (the "Agreement") providing for a loan to KCAP Funding (the "Issuer"). Capitalized terms defined in the Agreement and used but not defined herein have the meanings given to them in the Agreement.

Pursuant to Section 2.3 of the Agreement, the Issuer hereby gives the Senior Commitment Party and the Junior Noteholder notice that the Issuer requests to borrow under the Agreement:

the Senior Note Required Draw Down Amount equal to $ _____

No later than 10 a.m. (New York time) on draw date specified below (the "Draw Date"), the proceeds of the borrowing are to be credited to the following account:

Account Number: [ ]
Account Name: [ ]
Attention: [ ]
Reference: Borrower Name, Type of Payment/Description

Draw Date: _____

[ ]

By: _____
Name:
Title:

Portfolio Manager Certification:

The Portfolio Manager certifies that the conditions precedent set forth in Section 2.3 have been satisfied and that the Conditions of Accumulation have been satisfied with respect to the purchased (but unsettled) Collateral Debt Obligations to which the proceeds of the borrowing will be applied.

[ ]

By: _____
Name:
Title:

cc: Collateral Administrator

EXHIBIT C

FORM OF SENIOR NOTE

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THIS SECURITY AND INTERESTS HEREIN MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (A)(1) TO A QUALIFIED PURCHASER (FOR PURPOSES OF THE INVESTMENT COMPANY ACT) THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT, IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE AGREEMENT REFERRED TO BELOW, AND IN EACH CASE WHICH MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THIS NOTE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH SECTION 2.1 OF THE AGREEMENT REFERENCED BELOW. ANY PURPORTED TRANSFER IN VIOLATION OF THE REQUIREMENTS SET FORTH THEREIN SHALL BE NULL AND VOID *AB INITIO*.

Senior Note Initial Commitment Amount: $[ ] **[DATE]**
Registration Number: S-[ ]

FOR VALUE RECEIVED, KCAP Funding (the "Issuer") promises to pay to the order of [*insert registered owner name*] (the "Senior Noteholder") in lawful money of the United States of America and in immediately available funds the principal amount of [ ] Million United States Dollars (U.S.$[ ]) or, if less, the Outstanding Senior Note Amount on the Final Settlement Date as required under the Note Purchase Agreement dated as of February 24, 2012 (the "Effective Date") by and among Kohlberg Capital Corporation, in its capacity as Junior Noteholder (as defined herein), Kohlberg Capital Corporation, in its capacity as portfolio manager (the "Portfolio Manager"), Credit Suisse AG, Cayman Islands Branch ("CS"), in its capacities as Senior Commitment Party and Senior Noteholder (each, as defined herein), Credit Suisse Securities (USA) LLC (the "Arranger"), KCAP Funding (the "Issuer") and The Bank of New York Mellon Trust Company, National Association (the "Bank"), in its capacities as Collateral Administrator and Collateral Agent (as it may be amended or modified from time to time, the "Agreement"). Capitalized terms not defined herein will have the meaning specified in the Agreement.

The Issuer hereby promises to pay the Senior Noteholder interest on the Outstanding Senior Note Amount at the Senior Note Interest Rate for the Applicable Interest Period. Although the stated amount hereof may be higher, this Note shall be enforceable, with respect to the Issuer's obligation to pay the principal amount hereof, and interest hereon, only to the extent of the Outstanding Senior Note Amount. Increases and decreases in the principal amount of this Note will be recorded in the Note Register and the books and records of the Collateral Administrator.

Notwithstanding anything to the contrary contained in this Note or the Agreement, the Issuer's sole source of funds for payment of all amounts due under this Note and the Agreement shall be the Collateral, and, upon application of the proceeds of the Collateral in accordance with the terms and under the circumstances described in the Agreement (including the Priority of Payments), no recourse shall be had against the Issuer for any amounts still outstanding by the Issuer and all obligations of, and any claims against, the Issuer arising from this Note or the Agreement or any transactions contemplated hereby shall be extinguished and shall not thereafter revive.

Notwithstanding anything to the contrary contained in this Note or the Agreement, the Senior Noteholder may not, prior to the date that is one year (or, if longer, the then applicable preference period) plus one day after termination of the Agreement or, in the event securities of the Issuer are issued pursuant to any Refinancing Transaction, the payment in full of all such notes institute against, or join any other individual or entity in instituting against the Issuer, any bankruptcy, reorganization, arrangement, winding-up, insolvency, moratorium or liquidation proceedings, or other proceedings under Cayman Islands bankruptcy laws, United States federal or state bankruptcy laws, or any similar laws.

No delay on the part of the Senior Noteholder in exercising any of its options, powers or rights, or partial or single exercise thereof, shall constitute a waiver thereof. The options, powers and rights of the Senior Noteholder specified herein are in addition to those otherwise created.

This Note is the Senior Note referred to in, and is entitled to, the benefits of the Agreement.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

KCAP FUNDING

By: _____
Name:
Title: Director

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Agreement.

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, as Collateral Administrator

By: _____
Authorized Signatory

ASSIGNMENT FORM

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

Social security or other identifying number of assignee:

Name and address, including zip code, of assignee:

the within Note and does hereby irrevocably constitute and appoint _____ Attorney to transfer the Note on the books of the Issuer with full power of substitution in the premises.

Date: _____

Your Signature:

_____

(Sign exactly as your name appears on the Note)

EXHIBIT D

FORM OF JUNIOR NOTE

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THIS SECURITY AND INTERESTS HEREIN MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (A)(1) TO A QUALIFIED PURCHASER (FOR PURPOSES OF THE INVESTMENT COMPANY ACT) THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT, IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE AGREEMENT REFERRED TO BELOW, AND IN EACH CASE WHICH MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THIS NOTE MAY NOT BE TRANSFERRED.

Principal Amount: $[ ] **[DATE]**
Registration Number: J-[ ]

FOR VALUE RECEIVED, KCAP Funding (the "Issuer") promises to pay to the order of [*insert registered owner name*] (the "Junior Noteholder") in lawful money of the United States of America and in immediately available funds the principal amount of [ ] United States Dollars (U.S.$[ ]) or, if greater or less, the Outstanding Junior Note Amount on the Final Settlement Date as required under the Note Purchase Agreement dated as of February 24, 2012 (the "Effective Date") by and among Kohlberg Capital Corporation, in its capacity as Junior Noteholder (as defined herein), Kohlberg Capital Corporation, in its capacity as portfolio manager (the "Portfolio Manager"), Credit Suisse AG, Cayman Islands Branch ("CS"), in its capacities as Senior Commitment Party and Senior Noteholder (each, as defined herein), Credit Suisse Securities (USA) LLC (the "Arranger"), KCAP Funding (the "Issuer") and The Bank of New York Mellon Trust Company, National Association (the "Bank"), in its capacities as Collateral Administrator and Collateral Agent (as it may be amended or modified from time to time, the "Agreement"). Capitalized terms not defined herein will have the meaning specified in the Agreement.

The Issuer hereby promises to pay the Junior Noteholder interest in the amount (if any) equal to the Positive Carry due and payable on the Junior Note in accordance with the Priority of Payments. Although the stated amount hereof may be higher, this Note shall be enforceable, with respect to the Issuer's obligation to pay the principal amount hereof, and interest hereon, only to the extent of the Outstanding Junior Note Amount. Increases and decreases in the principal amount of this Note will be recorded in the Note Register and the books and records of the Collateral Administrator.

The Junior Noteholder agrees for the benefit of the Senior Noteholder that the Junior Note's rights in and to the Collateral shall be subordinate and junior to the Senior Notes to the extent and in the manner set forth in the Agreement including, without limitation, as set forth in the Priority of Payments

Notwithstanding anything to the contrary contained in this Note or the Agreement, the Issuer's sole source of funds for payment of all amounts due under this Note and the Agreement shall be the Collateral, and, upon application of the proceeds of the Collateral in accordance with the terms and under the circumstances described in the Agreement (including the Priority of Payments), no recourse shall be had against the Issuer for any amounts still outstanding by the Issuer and all obligations of, and any claims against, the Issuer arising from this Note or the Agreement or any transactions contemplated hereby shall be extinguished and shall not thereafter revive.

Notwithstanding anything to the contrary contained in this Note or the Agreement, the Junior Noteholder may not, prior to the date that is one year (or, if longer, the then applicable preference period) plus one day after termination of the Agreement or, in the event securities of the Issuer are issued pursuant to any Refinancing Transaction, the payment in full of all such notes institute against, or join any other individual or entity in instituting against the Issuer, any bankruptcy, reorganization, arrangement, winding-up, insolvency, moratorium or liquidation proceedings, or other proceedings under Cayman Islands bankruptcy laws, United States federal or state bankruptcy laws, or any similar laws.

No delay on the part of the Junior Noteholder in exercising any of its options, powers or rights, or partial or single exercise thereof, shall constitute a waiver thereof. The options, powers and rights of the Junior Noteholder specified herein are in addition to those otherwise created.

This Note is the Junior Note referred to in, and is entitled to, the benefits of the Agreement.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

KCAP FUNDING

By: _____
Name:
Title: Director

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Agreement.

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, as Collateral Administrator

By: _____
Authorized Signatory

EXHIBIT E

TRANSFER CERTIFICATE

Reference is hereby made to the Note Purchase Agreement dated as of February 24, 2012 by and among Kohlberg Capital Corporation, in its capacity as Junior Noteholder (as defined herein), Kohlberg Capital Corporation, in its capacity as portfolio manager under the Note Purchase Agreement (the "Portfolio Manager"), Credit Suisse AG, Cayman Islands Branch ("CS"), in its capacities as Senior Commitment Party and Senior Noteholder (each, as defined herein), Credit Suisse Securities (USA) LLC (the "Arranger"), KCAP Funding (the "Issuer") and The Bank of New York Mellon Trust Company, National Association (the "Bank"), in its capacities as Collateral Administrator and Collateral Agent (as it may be amended or modified from time to time, the "Note Purchase Agreement"). Capitalized terms not defined herein will have the meaning specified in the Note Purchase Agreement.

The undersigned (the "Transferee") wishes to purchase U.S. $_____ in principal amount of Senior Notes (the "Notes") to be registered in the name of _____.

In connection with such transfer, and in respect of such Senior Notes, the Transferee does hereby certify that such Senior Notes are being transferred (i) pursuant to an exemption from registration under the Securities Act and (ii) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. In addition, the Transferee hereby represents, warrants and covenants for the benefit of the Issuer, the Arranger, the Bank and their respective counsel that:

(a) it is either (i) a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) that is also a "qualified purchaser" for purposes of the Investment Company Act), or (ii) a non-U.S. person (as defined in Regulation under the Securities Act) that in each case is acquiring the Notes for its own account;

(b) it understands that: (A) subject to the terms of the Note Purchase Agreement, proceeds from the issuance of the Notes will be invested in Collateral Debt Obligations; (B) if the Collateral is liquidated pursuant to the Note Purchase Agreement, such liquidation may take place under market conditions that are not advantageous to the Issuer, and as a result of any such liquidation, the Noteholders may suffer a loss, which loss could equal its entire investment in the applicable Notes; and (C) all payments to it and any payments upon redemption of the Notes are subordinated to all other obligations of the Issuer, and will be payable only in accordance with the Priority of Payments to the extent the Issuer has sufficient Available Funds;

(c) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Collateral Debt Obligations and is able to bear the economic risk of such investment;

(d) it understands that an investment in the Collateral Debt Obligations involves certain risks, including the risk of loss of all or a substantial part of its investment; and it has had access to such financial and other information concerning the Issuer, the Portfolio Manager, the Collateral Debt Obligations and the credit markets as it deemed necessary or appropriate in order to make an informed decision with respect to its entering into the Note Purchase Agreement;

(e) it has made its own independent investigation in connection with its decision to purchase Notes and is not relying on any advice, counsel or representations (whether written or oral) of the Issuer, any Credit Suisse Party, any Portfolio Manager Party or any other person in connection therewith;

(f) it is not a member of the public in the Cayman Islands;

(g) it is not purchasing the Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act;

(h) it understands that the Notes are not transferable except to a transferee that makes all of the representations and warranties contained in a Transfer Certificate or following receipt by the Issuer of an opinion of nationally recognized counsel acceptable to the Issuer to the effect that, following such transfer, the Notes will continue to be exempt from the registration requirements of the Securities Act and that neither the Issuer nor the pool of assets owned by the Issuer will be required to register as an investment company under the Investment Company Act;

(i) none of the Issuer, any Portfolio Manager Party or any Credit Suisse Party has given it any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) of the Notes;

(j) it acknowledges that, other than as expressly set forth herein, it has no rights or recourse with respect to the Collateral Debt Obligations or against any Credit Suisse Party, any Portfolio Manager Party or the Issuer;

(k) sales of Collateral Debt Obligations may result in Trading Losses that may reduce the amount payable on the Notes under the Priority of Payments;

(l) none of the Credit Suisse Parties or the Portfolio Manager Parties has a fiduciary, advisory or agency relationship with it or its affiliates in respect of any of the transactions contemplated by the Note Purchase Agreement, irrespective of whether any Credit Suisse Party or Portfolio Manager Party has advised or is advising it (or its affiliates) on other matters and it waives, to the fullest extent permitted by law, any claims it may have against the Credit Suisse Parties or Portfolio Manager Parties for breach of fiduciary duty or alleged breach of fiduciary duty in respect of any of the transactions contemplated by the Note Purchase Agreement and agrees that the Credit Suisse Parties and the Portfolio Manager Parties will have no liability (whether direct or indirect) to it (or its affiliates) in respect of any such fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of it (or its affiliates), including directors, partners, equity holders, employees or creditors of it (or its affiliates);

(m) it has been advised that the Credit Suisse Parties and the Portfolio Manager Parties each are engaged in a broad range of transactions which may involve interests that differ from those it (or its affiliates) and agrees that none of the Credit Suisse Parties or the Portfolio Manager Parties has any obligation to disclose such interests and transactions to it (or its affiliates) by virtue of any fiduciary, advisory or agency relationship or otherwise;

(n) the Senior Commitment Party may, in its sole discretion, decline to purchase or finance any Collateral Debt Obligations selected by the Portfolio Manager, and will be free, in its sole discretion, to follow or decline to follow any recommendations made by the Portfolio Manager or any other entity with respect to the Collateral Debt Obligations;

(o) the Credit Suisse Parties are full service securities firms engaged in securities trading and brokerage activities, as well as the provision of investment banking and structuring services. In the ordinary course of their business, the Credit Suisse Parties may from time to time effect transactions for their own accounts or for the accounts of customers, and underwrite, act as placement agent for or hold positions in, securities or options on securities of the Portfolio Manager, its affiliates and obligors of the Collateral Debt Obligations, may act as selling institution with respect to participations that are Collateral Debt Obligations and may sell certain Collateral Debt Obligations to the Issuer;

(p) it agrees not to cause the filing of a petition in bankruptcy against the Issuer prior to the date which is one year (or if longer, the applicable preference period then in effect) plus one day has elapsed since such the payment in full of the Notes;

(q) it agrees to treat its Senior Note as debt of the Issuer for U.S. federal, state and local income tax purposes and acknowledges that the Issuer will treat the Senior Notes as debt for U.S. federal income tax purposes; and

(r) it understands and agrees that the Issuer's sole source of funds for payment of all amounts due under its Senior Note and the Note Purchase Agreement shall be the Collateral, and, upon application of the proceeds of the Collateral in accordance with the terms and under the circumstances described in the Note Purchase Agreement (including the Priority of Payments), no recourse shall be had against the Issuer for any amounts still outstanding by the Issuer and all obligations of, and any claims against, the Issuer arising from its Senior Note or the Note Purchase Agreement or any transactions contemplated hereby shall be extinguished and shall not thereafter revive.

IN WITNESS WHEREOF, the undersigned has executed this Transfer Certificate on the date set forth below.

Dated:

_____
(Print Name of Entity)

By: _____
Title:

Transferee's Registered Name: _____

Transferee's Permanent Address: _____

Address for notices: _____

Telephone: _____
Facsimile: _____
Attention: _____

Transferee's Taxpayer Identification Number
or Social Security Number: _____

Wire transfer information: Bank: _____
Address: _____
Bank ABA#: _____
Account #: _____
FAO: _____
Attention: _____

ANNEX I

ELIGIBILITY CRITERIA

A Collateral Debt Obligation will be eligible for purchase by the Portfolio Manager on behalf of the Issuer if, at the time it is purchased, it:

(i) is U.S. Dollar denominated and is a senior secured loan, a second lien loan or a mezzanine loan;

(ii) is not a Defaulted Collateral Debt Obligation;

(iii) is not a lease;

(iv) is not a structured finance obligation or a synthetic security;

(v) provides for a fixed amount of principal payable on scheduled payment dates and/or at maturity and does not by its terms provide for earlier amortization or prepayment at a price of less than par;

(vi) does not constitute "margin stock" (as defined under Regulation U issued by the Board of Governors of the United States Federal Reserve System);

(vii) has payments that do not and will not subject the Issuer to withholding tax or other similar tax unless (a) the related obligor is required to make "gross-up" payments that ensure that the net amount actually received by the Issuer (after payment of all taxes, whether imposed on such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such taxes been imposed or (b) the withholding tax is imposed under Sections 1471, 1472, 1473 or 1474 of the Code;

(viii) has an S&P Rating and a Moody's Rating or is expected to achieve a rating higher than or equal to "B-/B3" and is not on watch for downgrade;

(ix) is not a debt obligation whose repayment is subject to substantial non-credit related risk;

(x) is not an obligation pursuant to which any future advances or payments to the borrower or the obligor thereof may be required to be made by the Issuer;

(xi) does not have an "f," "r," "p," "pi," "q" or "t" subscript assigned by S&P;

(xii) will not require the Issuer or the pool of collateral to be registered as an investment company under the Investment Company Act;

(xiii) is not a debt obligation that pays scheduled interest less frequently than semi-annually;

(xiv) is not subject to a tender offer, voluntary redemption, exchange offer, conversion or other similar action for a price less than its par amount plus all accrued and unpaid interest;

(xv) is not issued pursuant to an underlying instrument governing the issuance of indebtedness having an aggregate principal amount (whether drawn or undrawn) of less than U.S.$100,000,000 with no more than 25% issued pursuant to an underlying instrument governing the issuance of indebtedness having an aggregate principal amount (whether drawn or undrawn) of less than U.S.$150,000,000;

(xvi) does not mature later than 2018 except as otherwise agreed by the Senior Commitment Party; and

(xvii) is capable of being sold legally and beneficially or assigned to or participated in by the Issuer and any charge to be granted by the Issuer in respect of the Collateral Debt Obligation will be legal, valid and binding and will not conflict with any documentation with respect to the Collateral Debt Obligation.

ANNEX II

TAX OPERATING GUIDELINES

I. Introduction.

This schedule sets forth guidelines (the "Operating Guidelines") that, in addition to the other guidelines and restrictions set forth in the note purchase agreement dated as of February 24, 2012 (the "Note Purchase Agreement"), will be followed in managing the Collateral in a transaction in which Kohlberg Capital Corporation (the "Portfolio Manager") will act on behalf of and will be the portfolio manager for KCAP Funding, a Cayman Islands issuer (the "Issuer"), under the Note Purchase Agreement. The Issuer and the Portfolio Manager will follow these Operating Guidelines to help ensure that (i) the Issuer will not be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes; and (ii) income earned by the Issuer will be exempt from U.S. withholding and excise taxes; provided, however, that the Portfolio Manager shall be permitted to take actions not permitted by the Operating Guidelines if the Portfolio Manager has received a written opinion of nationally recognized tax counsel in the United States to the effect that such actions, when considered in light of the other activities of the Issuer, will not cause the Issuer to be engaged in a U.S. trade or business for U.S. federal income tax purposes. The Operating Guidelines do not apply to any securities lending transactions, hedging transactions or purchase of synthetic securities, and if the Portfolio Manager proposes to engage in any such activities, the Portfolio Manager must amend the Operating Guidelines accordingly and, in connection with such amendment, must receive a written opinion of nationally recognized tax counsel in the United States to the effect that such activities, when considered in light of the other activities of the Issuer, will not cause the Issuer to be engaged in a U.S. trade or business for U.S. federal income tax purposes. The Operating Guidelines are not a substitute for obtaining tax advice with respect to particular investments or other tax issues that may arise in connection with the Issuer's activities, and the Issuer will consult with its tax counsel and will receive written advice from such tax counsel as appropriate. Capitalized terms used and not defined herein shall have the respective meanings given to them in the Note Purchase Agreement.

II. General Guidelines.

A. *General Restrictions on the Activities of the Issuer.*

1. The Issuer will not engage in any activities other than:[1]

---

[1] For purposes of these Operating Guidelines, all references to actions of the Issuer shall include actions taken directly as well as actions taken indirectly through any person acting on its behalf (including the Portfolio Manager or an Affiliate of the Portfolio Manager acting on behalf of the Issuer). The term "**Affiliate**" or "**Affiliated**" where used herein with respect to a person shall include (i) any other person who, directly or indirectly, is in control of, controlled by, or under common control with, such person or (ii) any other person who is a director, officer or employee of (a) such person, or (b) any such other person described in clause (i) above. For the purposes of this definition, control of a person shall mean the power, direct or indirect, (x) to vote more than 50% of the securities having ordinary voting power for the election of directors of such person, or (y) to direct or cause the direction of the management and policies of such person whether by contract or otherwise. Notwithstanding the foregoing, the Issuer shall not be deemed to be an Affiliate of (A) the Portfolio Manager or any of its Affiliates solely by reason of the Note Purchase Agreement; or (B) the Collateral Administrator or any other special purpose vehicle controlled by it solely by reason of services provided in respect of any transaction contemplated under the Note Purchase Agreement, and the Portfolio Manager and its Affiliates shall not be treated as an Affiliate of any account or fund solely as a result of investment services provided to such account or fund.

(i) purchasing and selling Collateral Debt Obligations (and, to the extent permitted under the Note Purchase Agreement, certain short-term cash-equivalent investments of Available Funds) for its own account, in arm's length transactions, for the sole purpose of realizing a profit from income earned on them and/or any rise in their value during the period between purchase and sale;

(ii) issuing the Notes;

(iii) refinancing its obligations under the Notes with proceeds of a Refinancing Transaction; and

(iv) performing other actions in connection with the foregoing that are merely incidental thereto (including, without limitation, contracting with the Portfolio Manager, the Collateral Administrator, and other service providers and preparing reports).

2. The Issuer will not act as, hold itself out as, or represent to others that it is:

(i) a market maker or a dealer;[2]

(ii) a person who provides structuring, origination, syndication, lending, or other services for income;[3]

(iii) a guarantor, insurer, or reinsurer; or

(iv) a person that performs any similar function.

3. The Issuer will not register as, or take any action that, when considered in conjunction with its other activities, would cause it to be supervised as, a bank, finance company, other lending institution, insurance or reinsurance company, or broker/dealer.

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2 The term "**dealer**" where used herein shall mean a merchant of securities, commodities, or other assets regularly engaged as a merchant in purchasing such assets and selling them to customers with a view to the gains and profits that may be derived therefrom, or a person that regularly offers to enter into, assume, offset, assign, or otherwise terminate positions in derivatives with customers in the ordinary course of a trade or business, including regularly holding oneself out, in the ordinary course of one's trade or business, as being willing and able to enter into either side of a derivative transaction.

3 To the extent that an activity of the Issuer is addressed by Section III of these Operating Guidelines, the Issuer will not be treated as providing services in violation of clause (ii) as a result of such activity if the Issuer complies with the requirements set forth in Section III.

4. The Issuer will in all events comply with the restrictions on its activities set forth in the Note Purchase Agreement, the Issuer's organizing documents, and any related documents.

B. *Special Restrictions Relating to the Ownership of Certain Assets*.

1. The Issuer will not become the owner of any asset if a principal purpose of acquiring the asset is to facilitate a securities lending agreement with respect to the asset.

2. The Issuer will not become the owner of any asset:

(i) that is treated as an equity interest in a partnership, disregarded entity, or other entity whose activities are attributable to an owner for U.S. federal income tax purposes, unless:

(a) the entity is not treated, at any time, as engaged in a trade or business within the United States for U.S. federal income tax purposes; and

(b) the assets of the entity consist solely of assets that the Issuer could directly acquire consistent with the Note Purchase Agreement, the Issuer's organizing documents, and any related documents; or

(ii) the gain from the disposition of which would be subject to U.S. federal income or withholding tax under section 897 or section 1445, respectively, of the Code.

3. The Issuer will not become the owner of any asset if the ownership of such asset (together with the Issuer's other assets) would cause the Issuer to be treated as a taxable mortgage pool within the meaning of section 7701(i) of the Code.[4]

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4 A "**taxable mortgage pool**" is generally defined as any entity (or any pool of assets that is part of an entity) that is not a REMIC and that meets: (i) an asset test; (ii) a maturities test; and (iii) a relationship test. These tests are applied on each date on which the entity in question issues a debt obligation. Each of the tests is described briefly below:

(i) The *asset test* is met if 80 percent or more of all of the entity's or pool's assets consist of debt obligations and more than 50 percent of those obligations are "real estate mortgages" (or interests therein). The definition of "real estate mortgage" generally includes any debt obligation that is principally secured by real estate or interests in real estate (including other real estate mortgages). For this purpose, a debt obligation is "principally secured" by real estate if the fair market value of the real estate securing the debt obligation is at least 80 percent of the debt obligation's issue price at the time the obligation is issued.

(ii) The *maturities test* is met if the entity or pool is the obligor on two or more classes of debt with differing maturities (including notes with differing rights to partial principal payments).

(iii) The *relationship test* is met if the timing and amount of payments on debt issued by the entity or pool bear a relationship to payments on the debt assets it holds (whether or not mortgages).

III. Guidelines Relating to the Prohibition on Loan Origination Activities.

This Section III addresses the Issuer's acquisitions of interests in loans. See Section III.C, below, for additional rules applicable to deferred obligations.

A. *Definition of Loan*.

1. For purposes of these Operating Guidelines, the term "**loan**" shall, except as provided below, include any instrument that is or will be treated as a debt obligation for U.S. federal income tax purposes (including any deferred obligation,[5] whether funded or unfunded). For purposes of these Operating Guidelines, each separate tranche or class of debt obligations that are part of an issue or facility shall be treated as a separate loan.

2. Notwithstanding the foregoing, a debt obligation shall not be treated as a loan for purposes of these Operating Guidelines if it is (i) issued under a trust indenture or similar agreement under which a trustee is appointed to act on behalf of the holders of such debt obligation; and (ii) treated as a security for purposes of the Securities Act of 1933, as amended, unless the Issuer acquires at original issuance more than 25 percent (by value) of all of the debt obligations of the particular tranche or class offered at that time by that obligor, in which case all of such debt obligations will be treated as loans for purposes of these Operating Guidelines.

B. *Guidelines Applicable to All Loans.*

1. The Issuer will acquire all interests in loans by assignment or participation or, in the case of loans that are securities, by other customary means of secondary market transfer (any of the foregoing, an "assignment"), and will not sign a loan agreement as an original lender.

2. The Issuer will not acquire an interest in any loan prior to 2 days after the later of (x) the loan's original closing; and (y) the most recent date on which any of the principal terms of the loan were modified in a material fashion;[6] *provided, however,* that, subject to Section III.C, below, the Issuer may, prior to 2 days after the later of (x) and (y), enter into a commitment with a person that owns or will own such an interest to take an assignment or purchase a participation in such interest on a forward basis,[7] so long as:

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5 The term "**deferred obligation**" where used herein shall include (i) any revolving loan facility; (ii) any delayed funding loan; and (iii) any other obligation that commits the Issuer to provide funding, conditionally or unconditionally, to the borrower on a future date.

6 For purposes of these Operating Guidelines, the "**principal terms**" of a loan shall include its principal amount, interest rate, term, ranking compared with other liabilities, security, obligor, exchange or conversion rights, required or permitted timing of payments, fees or premiums, guarantees or other credit enhancements, and conditions to advancing additional funds.

7 The term "**commitment**" where used herein shall include any agreement or other commitment to acquire or to participate in any risks or benefits of an interest in a loan.

(i) the Issuer enters into the commitment with such person after the person has entered into its own written commitment to acquire the interest;

(ii) such person is not an obligor under the loan, the Portfolio Manager, any Affiliate of the Portfolio Manager, or any person acting on behalf of the foregoing;

(iii) the Issuer's commitment to take an assignment in such interest is conditioned on there being no material adverse change in the condition of any obligor under the loan, unless

(a) the Issuer enters into such commitment no sooner than two weeks after the person from whom the Issuer will acquire such interest (the "Original Lender") enters into its own commitment to acquire the interest or to use its best efforts to syndicate the loan; and

(b) the Issuer's commitment is documented in an industry standard commitment form for secondary market purchases, and is substantially similar to that given by all other persons who will acquire an interest in the loan from the Original Lender (including as to the lack of a material adverse change condition); and

(iv) the Issuer does not take an assignment in such interest pursuant to such commitment prior to 2 days after the later of (x) and (y).

3. Prior to acquiring an interest in a loan, the Issuer will not engage in any communications with any obligor under the loan or any person acting on behalf of such an obligor, except for due diligence communications in which an investor would customarily engage in order to decide whether to acquire such an interest in the secondary market.

4. Each acquisition of an interest in a loan by the Issuer will be a separate, stand-alone transaction and will not be part of a program or other arrangement pursuant to which the Issuer has a commitment (whether formal or not) to acquire interests in loans on an on-going basis.

5. The Issuer will not provide services in connection with a loan origination or syndication, and will not directly or indirectly share in any fee or discount paid or given in consideration for loan origination or syndication services. The Issuer will not receive (for any reason) a fee or discount that is calculated or described as a share of any fee or discount received by a loan originator or syndicator. The Issuer may receive a discount to compensate it for entering into a commitment to acquire a loan from a seller, provided that such compensation is negotiated at arm's length and the seller is acting for its own account.

6. The Issuer will not acquire an interest in a loan if the Issuer would own more than 50 percent of such loan or more than 25 percent of all loans that are part of an overall credit facility.

7. The Issuer will not negotiate the terms of any loan except, subject to Section 3.1(c) of the Note Purchase Agreement, as may be necessary with respect to a loan already owned by the Issuer that is in default or for which a default is imminent,[8] provided that such loan was acquired at a time when such default was not reasonably expected or anticipated. Notwithstanding the foregoing, the Issuer may exercise any voting or other rights available to a party, participant, or assignee under the documents applicable to a loan, and may accept or reject amendments or modifications proposed by an obligor under a loan.

8. The Issuer will not acquire an interest in any loan if the terms of such loan were negotiated by the Portfolio Manager (whether or not on behalf of the Issuer).

9. The Issuer will also not acquire an interest in any loan if the terms of such loan were negotiated by any Affiliate of the Portfolio Manager, unless:

   (i) the Issuer acquires the interest in an arm's length, secondary market transaction from a third party seller that is unrelated to the Affiliate, at least 45 days after the later of (x) the loan's original closing; and (y) the most recent date on which any of the principal terms of the loan were modified in a material fashion, and the Issuer does not enter into a commitment with respect to such interest before such later date;

   (ii) the Issuer acquires the interest from the Affiliate, but the loan was originated before the Issuer issued any notes, shares, or other securities, and the Affiliate did not negotiate the terms of the loan in anticipation of a transfer of all or a portion of such interest to the Issuer; or

   (iii) the Issuer acquires the interest from the Affiliate, and each of the following conditions is satisfied:

      (a) immediately after the Issuer enters into a commitment to acquire such interest, with respect to the portion of the Affiliate's allocation of such loan that is sold by the Affiliate, the amount acquired or committed to by third party investors that are unrelated to such Affiliate and that are not entities for which the Portfolio Manager or its Affiliates perform investment or collateral management services is at least as much as the amount acquired or committed to by other investors (including the Issuer);

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8 For purposes of these Operating Guidelines, any person that is an agent, placement agent, structurer, or syndicator with respect to any loan shall be deemed to have engaged in the negotiation of the terms of such loan. In the case of a person other than the foregoing, however, a negotiation of terms shall not include:
(i) communications with a seller or an agent prior to purchase stating the Issuer's terms and conditions for purchasing an interest in a loan;
(ii) comments on assignment provisions solely to permit assignment to a Cayman entity or the pledge of an interest in a loan to an indenture trustee;
(iii) comments relating to the wiring of funds; or
(iv) comments that the draft documents are inconsistent with an approved term sheet or that the loan documents contain mistakes.

(b) the Issuer acquires the interest on terms and conditions substantially identical to those applicable to the third party investors described in the preceding paragraph; and

(c) the Issuer does not acquire more than a 10 percent interest in such loan.

10. No bank or other lending institution that is a holder of a debt or equity interest issued by the Issuer will control or direct the Portfolio Manager's or Issuer's decision to invest in a particular asset except as otherwise allowed to a holder of such debt or equity interest, acting in that capacity, under the Note Purchase Agreement. In addition, the decision to invest in a particular asset will not be conditioned upon a particular person or entity holding debt or equity interests issued by the Issuer.

11. The Issuer will not acquire an interest in any loan with the intent or purpose of, or as part of a program of, entering into any transaction with a bank or other lending institution the effect of which is to substantially shift the economic benefits and burdens of ownership of an interest in the loan to such bank or other lending institution (e.g., a total rate of return swap), other than (x) issuing its Notes to banks or other lending institutions; and (y) selling loans (or participations in loans) to banks or other lending institutions in arm's length transactions that comply with the terms of the Note Purchase Agreement and these Operating Guidelines.

C. *Additional Guidelines Applicable to Deferred Obligations*.[9]

1. The Issuer will not acquire an interest in a deferred obligation unless:

(i) the deferred obligation is a part of an overall credit facility consisting of such deferred obligation and one or more related loans that are not deferred obligations, and the Issuer concurrently acquires (and intends to own) an interest in such related loans in an amount at least equal to the Issuer's aggregate drawn and undrawn amounts under the deferred obligation; or

(ii) the Issuer does not acquire such interest, or enter into any commitment with respect to such interest, prior to 2 days after the later of (x) the deferred obligation's original closing; and (y) the most recent date on which any of the principal terms of the deferred obligation were modified in a material fashion.

2. The Issuer will acquire an interest in a deferred obligation only if any conditions to the Issuer's obligation to advance funds to the borrower are based on objective factors and are not subject to the exercise of discretion by the Issuer.[10]

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9 For purposes of measuring the Issuer's interest in a deferred obligation, both drawn and undrawn amounts shall be counted.

10 For this purpose, a condition to the advance of funds that is based upon a determination that there has been no event that has had or could have a "material adverse effect" with respect to the borrower and any related entities or any similar provision shall be treated as an objective factor and not subject to the exercise of discretion by the Issuer.

3. The Issuer’s aggregate interests in deferred obligations will at no time exceed 15 percent of the Issuer’s aggregate amount of Collateral Debt Obligations (counting undrawn amounts for this purpose).

ANNEX III

MOODY'S RATING SCHEDULE

"Assigned Moody's Rating": The monitored publicly available rating or the monitored estimated rating expressly assigned to a debt obligation (or facility) by Moody's that addresses the full amount of the principal and interest promised; *provided* that so long as the Issuer applies for an estimated rating in a timely manner and provides the information required to obtain such estimate, pending receipt, such debt obligation (or facility) will have a Moody's Rating of "B3" for purposes of this definition if the Portfolio Manager certifies to the Collateral Administrator that the Portfolio Manager believes that such monitored estimated rating will be at least "B3."

"Corporate Family Rating": Moody's corporate family rating, the successor equivalent rating thereto (or the monitored estimated rating expressly assigned to an obligor by Moody's) or, if a corporate family rating has not yet been assigned, the senior implied rating; *provided* that pending receipt from Moody's of any such estimate, the Corporate Family Rating will be "B3" so long as the Portfolio Manager has certified to the Collateral Administrator in writing that application for such estimate is pending and such estimate is expected to be at least "B3."

"Moody's Default Probability Rating": With respect to any Collateral Debt Obligation, as of any date of determination, the rating determined in accordance with the following, in the following order of priority:

(a) any Collateral Debt Obligation (other than a Moody's Non Senior Secured Loan or a DIP loan):

(i) if the Collateral Debt Obligation's Obligor has a Corporate Family Rating from Moody's, such Corporate Family Rating; and

(ii) if the preceding clause does not apply, the Moody's Obligation Rating of such Collateral Debt Obligation;

(b) with respect to a Moody's Non Senior Secured Loan:

(i) if the Obligor has a senior unsecured obligation with an Assigned Moody's Rating, such rating; and

(ii) if the preceding clause does not apply, the Moody's Equivalent Senior Unsecured Rating of the Collateral Debt Obligation, as applicable; and

(c) with respect to a DIP loan, the rating that is one rating subcategory below the Moody's Obligation Rating thereof.

Notwithstanding the foregoing, if the Moody's rating or ratings used to determine the Moody's Default Probability Rating are on watch for downgrade or upgrade by Moody's, such rating or ratings will be adjusted down one subcategory (if on watch for downgrade) or up one subcategory (if on watch for upgrade).

"Moody's Equivalent Senior Unsecured Rating": With respect to any Collateral Debt Obligation and the Obligor thereof as of any date of determination, is the rating determined in accordance with the following, in the following order of priority:

(a) if the Obligor has a senior unsecured obligation with an Assigned Moody's Rating, such Assigned Moody's Rating;

(b) if the preceding clause does not apply, the Moody's "Issuer Rating" for the Obligor;

(c) if the preceding clauses do not apply, but the Obligor has a subordinated obligation with an Assigned Moody's Rating, then

(i) if such Assigned Moody's Rating is at least "B3" (and, if rated "B3," not on watch for downgrade), the Moody's Equivalent Senior Unsecured Rating shall be the rating which is one rating subcategory higher than such Assigned Moody's Rating, or

(ii) if such Assigned Moody's Rating is less than "B3" (or rated "B3" and on watch for downgrade), the Moody's Equivalent Senior Unsecured Rating shall be such Assigned Moody's Rating;

(d) if the preceding clauses do not apply, but the Obligor has a senior secured obligation with an Assigned Moody's Rating, then:

(i) if such Assigned Moody's Rating is at least "Caa3" (and, if rated "Caa3," not on watch for downgrade), the Moody's Equivalent Senior Unsecured Rating shall be the rating which is one subcategory below such Assigned Moody's Rating, or

(ii) if such Assigned Moody's Rating is less than "Caa3" (or rated "Caa3" and on watch for downgrade), then the Moody's Equivalent Senior Unsecured Rating shall be "Ca";

(e) if the preceding clauses do not apply, but such Obligor has a Corporate Family Rating from Moody's, the Moody's Equivalent Senior Unsecured Rating shall be one rating subcategory below such Corporate Family Rating;

(f) if the preceding clauses do not apply, but the Obligor has a senior unsecured obligation (other than a loan) with a monitored public rating from S&P (without any postscripts, asterisks or other qualifying notations, that addresses the full amount of principal and interest promised), then the Moody's Equivalent Senior Unsecured Rating shall be:

(i) one rating subcategory below the Moody's equivalent of such S&P rating if it is "BBB–" or higher, or

(ii) two rating subcategories below the Moody's equivalent of such S&P rating if it is "BB+" or lower;

(g) if the preceding clauses do not apply, but the Obligor has a subordinated obligation (other than a loan) with a monitored public rating from S&P (without any postscripts, asterisks or other qualifying notations, that addresses the full amount of principal and interest promised), the Assigned Moody's Rating shall be deemed to be:

(i) one rating subcategory below the Moody's equivalent of such S&P rating if it is "BBB–" or higher; or

(ii) two rating subcategories below the Moody's equivalent of such S&P rating if it is "BB+" or lower,

and the Moody's Equivalent Senior Unsecured Rating shall be determined pursuant to clause (c) above;

(h) if the preceding clauses do not apply, but the Obligor has a senior secured obligation with a monitored public rating from S&P (without any postscripts, asterisks or other qualifying notations, that addresses the full amount of principal and interest promised), the Assigned Moody's Rating shall be deemed to be:

(i) one rating subcategory below the Moody's equivalent of such S&P rating if it is "BBB–" or higher; or

(ii) two rating subcategories below the Moody's equivalent of such S&P rating if it is "BB+" or lower,

and the Moody's Equivalent Senior Unsecured Rating shall be determined pursuant to clause (d) above;

(i) if the preceding clauses do not apply and each of the following clauses (i) through (viii) do apply, the Moody's Equivalent Senior Unsecured Rating will be "Caa1":

(i) neither the Obligor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings,

(ii) no debt securities or obligations of the Obligor are in default,

(iii) neither the Obligor nor any of its Affiliates has defaulted on any debt during the preceding two years,

(iv) the Obligor has been in existence for the preceding five years,

(v) the Obligor is current on any cumulative dividends,

(vi) the fixed-charge ratio for the Obligor exceeds 125% for each of the preceding two fiscal years and for the most recent quarter,

(vii) the Obligor had a net profit before tax in the past fiscal year and the most recent quarter, and

(viii) the annual financial statements of such Obligor are unqualified and certified by a firm of Independent accountants, and quarterly statements are unaudited but signed by a corporate officer;

(j) if the preceding clauses do not apply but each of the following clause (i) and (ii) do apply, the Moody's Equivalent Senior Unsecured Rating will be "Caa3":

(i) neither the Obligor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings; and

(ii) no debt security or obligation of such Obligor has been in default during the past two years; and

(k) if the preceding clauses do not apply and a debt security or obligation of the Obligor has been in default during the past two years, the Moody's Equivalent Senior Unsecured Rating will be "Ca."

Notwithstanding the foregoing, no more than 10% of the Collateral Debt Obligations, by aggregate principal balance, may be given a Moody's Equivalent Senior Unsecured Rating based on a rating given by S&P as provided in clauses (f), (g) and (h) above.

"Moody's Non Senior Secured Loan": Any Loan (other than (a) a Senior Secured Loan or (b) a Senior Secured Note or a Second Lien Loan that has an obligation rating from Moody's that is equal to or greater than its Obligor's Corporate Family Rating).

"Moody's Obligation Rating": With respect to any Collateral Debt Obligation as of any date of determination, is the rating determined in accordance with the following, in the following order of priority:

(a) any Collateral Debt Obligation (other than a Moody's Non Senior Secured Loan or a DIP loan):

(i) if it has an Assigned Moody's Rating, such Assigned Moody's Rating;

(ii) if the preceding clause does not apply, its Corporate Family Rating; or

(iii) if the preceding clause does not apply, the rating that is one rating subcategory above the Moody's Equivalent Senior Unsecured Rating; and

(b) with respect to a Moody's Non Senior Secured Loan:

(i) if it has an Assigned Moody's Rating, such Assigned Moody's Rating; or

(ii) if the preceding clause does not apply, the Moody's Equivalent Senior Unsecured Rating; and

(c) with respect to a DIP loan:

(i) if it has an Assigned Moody's Rating, such Assigned Moody's Rating; or

(ii) if the preceding clause does not apply, the Moody's Equivalent Senior Unsecured Rating.

Notwithstanding the foregoing, if the Moody's rating or ratings used to determine the Moody's Obligation Rating are on watch for downgrade or upgrade by Moody's, such rating or ratings will be adjusted down one subcategory (if on watch for downgrade) or up one subcategory (if on watch for upgrade).

"Moody's Rating": The Moody's Default Probability Rating; *provided*, that, with respect to the Pledged Collateral Debt Obligations generally, if at any time Moody's or any successor to it ceases to provide rating services, references to rating categories of Moody's shall be deemed instead to be references to the equivalent categories of any other nationally recognized investment rating agency designated in writing by the Portfolio Manager on behalf of the Issuer (with a copy to the Collateral Administrator), as of the most recent date on which such other rating agency and Moody's published ratings for the type of security in respect of which such alternative rating agency is used. To the extent that the Issuer relies upon a credit estimate for purposes of the Moody's Rating of any Collateral Debt Obligation, the Portfolio Manager (on behalf of the Issuer) will apply for renewal of such credit estimate on an annual basis.

"Moody's Rating Factor": With respect to any Collateral Debt Obligation, the number set forth in the table below opposite the Moody's Rating of such Collateral Debt Obligation.

Moody's Rating	Moody's Rating Factor	Moody's Rating	Moody's Rating Factor
Aaa*	1	Ba1	940
Aa1	10	Ba2	1,350
Aa2	20	Ba3	1,766
Aa3	40	B1	2,220
A1	70	B2	2,720
A2	120	B3	3,490
A3	180	Caa1	4,770
Baa1	260	Caa2	6,500
Baa2	360	Caa3	8,070
Baa3	610	Ca, C or lower	10,000

* or any obligation issued or guaranteed as to the payment of principal and interest by the United States of America or any agency or instrumentality thereof the obligations of which are expressly backed by the full faith and credit of the United States of America.

"Obligor": The obligor under a Collateral Debt Obligation.

ANNEX IV

S&P RATING SCHEDULE

"S&P Rating": With respect to any Collateral Debt Obligation, the rating determined as follows: *provided*, *however*, (a) if such Collateral Debt Obligation is (x) on watch for upgrade by S&P it shall be treated as upgraded by one rating subcategory or (y) on watch for downgrade by S&P it shall be treated as downgraded by one rating subcategory, unless S&P has notified the Portfolio Manager in writing that such treatment is no longer required, (b) if it is a DIP loan with a rating by S&P as published by S&P, its S&P Rating shall be such rating, (c) if it is a structured finance obligation, its S&P Rating shall be determined based on clause (v) and (d) if it is a current pay obligation, its S&P Rating shall be determined based on clause (vi):

(i) if there is an issuer credit rating by S&P as published by S&P (or rating on a guarantor that unconditionally and irrevocably guarantees such Collateral Debt Obligation), then the S&P Rating of such Collateral Debt Obligation shall be such rating;

(ii) if there is not an issuer credit rating by S&P but there is a rating by S&P on a senior unsecured obligation of the obligor, then the S&P Rating of such Collateral Debt Obligation shall be such rating;

(iii) if such Collateral Debt Obligation is a senior secured or senior unsecured obligation of the obligor:

(A) if there is not an issuer credit rating or a rating on a senior unsecured obligation of the obligor by S&P, but there is a rating by S&P on a senior secured obligation of the obligor, then the S&P Rating of such Collateral Debt Obligation shall be one subcategory below such rating; and

(B) if there is not an issuer credit rating or a rating on a senior unsecured or senior secured obligation of the obligor by S&P, but there is a rating by S&P on a subordinated obligation of the obligor, then the S&P Rating of such Collateral Debt Obligation shall be one subcategory above such rating if such rating is higher than "BB+" and will be two subcategories above such rating if such rating is "BB+" or lower;

(iv) if clauses (i) through (iii) do not apply, then the S&P Rating of such Collateral Debt Obligation may be determined using any one of the methods below:

(A) if an obligation of the obligor has a published rating from Moody's then the S&P Rating will be determined in accordance with the methodologies for establishing the Moody's Rating, except that the S&P Rating of such Collateral Debt Obligation shall be (1) one subcategory below the S&P equivalent of the rating assigned by Moody's if such Collateral Debt Obligation is rated "Baa3" or higher by Moody's and (2) two subcategories below the S&P equivalent of the rating assigned by Moody's if such Collateral Debt Obligation is rated "Ba1" or lower by Moody's; *provided* that no more than 15% of the Collateral Debt Obligations, by aggregate principal balance, may be given an S&P Rating based on a rating given by Moody's as provided in this subclause (A); or

(B) if no other security or obligation of the obligor is rated by S&P or Moody's, then the Issuer or the Portfolio Manager on behalf of the Issuer, shall apply to S&P for a rating estimate, which shall be its S&P Rating; *provided* that, pending receipt, its S&P Rating will be determined as set forth in clause (vii) below;

(v) if it is a structured finance obligation,

(A) if such obligation has a published rating from S&P, then its S&P Rating shall be such rating;

(B) if such obligation does not have a published rating from S&P but has a published rating from Moody's, then the S&P Rating shall be determined in accordance with the methodologies for establishing the Moody's Rating, except that the S&P Rating of such structured finance obligation shall be (1) two subcategories below the S&P equivalent of the rating assigned by Moody's if such structured finance obligation is rated "Baa3" or higher by Moody's and (2) three subcategories below the S&P equivalent of the rating assigned by Moody's if such structured finance obligation is rated "Ba1" or lower by Moody's; *provided* that no more than 15% of the Collateral Debt Obligations, by aggregate principal balance, may be given an S&P Rating based on a rating given by Moody's as provided in this subclause (B); or

(C) if neither clause (A) nor (B) applies, then the Issuer or the Portfolio Manager on behalf of the Issuer, shall apply to S&P for a rating estimate, which shall be its S&P Rating; *provided* that, pending receipt, its S&P Rating will be determined as set forth in clause (vii) below;

(vi) if it is a current pay obligation, then its S&P Rating will be determined as follows.

(A) if the Issuer owns only one issue of debt obligation of an issuer with a distressed exchange offer pending, then (1) with respect to a current pay obligation ranking higher in priority (before and after the exchange) than the obligation subject to the distressed exchange offer, the higher of (x) the rating derived by adjusting such current pay obligation's issue rating up or down by the number of notches specified in Table 1 below for its related asset specific recovery rating and (y) "CCC-," and (ii) with respect to any other such current pay obligation, "CCC-", and

(B) if the Issuer owns more than one issue of obligations of an issuer with a distressed exchange offer pending, then with respect to each such current pay obligation, the rating corresponding to the weighted average rating "points" in Table 2 below calculated by dividing (1) the sum of the products of (x) the outstanding par amount of each current pay obligation multiplied by (y) the rating "points" in Table 2 below corresponding to the rating of such current pay obligation as determined pursuant to clause (A) above by (2) the aggregate outstanding par amount of all such current pay obligations issued by the issuer with the distressed exchange offer pending.

(vii) if the Issuer has applied for a credit estimate at the time of the acquisition of a Collateral Debt Obligation, pending receipt from S&P of such estimate, the S&P Rating of such Collateral Debt Obligation shall be the credit estimate that the Portfolio Manager believes will be provided by S&P, in each case for no more than 90 days (unless S&P grants an extension) after which the S&P Rating will be "CCC-"; *provided*, that to the extent that the Issuer relies upon a credit estimate, it must be renewed annually, and pending receipt of such renewal, the S&P Rating shall be that of the expiring credit estimate for no more than 90 days after the 12 month anniversary (unless S&P grants an extension) after which the S&P Rating will be "CCC-."

Table 1

Asset Specific Recovery Rating	Notches to Derive Rating from Issue Rating
1+	-3
1	-2
2	-1
3	0
4	0
5	+1
6	+2
None	Not available for notching

Table 2

Rating	Rating "Points"
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10
BB+	11
BB	12
BB-	13
B+	14
B	15
B-	16
CCC+	17

With respect to the Collateral Debt Obligations generally, if at any time S&P (or its successor) ceases to provide rating services, references to rating categories of S&P shall be deemed instead to be references to the equivalent categories of any other nationally recognized investment rating agency designated in writing by the Portfolio Manager on behalf of the Issuer (with written notice to the Collateral Administrator), as of the most recent date on which such other rating agency and S&P published ratings for the type of security in respect of which such alternative rating agency is used. The Collateral Administrator, the Issuer and the Portfolio Manager shall not disclose any such estimated rating received from S&P.

ANNEX V

S&P'S CDO MONITOR ASSET CLASSIFICATIONS

1	Aerospace & defense
2	Air transport
3	Automotive
4	Beverage & tobacco
5	Radio & television
6	[reserved]
7	Building & development
8	Business equipment & services
9	Cable & satellite television
10	Chemicals & plastics
11	Clothing/textiles
12	Conglomerates
13	Containers & glass products
14	Cosmetics/toiletries
15	Drugs
16	Ecological services & equipment
17	Electronics/electrical
18	Equipment leasing
19	Farming/agriculture
20	Financial intermediaries
21	Food/drug retailers
22	Food products
23	Food service
24	Forest products
25	Health care
26	Home furnishings
27	Lodging & casinos
28	Industrial equipment
29	[reserved]
30	Leisure goods/activities/movies
31	Nonferrous metals/minerals
32	Oil & gas
33	Publishing
34	Rail industries
35	Retailers (except food & drug)
36	Steel
37	Surface transport
38	Telecommunications
39	Utilities
40	Mortgage REITs
41	Equity REITs and REOCs
42	[reserved]
43	Life insurance
44	Health insurance
45	Property & casualty insurance
46	Diversified insurance

ANNEX VI

INITIAL PORTFOLIO

TO BE PROVIDED

COLLATERAL ADMINISTRATION AGREEMENT

This COLLATERAL ADMINISTRATION AGREEMENT (this "Agreement") dated as of February 24, 2012 is made by and among KCAP Funding (the "Issuer"), Kohlberg Capital Corporation ("Kohlberg"), in its capacity as portfolio manager (the "Portfolio Manager"), Credit Suisse AG, Cayman Islands ("CS"), in its capacity as Senior Commitment Party (as defined in the Note Purchase Agreement (as defined below)) and The Bank of New York Mellon Trust Company, National Association (the "Bank"), in its capacities as Collateral Administrator (the "Collateral Administrator") and Collateral Agent (the "Collateral Agent"). Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Note Purchase Agreement.

WITNESSETH:

WHEREAS, the Issuer intends to acquire, from time to time, Collateral Debt Obligations selected by the Portfolio Manager and approved by the Senior Commitment Party with financing provided by the Senior Commitment Party and Junior Noteholder pursuant to the Note Purchase Agreement, dated as of February 24, 2012, between the Issuer, CS, in its capacities as Senior Commitment Party and Senior Noteholder, Kohlberg, in its capacities as Junior Noteholder and Portfolio Manager, Credit Suisse Securities (USA) LLC, in its capacity as Arranger, and the Bank, in its capacities as Collateral Agent and Collateral Administrator (such agreement, the "Note Purchase Agreement");

WHEREAS, the Collateral Administrator shall receive, hold in safekeeping and release Collateral Debt Obligations purchased by the Issuer and all interest (including paid and unpaid accrued interest, premiums and fees, without duplication) amounts, principal amounts and other amounts received on account of the Collateral Debt Obligations, and CLO Asset Management Fees and any interest thereon (collectively, the "Assets") in accordance with the terms of this Agreement and the Note Purchase Agreement, and perform certain administrative functions relating to the Collateral Debt Obligations.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows.

1. The Collateral Administrator hereby agrees to accept (a) the Collateral Debt Obligations from time to time presented to the Collateral Administrator by the Issuer (or the Portfolio Manager on its behalf), (b) the CLO Asset Management Fees, (c) any proceeds of the foregoing and (d) any financing amounts from time to time presented to the Collateral Administrator by the Senior Commitment Party or the Junior Noteholder, and agrees to hold, release and transfer the same in accordance with the provisions of this Agreement and the Note Purchase Agreement.

2. The Collateral Administrator shall, on or prior to the date of this Agreement, establish four segregated, non-interest bearing trust accounts in the name of the Collateral Agent for the benefit of the Secured Parties, which shall be designated as (a) an interest account with the account number [ ] (the "Interest Account"), (b) a principal account with the account number [ ] (the "Principal Account"), (c) a collateralized loan obligation asset management fees account with account number [ ] (the "CLO Asset Management Fees Account") and (d) a custodial account with the account number [ ] (the "Custody Account," and together with the Interest Account, Principal Account and the CLO Asset Management Fees Account, the "Accounts"). Any interest, premiums and fees accrued on and other income on the Collateral Debt Obligations shall be held in the Interest Account. Any principal payments or redemption amounts with respect to the Collateral Debt Obligations shall be held in the Principal Account. Any CLO Asset Management Fees and any interest thereon shall be held in the CLO Asset Management Fees Account. Unless a Termination Event has occurred, the Collateral Administrator will release funds on deposit in the CLO Asset Management Fees Account at the direction of the Portfolio Manager. Any financing amounts received from the Senior Commitment Party or the Junior Noteholder shall be credited to the Principal Account prior to the application of such amount to the purchase of Collateral Debt Obligations in accordance with the Note Purchase Agreement. Any Collateral Debt Obligations purchased by the Issuer shall be held in the Custodial Account. Any amounts received with respect to the Collateral Debt Obligations and any CLO Asset Management Fees shall be invested by the Collateral Administrator in the JPMorgan US Dollar Treasury Liquidity Fund, unless otherwise specified in writing jointly by the Portfolio Manager and the Senior Commitment Party. The Collateral Administrator shall not be liable for losses on any investments made by it pursuant to and in compliance with such instructions. Wire instructions with respect to the Collateral Administrator are listed in Section II of Exhibit A to the Note Purchase Agreement.

3. (a) The Collateral Administrator represents and warrants that it is a bank or trust company that in the ordinary course of business maintains securities accounts for others and in that capacity has established the Accounts and qualifies as a "securities intermediary" as defined in Article 8 of the Uniform Commercial Code, as in effect from time to time in the State of New York (the "UCC") and will maintain the Accounts as "securities accounts" as defined in Article 8 of the UCC.

(b) The Collateral Administrator agrees that:

(i) the Collateral Administrator will treat the Collateral Agent as the "entitlement holder" within the meaning of the UCC, entitled to exercise the rights that comprise the financial assets credited to the Accounts;

(ii) following a Termination Event, the Collateral Administrator will act only on entitlement orders or other instructions with respect to the Accounts originated by the Collateral Agent and no other person;

(iii) the Collateral Administrator will treat all property credited to any Account as a "financial asset" for purposes of Article 8 of the UCC;

(iv) the Collateral Administrator has no notice of any adverse claim with respect to any "financial asset" credited to any Account; and

(v) any security interest or right of set-off in favor of the Collateral Administrator with respect to any Account will be subordinate to the Priority of Payments.

(c) Following a Termination Event, the Collateral Agent will act solely upon the direction of the Controlling Party with respect to amounts on deposit in or credited to each Account and in accordance with the Note Purchase Agreement.

(d) The Collateral Administrator and the Collateral Agent will be deemed to have knowledge of a Termination Event only if they receive actual notice or have actual knowledge of such Termination Event.

(e) The parties hereto agree that "securities intermediary's jurisdiction" for the purposes of Section 8-110 of the UCC shall be the State of New York. The parties hereto further agree that with respect to any Account the law applicable to all the issues in Article 2(1) of The Hague Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary shall be the law of the State of New York.

4. The Collateral Administrator shall hold the Assets in safekeeping as custodian and shall release and transfer the Assets only in accordance with the provisions of the Note Purchase Agreement and this Agreement. If the Refinancing Date occurs, on the Refinancing Date, Collateral Debt Obligations held in the Custodial Account, CLO Asset Management Fees held in the CLO Asset Management Fees Account and any remaining proceeds to be retained by the Issuer after application of the Priority of Payments shall be released and transferred in accordance with written instructions from the Portfolio Manager and the Senior Commitment Party.

5. The Collateral Administrator shall be obligated only for the performance of such duties as are specifically set forth in this Agreement and the Note Purchase Agreement and may rely and shall be protected in acting or refraining from acting on any written notice, request, waiver, consent or instrument reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Collateral Administrator shall not be required to risk or expend its own funds in performing its obligations hereunder. The Collateral Administrator shall have no duty to determine or inquire into the happening or occurrence of any event or contingency, and it is agreed that its duties are purely ministerial in nature. The Collateral Administrator may consult with and obtain advice from legal counsel as to any provision hereof or its duties hereunder. The Collateral Administrator shall not be liable for any action taken or omitted by it, except for gross negligence or willful misconduct, in good faith and reasonably believed by it to be authorized hereby, nor for action taken or omitted by it in accordance with the advice of its counsel. Anything in this Agreement notwithstanding, in no event shall the Collateral Administrator be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Collateral Administrator has been advised of such loss or damage and regardless of the form of action.

6. If the Collateral Administrator receives funds from the Senior Commitment Party or Junior Noteholder to purchase Collateral Debt Obligations on behalf of the Issuer, the Collateral Administrator shall remit those funds to the sellers of such Collateral Debt Obligations upon the written direction of the Portfolio Manager.

7. The Collateral Administrator shall perform the following functions with respect to the Assets:

(a) Enter information (as mutually agreed by the Collateral Administrator, the Portfolio Manager and the Senior Commitment Party) regarding each acquired Collateral Debt Obligation into the Collateral Administrator's loan tracking system;

(b) Make adjustments on a daily basis to the loan tracking system to account for principal and interest payments received on the Collateral Debt Obligations;

(c) Provide the Senior Commitment Party and the Portfolio Manager electronic access to all documents, information, notices, requests and any other correspondence received from the agent banks with respect to the Collateral Debt Obligations;

(d) Prepare and deliver the Collateral Reports and any other information relating to the Assets as required by the Note Purchase Agreement;

(e) Keep full and accurate books and records relating to the Assets and stamp or otherwise mark such books and records in such manner as the Senior Commitment Party may reasonably require; and

(f) Take such other actions with respect to the Assets as may be reasonably required by the Note Purchase Agreement or may be reasonably requested by the Senior Commitment Party and agreed to by the Collateral Administrator, which agreement shall not be unreasonably withheld.

8. The Collateral Administrator may at any time resign hereunder by giving written notice of its resignation to the Issuer, the Senior Commitment Party and the Portfolio Manager at least thirty (30) days prior to the date specified for such resignation to take effect, and upon the effective date of such resignation, the Assets hereunder shall be delivered by it to such person as may be designated in writing by the Senior Commitment Party, whereupon all the Collateral Administrator's obligations hereunder shall cease and terminate. If no such person shall have been designated by such date and an instrument of acceptance by a successor Collateral Administrator shall not have been delivered to the Collateral Administrator, the Issuer, the Senior Commitment Party and the Portfolio Manager within thirty (30) days after giving such notice of resignation, the Collateral Administrator may petition any court of competent jurisdiction for the appointment of a successor Collateral Administrator. The Collateral Administrator's sole responsibility thereafter shall be to keep safely all Assets then held by it and to deliver the same to a person designated in writing by the Senior Commitment Party or in accordance with the direction of a final order or judgment of a court of competent jurisdiction.

9. The Issuer (the "indemnifying party") agrees to indemnify, defend and hold the Bank, its officers, directors, employees and agents (each, an "indemnified party") harmless from and against any and all losses, claims, damages, demands, expenses and costs, causes of action, judgments or liabilities that may be incurred by the Bank, its officers, directors, employees and agents arising directly or indirectly out of or in connection with the Bank's acceptance or appointment as Collateral Administrator hereunder and its other capacities under the Note Purchase Agreement, including the reasonable out-of-pocket legal costs and expenses as such expenses are incurred (including, without limitation, the expenses of any experts, counsel or agents) of investigating, preparing for or defending itself against any action, claim or liability in connection with its performance hereunder. In no event, however, shall the Issuer be obligated to indemnify the Bank and save the Bank harmless from any fees, expenses, charges and/or liabilities incurred by the Bank as a result of its own willful misconduct or gross negligence.

Promptly after receipt by an indemnified party under this paragraph 9 of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing of the commencement thereof. In case any such action shall be brought against an indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and to assume the defense thereof, with counsel reasonably satisfactory to the indemnified party who may, subject to the following sentence, be counsel to the indemnifying party. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnified party shall have the right to participate in such action and to retain its own counsel, but the indemnifying party shall not be liable to such indemnified party hereunder for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof, unless (i) the Issuer has agreed in writing to pay such fees and expenses or (ii) the Issuer shall have failed to employ counsel reasonably satisfactory to the indemnified party in a timely manner or (iii) the indemnified party shall have been advised by counsel that representation of the indemnified party by counsel provided by the Issuer pursuant to the foregoing would be inappropriate due to an actual or potential conflicting interest between the Issuer and the indemnified party, including situations in which there are one or more legal defenses available to the indemnified party that are different from or additional to those available to the Issuer; provided, however, that the Issuer shall not, in connection with any one such action or proceeding or separate but substantially similar actions or proceedings arising out of the same general allegations, be liable for the fees and expenses of more than one separate firm of attorneys at any time for all indemnified parties, except to the extent that local counsel, in addition to its regular counsel, is required in order to effectively defend against such action or proceeding. No indemnified party may consent to the terms of any compromise or settlement of any action without the prior consent of the Issuer. If the indemnifying party does not notify the indemnified party in writing, within 45 days (or such shorter period within which a timely answer or response must be filed) after the receipt of notice of the commencement of any action, that the indemnifying party elects to undertake the defense thereof, then such indemnified party shall have the right to contest the claim or (with the prior written consent of the indemnifying party, which consent shall not be withheld unreasonably) settle or compromise the claim and the indemnifying party will pay the indemnified party in immediately available funds for all out-of-pocket expenses (including the reasonable fees and expenses of counsel and other experts and agents) and all other losses, claims, damages, demands, costs, judgments or liabilities actually paid by such indemnified party, all as aforesaid.

10. The Issuer warrants and represents to the Collateral Administrator that the Collateral Administrator has no duty to withhold any federal or state income tax, local or state property tax, local or state sales or use taxes, or any other tax by any taxing authority arising from its custody of the Assets. The Issuer agrees to indemnify the Collateral Administrator fully for any tax liability, penalties or interest incurred by the Collateral Administrator arising hereunder and agrees to pay in full any such tax liability together with penalty and interest if any tax liability is ultimately assessed against the Collateral Administrator for any reason as a result of its actions hereunder (except for the Collateral Administrator's individual income tax liability arising from the income from its fees).

11. The Issuer agrees to pay the Bank for the services rendered by it pursuant to the provisions of this Agreement and the Note Purchase Agreement as set forth in a separate fee letter between the Bank and the Issuer. Except as otherwise noted, this fee covers account acceptance, set up and termination expenses, plus usual and customary related administrative services such as safekeeping, investment, collection and distribution of assets, including normal record-keeping/reporting requirements and any legal expenses related to the arrangement in addition to other activities and duties expressly agreed to herein or in the Note Purchase Agreement. Any additional services beyond the receipt, investment and payment of funds specified in this Agreement or the services specified in the Note Purchase Agreement, or activities requiring excessive administrator time or out-of-pocket expenses, shall be deemed extraordinary expenses for which related costs, transaction charges and additional fees will be billed at the Bank's standard charges for such items.

The Issuer's obligation to pay the Bank's indemnities, fees and expenses shall survive the termination of this Agreement and the resignation of the Collateral Administrator.

12. The Collateral Administrator shall have no liability for losses arising from any cause beyond its control, including but not limited to, the act, failure or neglect of any agent, attorney or correspondent selected with due care by the Collateral Administrator; any delay, error, omission or default of any mail, email, telegraph, cable or wireless agency or operator; or the acts or edicts of any government or governmental agency or other group or entity exercising governmental powers. In no event shall the Collateral Administrator be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, it being understood that the Collateral Administrator shall use reasonable best efforts which are consistent with accepted practices in the industry to maintain performance.

13. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

14. This Agreement shall remain in full force and effect until the earlier to occur of (a) the transfer of all of the Assets in accordance with Paragraph 4 above, and (b) a court of competent jurisdiction finally disposing of the rights and obligations of the parties pursuant to the provisions hereof. The parties hereto shall not be bound by any modification, amendment, termination, cancellation, rescission or supersession of this Agreement unless the same shall be in writing and signed by each of the parties hereto.

15. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

16. Any corporation or association into which the Collateral Administrator may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Collateral Administrator shall be a party, or any corporation or association to which all or substantially all of the corporate trust business of the Collateral Administrator may be sold or otherwise transferred, shall be the successor Collateral Administrator hereunder without any further act.

17. Notwithstanding any other provision of this Agreement, the parties hereto may not, prior to the date that is one year (or, if longer, the then applicable preference period) plus one day after termination of this Agreement or, in the event securities of the Issuer are issued pursuant to or in respect of the Refinancing Transaction, the payment in full of all such notes institute against, or join any other individual or entity in instituting against the Issuer, any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other proceedings under Cayman Islands bankruptcy laws, United States federal or state bankruptcy laws, or any similar laws.

None of the directors, officers, incorporators, shareholders, partners, agents or employees of the Issuer shall be personally liable for any of the obligations of the Issuer under this Agreement. Notwithstanding anything to the contrary contained herein, the Issuer's sole source of funds for payment of all amounts due hereunder shall be the Collateral, and, upon application of the proceeds of the Collateral in accordance with the terms and under the circumstances described herein, no recourse shall be had against the Issuer for any amounts still outstanding by the Issuer and all obligations of, and any claims against, the Issuer arising from this Agreement or any transactions contemplated hereby shall be extinguished and shall not thereafter revive.

The provisions of this Paragraph 17 shall survive the termination of this Agreement and resignation of the Collateral Administrator.

18. THE PARTIES HERETO VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR THE NOTE PURCHASE AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY OF THE PARTIES HERETO AND THERETO. THE PARTIES HERETO HEREBY AGREE THAT THEY WILL NOT SEEK TO CONSOLIDATE ANY SUCH LITIGATION WITH ANY OTHER LITIGATION IN WHICH A JURY TRIAL HAS NOT OR CANNOT BE WAIVED. THE PROVISIONS OF THIS SECTION 18 HAVE BEEN FULLY NEGOTIATED BY THE PARTIES HERETO AND SHALL BE SUBJECT TO NO EXCEPTIONS. EACH PARTY ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR EACH PARTY ENTERING INTO THIS AGREEMENT AND THE NOTE PURCHASE AGREEMENT.

19. The Bank, in its capacity as Collateral Administrator, agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured email, facsimile transmission or other similar unsecured electronic methods, *provided, however*, that each party providing such instructions or directions shall provide to the Bank an incumbency certificate listing persons designated to provide such instructions or directions, which incumbency certificate shall be amended whenever a person is added or deleted from the listing. If such party elects to give the Bank email or facsimile instructions (or instructions by a similar electronic method) and the Bank in its discretion elects to act upon such instructions, the Bank's reasonable understanding of such instructions shall be deemed controlling. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflicting with or being inconsistent with a subsequent written instruction. Each party hereto agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Bank, including without limitation the risk of the Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties. Any party providing such instructions acknowledges and agrees that there may be more secure methods of transmitting such instructions than the method(s) selected by it and agrees that the security procedures (if any) to be followed in connection with its transmission of such instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

IN WITNESS WHEREOF, the parties hereto have hereunto caused this Collateral Administration Agreement to be executed as of the day and year first hereinabove written.

KCAP FUNDING

By: /s/ Cleveland Stewart
Name: Cleveland Stewart
Title: Director

CREDIT SUISSE AG, CAYMAN ISLANDS,
as Senior Commitment Party

By: /s/ Bik Kwan Chung
Name: Bik Kwan Chung
Title: Authorized Signatory

By: /s/ Louis J. Impellizeri
Name: Louis J. Impellizeri
Title: Authorized Signatory

KOHLBERG CAPITAL CORPORATION,
as Portfolio Manager

By: /s/ Dayl W. Pearson
Name: Dayl W. Pearson
Title: Chief Executive Officer
Kohlberg Capital Corporation

The Bank of New York Mellon Trust
Company, National Association,
as Collateral Administrator

By: /s/ MARIA D. CALZADO
Name: MARIA D. CALZADO
Title: Vice President

Execution Version

[Trimaran Advisors, L.L.C. letterhead]

February 29, 2012

Jay R. Bloom
c/o Trimaran Fund Management, LLC
1325 Avenue of the Americas, 34th Floor
New York, NY 10019

Dear Mr. Bloom:

This letter (the "Agreement") will confirm our offer to you of employment with Trimaran Advisors, L.L.C. (the "Company"), under the terms and conditions that follow.

1. **Position, Duties and Term.**

(a) You will be employed by the Company as a Portfolio Manager of the collateral of Trimaran CLO IV Ltd. ("CLO IV"), Trimaran CLO V Ltd., Trimaran CLO VI Ltd. and Trimaran CLO VII Ltd. (collectively, along with CLO IV, the "CLOs") reporting to the Chief Executive Officer (the "CEO") of Kohlberg Capital Corporation ("KCAP"). Promptly following the date hereof, KCAP will (unless you by notice to KCAP elect otherwise) propose to its Nominating and Corporate Governance Committee (the "Nominating Committee") your nomination to its Board of Directors of (the "KCAP Board"). Subject to the approval of such nomination by the Nominating Committee, you shall be appointed to the KCAP Board. At the first stockholder meeting after the date hereof at which you shall stand for reelection to the KCAP Board, KCAP will (unless you by notice to KCAP on or prior to the date that is 30 days prior to the date that the KCAP proxy statement for such stockholder meeting is mailed to stockholders elect otherwise) propose to its Nominating Committee your renomination to the KCAP Board, and subject to the approval of such nomination by the Nominating Committee, you shall be nominated for election by the KCAP stockholders at such stockholder meeting.

(b) As a Portfolio Manager, you shall be responsible for the management of the collateral of the CLOs. You agree to perform the duties of your position, including, without limitation, performing such duties as are required to satisfy your obligations as a "Key Manager" as such term is defined in the Collateral Management Agreement, dated as of September 29, 2005, between CLO IV and the Company (the "CLO IV CMA"), in the form the same exists on the date hereof . Anything in this Agreement to the contrary notwithstanding, the Company and KCAP agree that you shall have no responsibilities or duties (including fiduciary duties) as an employee of the Company (or agent of KCAP) other than those responsibilities and duties expressly set forth in this Section 1(b) or in Sections 1(d) and 3 and that your obligations in this Agreement (other than in Section 3) are conditioned on the Company's providing or causing to be provided such resources as you may reasonably request and such personnel as are reasonably necessary in connection with the management of the CLOs' assets and those other assets managed by KCAP and its subsidiaries and such personnel's reasonable performance of their duties and otherwise complying with your (or your delegate's) reasonable instructions.

(c) The term of this Agreement (the "Term") shall be for one year following the date hereof and shall automatically renew on each anniversary of such date unless either party delivers a written notice of nonrenewal to the other party not later than ninety (90) days prior to any such anniversary; provided that the Company may not deliver such notice prior to the CLO IV Termination Date.

(d) Notwithstanding anything to the contrary in this Section 1 or elsewhere in this Agreement but subject to the immediately following sentence, you agree not to take any action (including, without limitation, exercising any non-renewal pursuant to Section 1(c)) that would be reasonably expected to result in a "Key Manager Event" as such term is defined in the CLO IV CMA. For the avoidance of doubt, the occurrence of a Key Manager Event primarily caused by any of the following shall not result in a violation of this Section 1(d): (i) termination (or non-renewal) of this Agreement (x) by you (A) for Good Reason or (B) after the earlier of (I) December 1, 2017 or (II) the date on which CLO IV is dissolved (the earlier of such dates (I) and (II), the "CLO IV Termination Date"), or (y) by the Company for any reason, (ii) your death or Serious Illness or (iii) any action taken by you at the direct instruction or with the express consent of the KCAP Board. "Serious Illness" means an illness materially adversely affecting your ability to perform your duties hereunder with respect to CLO IV for at least 45 days, based on the written opinion of a physician selected by you (and reasonably acceptable to the Company) delivered to the Company.

(e) The parties agree that you may perform your duties hereunder at such location as you shall determine.

2. **Compensation and Benefits.** During the Term, as compensation for all services performed by you for the Company and its Affiliates and subject to your full performance hereunder, the Company will provide you the following pay and benefits:

(a) **Base Salary.** The Company will pay you a base salary at the rate shown on Schedule 2(a) per year plus, if applicable, the Kehler Base Salary Amount, payable in accordance with the regular payroll practices of the Company and its Affiliates and subject to increase, but not decrease, from time to time by the KCAP Board in its discretion.

(b) **No Participation in Employee Benefit Plans or Paid Time Off.** You acknowledge and agree that you shall not be entitled to participate in any employee benefit plans from time to time in effect for employees of the Company or its Affiliates. You further acknowledge that you shall not earn any paid time off during your employment by the Company.

(c) **Business Expenses.** The Company will pay or reimburse you for all reasonable business expenses incurred or paid by you in the performance of your duties and responsibilities for the Company hereunder, subject to any maximum annual limit and other restrictions on such expenses set by the Company and to such reasonable substantiation and documentation as may be specified from time to time. Your right to reimbursement for business expenses hereunder shall be subject to the following additional rules: (i) the amount of expenses eligible for reimbursement during any calendar year shall not affect the expenses eligible for reimbursement in any other taxable year, (ii) reimbursement shall be made as soon as practicable following your submission for reimbursement, but in all events not later than March 31 of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement is not subject to liquidation or exchange for any other benefit.

(d) **Indemnification.** KCAP represents and warrants to you that the KCAP Board has designated you, by virtue of your employment hereunder, as an agent of KCAP and, as such, you are entitled to the indemnification rights set forth in its Certificate of Incorporation. To the extent that any amendment to KCAP's Certificate of Incorporation or By-laws after the date hereof adversely affects such rights as in effect as of the date hereof, such amendment shall not, subject to the requirements of applicable law, reduce your rights to indemnification thereunder. The provision of this Section 2(d) shall survive any termination or non-renewal of this Agreement, regardless of the reason therefor.

3. **Confidential Information.**

(a) **Confidential Information.** During the course of your employment with the Company, you will learn of Confidential Information, as defined below, and you may develop Confidential Information on behalf of the Company and its Affiliates. You agree that you will not use or disclose to any Person (except as required by applicable law or for the proper performance of your regular duties and responsibilities for the Company) any Confidential Information obtained by you incident to your employment or any other association with the Company or any of its Affiliates. You agree that this restriction shall continue to apply after your employment terminates, regardless of the reason for such termination.

(b) **Protection of Documents.** All documents, records and files, in any media of whatever kind and description, relating to the business, present or otherwise, of the Company or any of its Affiliates, and any copies, in whole or in part, thereof (the "Documents"), whether or not prepared by you, shall be the sole and exclusive property of the Company. You agree to safeguard all Documents and to surrender to the Company, at the time your employment terminates, all Documents then in your possession or control.

(c) The provisions in this Section 3 will not prohibit any (i) retention of copies of records or disclosure (1) required by any applicable Legal Requirement (as defined in the Purchase and Sale Agreement dated as of the date hereof between KCAP, Commodore Holdings, L.L.C, you, Dean C. Kehler, HBK Caravelle, L.L.C. and Trimaran Fund Management, L.L.C. (the "Purchase Agreement")) or Governmental Authority (as defined in the Purchase Agreement) so long as reasonable prior notice is given to the Company of such disclosure and a reasonable opportunity is afforded to the Company to contest the same or (2) made or used in connection with the enforcement of any right or remedy relating to this Agreement or the Purchase Agreement or (ii) use of (1) information delivered pursuant to Section 8.05 of the Purchase Agreement or (2) "track record" information for periods ending prior to January 1, 2011.

(d) In signing this Agreement, you give the Company assurance that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed on you under this Section 3. You further agree that, were you to breach any of the covenants contained in this Section 3, the damage to the Company and its Affiliates would be irreparable. You therefore agree that the Company, in addition to any other remedies available to it, shall be entitled to seek preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants, without having to post bond, together with an award of its reasonable attorney's fees incurred in enforcing its rights hereunder. It is also agreed that each of the Company's Affiliates shall have the right to enforce all of your obligations to that Affiliate under this Agreement, including without limitation pursuant to this Section 3. Finally, no claimed breach of this Agreement or other violation of law attributed to the Company shall operate to excuse you from the performance of your obligations under this Section 3.

4. **Termination of Employment.** Your employment under this Agreement may be terminated prior to the expiration of the Term pursuant to this Section 4.

(a) The Company may terminate your employment for Cause by providing written notice to you specifying in reasonable detail the condition giving rise to Cause no later than the 30th day following the occurrence of that condition, providing you 30 days to remedy the condition and so specifying in the notice and by terminating your employment within 30 days following the expiration of the remedy period if you fail to remedy the condition. The following, as determined by the Company in its reasonable judgment, shall constitute Cause: (i) your material negligence in the performance of your material duties and responsibilities hereunder to the Company, which could reasonably result in material injury to the Company or any of its Affiliates, taken as a whole or (ii) your material breach of any material provision of this Agreement or of Section 6.02 or 6.04 of the Purchase Agreement, including, without limitation, a breach of your obligations under Section 3 of this Agreement.

(b) The Company may terminate your employment at any time other than for Cause upon 90 days' notice to you. The Company may elect to waive such notice period or any portion thereof; but in that event, the Company shall pay you your base salary for that portion of the notice period so waived.

(c) You may terminate this Agreement for Good Reason by providing written notice to the Company specifying in reasonable detail the condition giving rise to Good Reason no later than the 30th day following the occurrence of that condition, providing the Company 30 days to remedy the condition and so specifying in the notice and by terminating your employment within 30 days following the expiration of the remedy period if the Company fails to remedy the condition. The following, as determined by you, in your reasonable judgment, shall constitute Good Reason: a material breach by the Company or KCAP of any material provision of this Agreement.

(d) This Agreement shall automatically terminate in the event of your death during employment. In the event you become disabled during employment and, as a result, are unable to continue to perform substantially all of your duties and responsibilities under this Agreement, either with or without reasonable accommodation, the Company will continue to pay you your base salary and to provide you benefits in accordance with Section 2(c) above for up to twelve (12) weeks of disability during any period of three hundred and sixty-five (365) consecutive calendar days. If you are unable to return to work after twelve (12) weeks of disability, the Company may terminate your employment, upon notice to you. If any question shall arise as to whether you are disabled to the extent that you are unable to perform substantially all of your duties and responsibilities for the Company and its Affiliates, you shall, at the Company's request, submit to a medical examination by a physician selected by the Company to whom you or your guardian, if any, has no reasonable objection to determine whether you are so disabled, and such determination shall for purposes of this Agreement be conclusive of the issue. If such a question arises and you fail to submit to the requested medical examination, the Company's determination of the issue shall be binding on you.

5. **Other Matters Related to Termination.**

(a) In the event of termination of your employment with the Company, howsoever occurring, the Company shall pay you as soon as practicable following the effective date of such termination (the "Separation Date") (i) your final base salary through the Separation Date or through the end of any period of notice waived; and (ii) reimbursement for business expenses incurred by you but not yet paid to you as of the Separation Date; provided you submit all expenses and supporting documentation required within 60 days of the Separation Date, and provided further that such expenses are reimbursable under Company policies as then in effect.

(b) Following the termination of your employment by the Company without Cause or by you for Good Reason, the Company shall pay you the base salary that you would have received hereunder, but for such termination, from the Separation Date through the end of the then-current Term (including any extension thereof, if you or the Company delivers notice of such termination within ninety (90) days prior to the expiration of the Term) (such payment, the "Severance Payment"). Your right to receive and retain the Severance Payment is conditioned, however, on your continued compliance with your surviving obligations under this Agreement. Any Separation Payment to which you become entitled shall be paid in a lump sum on the sixtieth (60th) day following the Separation Date.

(c) The provisions of this Agreement shall survive any termination of employment if so provided in this Agreement or if necessary or desirable to accomplish the purposes of other surviving provisions, including without limitation your obligations under Section 3(a) and (b) of this Agreement and the KCAP's and the Company's obligations in Section 2(d).

6. **Definitions.** For purposes of this Agreement, the following definitions apply:

(a) "Affiliates" means all persons and entities directly or indirectly controlling, controlled by or under common control with the Company, where control may be by management authority, equity interest or otherwise.

(b) "Confidential Information" means any and all information of the Company and its Affiliates that is not generally available to the public. Confidential Information also includes any information received by the Company or any of its Affiliates from any Person with any understanding, express or implied, that it will not be disclosed. Confidential Information does not include information that enters the public domain, other than through your breach of your obligations under this Agreement.

(c) "Kehler Base Salary Amount" means, in respect of any period during which you may not terminate (or during which you may not elect not to renew) this Agreement pursuant to Section 1(c) without violating Section 1(d) and during which Dean Kehler is no longer employed by the Company pursuant to his employment agreement with the Company (other than as a result of a termination for Cause thereunder or a termination due to his death or permanent disability), the base salary that would have been payable to Dean Kehler had his Employment Agreement not been terminated (or not renewed) by the Company (other than for Cause or due to his death or disability). For the avoidance of doubt, for purposes of this definition, it will be assumed that a notice of non-renewal could be given by you pursuant to Section 1(c) at any time and would be effective on the date given.

(d) "Person" means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust or any other entity or organization, other than the Company or any of its Affiliates.

7. **Conflicting Agreements.** You hereby represent and warrant that your signing of this Agreement and the performance of your obligations under it will not breach or be in conflict with any other agreement to which you are a party or are bound, and that you are not now subject to any covenants against competition or similar covenants or any court order that could affect the performance of your obligations under this Agreement. You agree that you will not disclose to or use on behalf of the Company any confidential or proprietary information of a third party without that party's consent.

8. **Limitation of Remedies.** Neither the Company nor KCAP shall have any right to monetary damages in respect of any breach of your obligations hereunder other than for (a) an intentional or willful breach of any such obligation (i.e., a breach of this Agreement resulting from action or inaction by you which action or inaction was known by you to be a breach hereof), or (b) any breach of Section 1(d), 3 or 7.

9. **Withholding.** All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law.

10. **Assignment.** Neither you nor the Company may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; provided, however, the Company may assign its rights and obligations under this Agreement without your consent to one of its Affiliates (provided that the Company shall remain secondarily liable for all obligations of such Affiliate following any such assignment) or to any Person with or into whom the Company shall hereafter effect a reorganization, consolidate, or merge, or to whom it shall transfer all or substantially all of its properties or assets. This Agreement shall inure to the benefit of and be binding upon you and the Company, and each of our respective successors, executors, administrators, heirs and permitted assigns.

11. **Severability.** If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12. **Miscellaneous.** This Agreement sets forth the entire agreement between you and the Company, and replaces all prior and contemporaneous communications, agreements and understandings, written or oral, with respect to the terms and conditions of your employment. This Agreement may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by you and an expressly authorized representative of the KCAP Board. The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument. This is a New York contract and shall be governed and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

13. **Notices.** Any notice, request, demand, claim or other communication required or permitted to be delivered, given or otherwise provided under this Agreement must be in writing and must be delivered personally, delivered by nationally recognized overnight courier service, sent by certified or registered mail, postage prepaid, or (if a facsimile number is provided below) sent by facsimile (subject to electronic confirmation of good facsimile transmission). Any such notice, request, demand, claim or other communication shall be deemed to have been delivered and given (a) when delivered, if delivered personally, (b) the Business Day (as defined in the Purchase Agreement) after it is deposited with such nationally recognized overnight courier service, if sent for overnight delivery by a nationally recognized overnight courier service, (c) the day of sending, if sent by facsimile prior to 5:00 p.m. (Eastern time) on any Business Day or the next succeeding Business Day if sent by facsimile after 5:00 p.m. (Eastern time) on any Business Day or on any day other than a Business Day or (d) five Business Days after the date of mailing, if mailed by certified or registered mail, postage prepaid, in each case, to the following address or, if applicable, facsimile number, or to such other address or addresses or facsimile number or numbers as such party may subsequently designate to the other parties by notice given hereunder:

If to KCAP or the Company, to:

Kohlberg Capital Corporation
or
Trimaran Advisors LLC
c/o Kohlberg Capital Corporation
295 Madison Avenue - 6th Floor
New York, NY 10017
Telephone number: (212) 455-8300
Facsimile number: (212) 983-7654
Attention: Dayl Pearson, Chief Executive Officer

with a copy (which shall not constitute notice) to:

Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02199
Telephone number: (617) 951-7802
Facsimile number: (617) 235-0514
Attention: Craig Marcus

If to you, to:

Jay R. Bloom
c/o Trimaran Fund Management, LLC
1325 Avenue of the Americas, 34th Floor
New York, NY 10019
Telephone number: 212-616-3710
Facsimile number: 212-616-3794

with a copy (which shall not constitute notice) to:

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, NY 10019
Telephone number: (212) 728-8278
Facsimile number: (212) 728-9278
Attention: Laurence Weltman

Each of the parties to this Agreement may specify a different address or addresses or facsimile number or facsimile numbers by giving notice in accordance with this Section 13 to each of the other parties hereto.

If the foregoing is acceptable to you, please sign this letter in the space provided below. At the time you sign and return it, this letter will take effect as a binding agreement between you and the Company on the basis set forth above. The enclosed copy is for your records.

[Signature Page Follows]

Sincerely yours,

/s/ Dayl Pearson

Dayl Pearson, President

Accepted and Agreed:

/s/ Jay R. Bloom
Jay R. Bloom

Date: February 29, 2012

Accepted and Agreed (as to the last three sentences of Section 1(a) and Section 2(d))

KOHLBERG CAPITAL CORPORATION

By: /s/ Dayl Pearson
Name: Dayl Pearson
Title: President

Schedule 2(a)

Year Commencing:	Annual Salary
February 29, 2012	$ 50,000
March 1, 2013	$ 75,000
March 1, 2014	$ 125,000
March 1, 2015 and thereafter	$ 200,000

Execution Version

[Trimaran Advisors, L.L.C. letterhead]

February 29, 2012

Dean C. Kehler
c/o Trimaran Fund Management, LLC
1325 Avenue of the Americas, 34th Floor
New York, NY 10019

Dear Mr. Kehler:

This letter (the "Agreement") will confirm our offer to you of employment with Trimaran Advisors, L.L.C. (the "Company"), under the terms and conditions that follow.

1. **Position, Duties and Term.**

(a) You will be employed by the Company as a Portfolio Manager of the collateral of Trimaran CLO IV Ltd. ("CLO IV"), Trimaran CLO V Ltd., Trimaran CLO VI Ltd. and Trimaran CLO VII Ltd. (collectively, along with CLO IV, the "CLOs") reporting to the Chief Executive Officer (the "CEO") of Kohlberg Capital Corporation ("KCAP"). Promptly following the date hereof, KCAP will (unless you by notice to KCAP elect otherwise) propose to its Nominating and Corporate Governance Committee (the "Nominating Committee") your nomination to its Board of Directors of (the "KCAP Board"). Subject to the approval of such nomination by the Nominating Committee, you shall be appointed to the KCAP Board. At the first stockholder meeting after the date hereof at which you shall stand for reelection to the KCAP Board, KCAP will (unless you by notice to KCAP on or prior to the date that is 30 days prior to the date that the KCAP proxy statement for such stockholder meeting is mailed to stockholders elect otherwise) propose to its Nominating Committee your renomination to the KCAP Board, and subject to the approval of such nomination by the Nominating Committee, you shall be nominated for election by the KCAP stockholders at such stockholder meeting.

(b) As a Portfolio Manager, you shall be responsible for the management of the collateral of the CLOs. You agree to perform the duties of your position. Anything in this Agreement to the contrary notwithstanding, the Company and KCAP agree that you shall have no responsibilities or duties (including fiduciary duties) as an employee of the Company (or agent of KCAP) other than those responsibilities and duties expressly set forth in this Section 1(b) or in Section 3 and that your obligations in this Agreement (other than in Section 3) are conditioned on the Company's providing or causing to be provided such resources as you may reasonably request and such personnel as are reasonably necessary in connection with the management of the CLOs' assets and those other assets managed by KCAP and its subsidiaries and such personnel's reasonable performance of their duties and otherwise complying with your (or your delegate's) reasonable instructions.

(c) The term of this Agreement (the "Term") shall be for one year following the date hereof and shall automatically renew on each anniversary of such date unless either party delivers a written notice of nonrenewal to the other party not later than ninety (90) days prior to any such anniversary; provided that the Company may not deliver such notice prior to the earlier of (i) December 1, 2017 or (ii) the date on which Trimaran CLO IV Ltd. is dissolved.

(d) The parties agree that you may perform your duties hereunder at such location as you shall determine.

2. **Compensation and Benefits.** During the Term, as compensation for all services performed by you for the Company and its Affiliates and subject to your full performance hereunder, the Company will provide you the following pay and benefits:

(a) **Base Salary.** The Company will pay you a base salary at the rate shown on Schedule 2(a) per year, payable in accordance with the regular payroll practices of the Company and its Affiliates and subject to increase, but not decrease, from time to time by the KCAP Board in its discretion.

(b) **No Participation in Employee Benefit Plans or Paid Time Off.** You acknowledge and agree that you shall not be entitled to participate in any employee benefit plans from time to time in effect for employees of the Company or its Affiliates. You further acknowledge that you shall not earn any paid time off during your employment by the Company.

(c) **Business Expenses.** The Company will pay or reimburse you for all reasonable business expenses incurred or paid by you in the performance of your duties and responsibilities for the Company hereunder, subject to any maximum annual limit and other restrictions on such expenses set by the Company and to such reasonable substantiation and documentation as may be specified from time to time. Your right to reimbursement for business expenses hereunder shall be subject to the following additional rules: (i) the amount of expenses eligible for reimbursement during any calendar year shall not affect the expenses eligible for reimbursement in any other taxable year, (ii) reimbursement shall be made as soon as practicable following your submission for reimbursement, but in all events not later than March 31 of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement is not subject to liquidation or exchange for any other benefit.

(d) **Indemnification.** KCAP represents and warrants to you that the KCAP Board has designated you, by virtue of your employment hereunder, as an agent of KCAP and, as such, you are entitled to the indemnification rights set forth in its Certificate of Incorporation. To the extent that any amendment to KCAP's Certificate of Incorporation or By-laws after the date hereof adversely affects such rights as in effect as of the date hereof, such amendment shall not, subject to the requirements of applicable law, reduce your rights to indemnification thereunder. The provision of this Section 2(d) shall survive any termination or non-renewal of this Agreement, regardless of the reason therefor.

3. **Confidential Information.**

(a) **Confidential Information.** During the course of your employment with the Company, you will learn of Confidential Information, as defined below, and you may develop Confidential Information on behalf of the Company and its Affiliates. You agree that you will not use or disclose to any Person (except as required by applicable law or for the proper performance of your regular duties and responsibilities for the Company) any Confidential Information obtained by you incident to your employment or any other association with the Company or any of its Affiliates. You agree that this restriction shall continue to apply after your employment terminates, regardless of the reason for such termination.

(b) **Protection of Documents.** All documents, records and files, in any media of whatever kind and description, relating to the business, present or otherwise, of the Company or any of its Affiliates, and any copies, in whole or in part, thereof (the "Documents"), whether or not prepared by you, shall be the sole and exclusive property of the Company. You agree to safeguard all Documents and to surrender to the Company, at the time your employment terminates, all Documents then in your possession or control.

(c) The provisions in this Section 3 will not prohibit any (i) retention of copies of records or disclosure (1) required by any applicable Legal Requirement (as defined in the Purchase and Sale Agreement dated as of the date hereof between KCAP, Commodore Holdings, L.L.C, you, Jay R. Bloom, HBK Caravelle, L.L.C. and Trimaran Fund Management, L.L.C. (the "Purchase Agreement")) or Governmental Authority (as defined in the Purchase Agreement) so long as reasonable prior notice is given to the Company of such disclosure and a reasonable opportunity is afforded to the Company to contest the same or (2) made or used in connection with the enforcement of any right or remedy relating to this Agreement or the Purchase Agreement or (ii) use of (1) information delivered pursuant to Section 8.05 of the Purchase Agreement or (2) "track record" information for periods ending prior to January 1, 2011.

(d) In signing this Agreement, you give the Company assurance that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed on you under this Section 3. You further agree that, were you to breach any of the covenants contained in this Section 3, the damage to the Company and its Affiliates would be irreparable. You therefore agree that the Company, in addition to any other remedies available to it, shall be entitled to seek preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants, without having to post bond, together with an award of its reasonable attorney's fees incurred in enforcing its rights hereunder. It is also agreed that each of the Company's Affiliates shall have the right to enforce all of your obligations to that Affiliate under this Agreement, including without limitation pursuant to this Section 3. Finally, no claimed breach of this Agreement or other violation of law attributed to the Company shall operate to excuse you from the performance of your obligations under this Section 3.

4. **Termination of Employment.** Your employment under this Agreement may be terminated prior to the expiration of the Term pursuant to this Section 4.

(a) The Company may terminate your employment for Cause by providing written notice to you specifying in reasonable detail the condition giving rise to Cause no later than the 30th day following the occurrence of that condition, providing you 30 days to remedy the condition and so specifying in the notice and by terminating your employment within 30 days following the expiration of the remedy period if you fail to remedy the condition. The following, as determined by the Company in its reasonable judgment, shall constitute Cause: (i) your material negligence in the performance of your material duties and responsibilities hereunder to the Company, which could reasonably result in material injury to the Company or any of its Affiliates, taken as a whole or (ii) your material breach of any material provision of this Agreement or of Section 6.02 or 6.04 of the Purchase Agreement, including, without limitation, a breach of your obligations under Section 3 of this Agreement.

(b) The Company may terminate your employment at any time other than for Cause upon 90 days' notice to you. The Company may elect to waive such notice period or any portion thereof; but in that event, the Company shall pay you your base salary for that portion of the notice period so waived.

(c) You may terminate this Agreement for Good Reason by providing written notice to the Company specifying in reasonable detail the condition giving rise to Good Reason no later than the 30th day following the occurrence of that condition, providing the Company 30 days to remedy the condition and so specifying in the notice and by terminating your employment within 30 days following the expiration of the remedy period if the Company fails to remedy the condition. The following, as determined by you, in your reasonable judgment, shall constitute Good Reason: (i) a material breach by the Company or KCAP of any material provision of this Agreement or (ii) the failure of the Nominating Committee to nominate you as a director of KCAP at the meeting of KCAP shareholders described in Section 1(a).

(d) This Agreement shall automatically terminate in the event of your death during employment. In the event you become disabled during employment and, as a result, are unable to continue to perform substantially all of your duties and responsibilities under this Agreement, either with or without reasonable accommodation, the Company will continue to pay you your base salary and to provide you benefits in accordance with Section 2(c) above for up to twelve (12) weeks of disability during any period of three hundred and sixty-five (365) consecutive calendar days. If you are unable to return to work after twelve (12) weeks of disability, the Company may terminate your employment, upon notice to you. If any question shall arise as to whether you are disabled to the extent that you are unable to perform substantially all of your duties and responsibilities for the Company and its Affiliates, you shall, at the Company's request, submit to a medical examination by a physician selected by the Company to whom you or your guardian, if any, has no reasonable objection to determine whether you are so disabled, and such determination shall for purposes of this Agreement be conclusive of the issue. If such a question arises and you fail to submit to the requested medical examination, the Company's determination of the issue shall be binding on you.

5. **Other Matters Related to Termination.**

(a) In the event of termination of your employment with the Company, howsoever occurring, the Company shall pay you as soon as practicable following the effective date of such termination (the "Separation Date") (i) your final base salary through the Separation Date or through the end of any period of notice waived; and (ii) reimbursement for business expenses incurred by you but not yet paid to you as of the Separation Date; provided you submit all expenses and supporting documentation required within 60 days of the Separation Date, and provided further that such expenses are reimbursable under Company policies as then in effect.

(b) Following the termination of your employment by the Company without Cause or by you for Good Reason, the Company shall pay you the base salary that you would have received hereunder, but for such termination, from the Separation Date through the end of the then-current Term (including any extension thereof, if you or the Company delivers notice of such termination within ninety (90) days prior to the expiration of the Term) (such payment, the "Severance Payment"). Your right to receive and retain the Severance Payment is conditioned, however, on your continued compliance with your surviving obligations under this Agreement. Any Separation Payment to which you become entitled shall be paid in a lump sum on the sixtieth (60th) day following the Separation Date.

(c) The provisions of this Agreement shall survive any termination of employment if so provided in this Agreement or if necessary or desirable to accomplish the purposes of other surviving provisions, including without limitation your obligations under Section 3(a) and (b) of this Agreement and the KCAP's and the Company's obligations in Section 2(d).

6. **Definitions.** For purposes of this Agreement, the following definitions apply:

(a) "Affiliates" means all persons and entities directly or indirectly controlling, controlled by or under common control with the Company, where control may be by management authority, equity interest or otherwise.

(b) "Confidential Information" means any and all information of the Company and its Affiliates that is not generally available to the public. Confidential Information also includes any information received by the Company or any of its Affiliates from any Person with any understanding, express or implied, that it will not be disclosed. Confidential Information does not include information that enters the public domain, other than through your breach of your obligations under this Agreement.

(c) "Person" means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust or any other entity or organization, other than the Company or any of its Affiliates.

7. **Conflicting Agreements.** You hereby represent and warrant that your signing of this Agreement and the performance of your obligations under it will not breach or be in conflict with any other agreement to which you are a party or are bound, and that you are not now subject to any covenants against competition or similar covenants or any court order that could affect the performance of your obligations under this Agreement. You agree that you will not disclose to or use on behalf of the Company any confidential or proprietary information of a third party without that party's consent.

8. **Limitation of Remedies.** Neither the Company nor KCAP shall have any right to monetary damages in respect of any breach of your obligations hereunder other than for (a) an intentional or willful breach of any such obligation (i.e., a breach of this Agreement resulting from action or inaction by you which action or inaction was known by you to be a breach hereof), or (b) any breach of Section 3 or 7.

9. **Withholding.** All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law.

10. **Assignment.** Neither you nor the Company may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; provided, however, the Company may assign its rights and obligations under this Agreement without your consent to one of its Affiliates (provided that the Company shall remain secondarily liable for all obligations of such Affiliate following any such assignment) or to any Person with or into whom the Company shall hereafter effect a reorganization, consolidate, or merge, or to whom it shall transfer all or substantially all of its properties or assets. This Agreement shall inure to the benefit of and be binding upon you and the Company, and each of our respective successors, executors, administrators, heirs and permitted assigns.

11. **Severability.** If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12. **Miscellaneous.** This Agreement sets forth the entire agreement between you and the Company, and replaces all prior and contemporaneous communications, agreements and understandings, written or oral, with respect to the terms and conditions of your employment. This Agreement may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by you and an expressly authorized representative of the KCAP Board. The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument. This is a New York contract and shall be governed and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

13. **Notices.** Any notice, request, demand, claim or other communication required or permitted to be delivered, given or otherwise provided under this Agreement must be in writing and must be delivered personally, delivered by nationally recognized overnight courier service, sent by certified or registered mail, postage prepaid, or (if a facsimile number is provided below) sent by facsimile (subject to electronic confirmation of good facsimile transmission). Any such notice, request, demand, claim or other communication shall be deemed to have been delivered and given (a) when delivered, if delivered personally, (b) the Business Day (as defined in the Purchase Agreement) after it is deposited with such nationally recognized overnight courier service, if sent for overnight delivery by a nationally recognized overnight courier service, (c) the day of sending, if sent by facsimile prior to 5:00 p.m. (Eastern time) on any Business Day or the next succeeding Business Day if sent by facsimile after 5:00 p.m. (Eastern time) on any Business Day or on any day other than a Business Day or (d) five Business Days after the date of mailing, if mailed by certified or registered mail, postage prepaid, in each case, to the following address or, if applicable, facsimile number, or to such other address or addresses or facsimile number or numbers as such party may subsequently designate to the other parties by notice given hereunder:

If to KCAP or the Company, to:

Kohlberg Capital Corporation
or
Trimaran Advisors LLC
c/o Kohlberg Capital Corporation
295 Madison Avenue - 6th Floor
New York, NY 10017
Telephone number: (212) 455-8300
Facsimile number: (212) 983-7654
Attention: Dayl Pearson, Chief Executive Officer

with a copy (which shall not constitute notice) to:

Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02199
Telephone number: (617) 951-7802
Facsimile number: (617) 235-0514
Attention: Craig Marcus

If to you, to:

Dean C. Kehler
c/o Trimaran Fund Management, LLC
1325 Avenue of the Americas, 34th Floor
New York, NY 10019
Telephone number: 212-616-3730
Facsimile number: 212-616-3794

with a copy (which shall not constitute notice) to:

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, NY 10019
Telephone number: (212) 728-8278
Facsimile number: (212) 728-9278
Attention: Laurence Weltman

Each of the parties to this Agreement may specify a different address or addresses or facsimile number or facsimile numbers by giving notice in accordance with this Section 13 to each of the other parties hereto.

If the foregoing is acceptable to you, please sign this letter in the space provided below. At the time you sign and return it, this letter will take effect as a binding agreement between you and the Company on the basis set forth above. The enclosed copy is for your records.

[Signature Page Follows]

Sincerely yours,

/s/ Dayl Pearson

Dayl Pearson, President

Accepted and Agreed:

/s/ Dean C. Kehler
Dean C. Kehler

Date: February 29, 2012

Accepted and Agreed (as to the last three sentences of Section 1(a) and Section 2(d))

KOHLBERG CAPITAL CORPORATION

By: /s/ Dayl Pearson
Name: Dayl Pearson
Title: President

Schedule 2(a)

Year Commencing:	Annual Salary
February 29, 2012	$ 50,000
March 1, 2013	$ 75,000
March 1, 2014	$ 125,000
March 1, 2015 and thereafter	$ 200,000

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 of the Corporation, as amended from time to time (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 promulgated 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) pursuant to the Corporation's notice with respect to such meeting, (b) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (~~b~~c) 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. Clause (c) of the preceding sentence shall be the exclusive means for a stockholder to make nominations for election of directors before a meeting of stockholders, and, unless the Board of Directors has determined that directors will be elected at a special meeting of the stockholders, no stockholder may nominate directors for election at any special meeting of the stockholders.

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~~.~~, which notice shall include the information contemplated by this Section 11.

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. In no event shall any adjournment or postponement of an annual or special meeting of the stockholders or the announcement thereof commence a new time period for the delivery of such notice by a stockholder.

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, classes 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 (v) a description of all direct and indirect compensation and other material monetary arrangements, agreements or understandings during the past three years, and any other material relationship, if any, between the stockholder and its respective affiliates or associates, or others with whom they are acting in concert, on the one hand, and the proposed nominee, and his or her respective affiliates or associates, on the other hand; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class, classes or series and number of shares of capital stock of the Corporation which are directly or indirectly 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~~ or any Stockholder Associated Person (as defined below), (iii) any option, warrant, convertible security, stock appreciation right or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class (or, if applicable, series) of shares of stock of the Corporation or with a value derived in whole or in part from the value of any class (or, if applicable, series) of shares of stock of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (each, a "Derivative Instrument") directly or indirectly owned beneficially or of record by such stockholder or any Stockholder Associated Person and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of stock of the Corporation of the stockholder or any Stockholder Associated Person, (iv) any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any securities of the Corporation, (v) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or beneficially owns an interest in a general partner, (vi) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of the shares of stock of the Corporation or Derivative Instruments, (vii) whether the stockholder intends to deliver a proxy statement and form of proxy to holders of a sufficient number of the Corporation's voting shares reasonably believed by such stockholder to be sufficient to elect such nominee or nominees, (viii) 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~~ix) 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~~If the stockholder holds its shares by or through a nominee, the information contemplated by this Section 11 shall be provided about each person who has sole or shared power to direct the voting and disposition of the shares of capital stock of the Corporation and each person who has a pecuniary interest in such shares in lieu of the stockholder. The 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. In addition, any nominee proposed by a stockholder shall complete a questionnaire, in a form provided by the Corporation, within 10 days of receipt of the form of questionnaire from the Corporation, and the Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

~~No~~Subject to the Certificate of Incorporation and applicable law, 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. Notwithstanding the foregoing provisions of this Section 11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder.

For purposes of these Bylaws, (a) "public disclosure" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act, and (b) a "Stockholder Associated Person" of any stockholder means (i) any "affiliate" or "associate" (as those terms are defined in Rule 12b-2 under the Exchange Act) of the stockholder and (ii) any person acting in concert with such stockholder or any affiliate or associate of such stockholder with respect to the capital stock or any other security or Derivative Instrument of the Corporation.

SECTION 12. Advance Notice Provisions for Business to be Transacted at ~~Annual Meeting~~Meetings. 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 the Corporation or 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. Clause (c) of the preceding sentence shall be the exclusive means for a stockholder to propose business (other than matters properly brought under Rule 14a-8 under the Exchange Act and included in the Corporation's notice of meeting) before an annual meeting of stockholders.

In addition to any other applicable requirements, for business to be properly brought before ~~an annual~~a meeting by a stockholder, the business must be a proper matter for stockholder action under the Delaware General Corporation Law, and such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation~~.~~, which notice shall contain the information contemplated by this Section 12.

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, and (c) in the case of a special meeting of stockholders, 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. In no event shall any adjournment or postponement of a meeting of the stockholders or the announcement thereof commence a new time period for the delivery of such notice by a stockholder.

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~~proposal desired to be brought before the ~~annual~~ meeting and the reasons for ~~conducting~~making such ~~business~~proposal at the ~~annual~~ meeting, (ii) the name and record address of such stockholder, (iii) the class, classes 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~~proposal, (v) any Derivative Instrument directly or indirectly owned beneficially or of record by such stockholder or any Stockholder Associated Person and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of stock of the Corporation of the stockholder or any Stockholder Associated Person, (vi) any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any securities of the Corporation, (vii) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or beneficially owns an interest in a general partner, (viii) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of the shares of stock of the Corporation or Derivative Instruments, (ix) a representation that such stockholder intends to appear in person or by proxy at the ~~annual~~ meeting to bring such business before the meeting, and (x) whether the stockholder intends to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal. If the stockholder holds its shares by or through a nominee, the information contemplated by this Section 12 shall be provided about each person who has sole or shared power to direct the voting and disposition of the shares of capital stock of the Corporation and each person who has a pecuniary interest in such shares in lieu of the stockholder.

~~No~~Notwithstanding anything in these Bylaws to the contrary, subject to the Certificate of Incorporation and applicable law, no business shall be conducted at ~~the annual~~a 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~~effect any rights, if any, of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable provisions of federal law, including the Exchange Act. If the chairman of a meeting determines that ~~business~~a proposal was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the ~~business~~proposal was not properly brought before the meeting and such ~~business shall not be transacted~~proposal shall not be transacted, discussed or voted on. Notwithstanding the foregoing provisions of this Section 12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder.

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 seven (7) 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~~The Chairman of the Board of Directors~~,~~ (if one is elected) shall ~~have been elected, or, in~~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. The Chairman of the Board of Directors shall be a director and may be, but need not be, a stockholder. The Chairman of the Board of Directors (if one is elected) shall, if present, preside at each meeting 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. 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~~d) below:

(a) 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.

(b) 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.

(c) 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.

(d) Other Committees; Alternate Committee Members. 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~~c) 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~~d) 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. An officer may be, but does not need to be, a director or a stockholder. The Chairman of the Board of Directors will not be considered an officer of the Corporation. 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(a) 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.~~8. 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.~~9. 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.~~10. 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.~~11. 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.~~12. 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.~~13. 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.~~14. 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.~~15. 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.~~16. 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.~~17. 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.~~18. 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 99.2

Kohlberg Capital Corporation Announces Acquisition of Trimaran Advisors, L.L.C.

NEW YORK, Feb. 29, 2012 (GLOBE NEWSWIRE) — Kohlberg Capital Corporation (Nasdaq: KCAP) ("Kohlberg Capital") has completed the acquisition of Trimaran Advisors, L.L.C. ("Trimaran Advisors"), along with equity interests in certain collateralized loan obligation ("CLO") funds managed by Trimaran Advisors. The purchase price consisted of approximately $25 million in cash and 3,600,000 shares of Kohlberg Capital common stock.

Trimaran Advisors, founded in 1998, is a credit-based alternative asset manager that currently manages four CLO funds with aggregate assets under management of approximately $1.5 billion. Trimaran Advisors focuses primarily on below investment grade corporate debt, using primary credit research to identify attractive investment opportunities and monitor the credits in the investment portfolios.

"This is an important transaction for KCAP which significantly expands our existing asset management business. With this transaction completed, Katonah Debt Advisors and Trimaran Advisors will have over $3.4 billion of combined assets under management. Trimaran Advisors has an outstanding track record, and the combination is expected to result in significant synergies and will provide a platform to grow KCAP's business. As part of this transaction, KCAP entered into a $30 million credit facility with Credit Suisse that will allow us to add a moderate amount of leverage to our balance sheet," said Dayl Pearson, President and Chief Executive Officer of Kohlberg Capital.

"The new credit facility positions us to grow our direct lending business and we believe that the cost synergies to the operations of our asset management affiliates as well as the returns from the additional CLO securities will more than offset any potential dilution from the issuance of new shares in the transaction," said Michael Wirth, Chief Financial Officer.

Following the closing, Jay Bloom and Dean Kehler, principals of Trimaran Advisors, will continue as employees of Trimaran Advisors and have joined KCAP's board. Dominick Mazzitelli, the Portfolio Manager of the Trimaran Advisors CLO funds, will continue in that role, and will be assisted by additional Trimaran Advisors investment professionals expanding and enhancing the current KDA team.

About Kohlberg Capital Corporation:

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

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

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

Safe Harbor Statement under the Private Securities Litigation reform Act of 1995:

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The matters discussed in this press release, as well as in future oral and written statements by management of Kohlberg Capital Corporation, that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments and achieve certain margins and levels of profitability, the availability of additional capital, the ability to maintain certain debt to asset ratios and the ability to successfully integrate Trimaran Advisors, realize the anticipated synergies and retain the employees of Trimaran Advisors. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this press release should not be regarded as a representation by us that our plans or objectives will be achieved. Further information about factors that could affect our financial and other results is included in our filings with the Securities and Exchange Commission. We do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required to be reported under the rules and regulations of the Securities and Exchange Commission.

CONTACT: Kohlberg Capital Corporation
Denise Rodriguez, Investor Relations
(212) 455-8300
info@kohlbergcapital.com