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As filed with the Securities and Exchange Commission on November 20, 2006

Registration No. 333-136714

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

FORM N-2

(Check appropriate box or boxes)

☐ **REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**
☒ **Pre-Effective Amendment No. 2**
☐ **Post-Effective Amendment No.**

KOHLBERG CAPITAL CORPORATION (1)

(Exact Name of Registrant as Specified in Charter)

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

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

Copies to:

Craig E. Marcus, Esq.
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One International Place
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Telephone: (212) 878-8000
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Approximate Date of Proposed Public Offering:
As soon as practicable after the effective date of this Registration Statement.

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

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

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

If appropriate, check the following box:

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

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

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(1) In connection with this offering, the Registrant, which is currently named Kohlberg Capital, LLC, a Delaware limited liability company, will convert, in accordance with Delaware law, to a Delaware corporation to be named Kohlberg Capital Corporation.

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

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

Subject to Completion, dated November 20, 2006

PROSPECTUS

KOHLBERG
CAPITAL CORPORATION

13,500,000 Shares
KOHLBERG CAPITAL CORPORATION
Common Stock

We are an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended. We have been organized to continue and expand the middle market investment business and asset management business of Katonah Debt Advisors, L.L.C. ("Katonah Debt Advisors"), which we acquired, prior to our election to be regulated as a BDC, from affiliates of Kohlberg & Co., L.L.C. ("Kohlberg & Co."), a leading private equity firm focusing on middle market investing. We will use the proceeds of this offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans that were originated during 2006 by Katonah Debt Advisors' middle market lending group. Our middle market investment business will continue to originate, structure, finance and manage a portfolio of senior secured term loans and will also invest in mezzanine debt and selected equity securities in privately-held middle market companies. Our wholly-owned portfolio company, Katonah Debt Advisors, currently has approximately $1.2 billion of assets under management and will continue to manage collateralized debt obligation funds ("CDO Funds") which invest in broadly syndicated loans, high-yield bonds and other credit instruments. Following this offering, we will maintain a strategic relationship with Kohlberg & Co., whose affiliates received, prior to our election to be regulated as a BDC, an aggregate of 3,484,333 shares of our common stock in exchange for contributing to us their ownership interests in Katonah Debt Advisors and in securities issued by CDO Funds managed by Katonah Debt Advisors and two other asset managers.

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

We currently expect that the initial offering price per share of our common stock will be between $14 and $16. We have applied for listing of our common stock on The NASDAQ Global Market under the symbol "KCAP," subject to official notice of issuance.

Our common stock has no history of trading. Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their net asset value. Our aggregate net asset value as of September 30, 2006 was $1,000. If our shares trade at a discount to net asset value, it may increase the risks of loss for purchasers in this public offering. Assuming an initial public offering price of $15 per share (the midpoint of the initial public offering range), purchasers in this offering will experience immediate dilution of $0.95 per share. See "Dilution" on page 35 for more information.

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

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

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

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

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

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

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

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

LEHMAN BROTHERS **MERRILL LYNCH & CO.**

BMO CAPITAL MARKETS

BEAR, STEARNS & CO. INC.

A.G. EDWARDS

STIFEL NICOLAUS

, 2006

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

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

PROSPECTUS SUMMARY

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

OVERVIEW

We are an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). We have been organized to continue and expand the middle market investment business and asset management business of Katonah Debt Advisors, which we acquired, prior to our election to be regulated as a BDC, from affiliates of Kohlberg & Co., L.L.C. ("Kohlberg & Co."), a leading private equity firm with two decades of middle market investment experience. Our middle market investment business will continue to originate, structure, finance and manage a portfolio of senior secured term loans and will also invest in mezzanine debt and selected equity securities in privately-held middle market companies. Our wholly-owned portfolio company, Katonah Debt Advisors, currently has approximately $1.2 billion of assets under management and will continue to manage collateralized debt obligation funds ("CDO Funds") which invest in broadly syndicated loans, high-yield bonds and other credit instruments. We will use the proceeds of this offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans that were originated during 2006 by Katonah Debt Advisors' middle market lending group. Prior to the offering and our election to be regulated as a BDC, we issued 3,484,333 shares of our common stock to affiliates of Kohlberg & Co. to acquire 100% of the outstanding equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. Following this offering, we will maintain a strategic relationship with Kohlberg & Co. which includes its co-managing partners serving on our Board of Directors and our Investment Committee. Kohlberg & Co. will also provide us with referrals of middle market private equity investment opportunities. Our relationship with Kohlberg & Co. is an important part of our strategy.

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

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

Including employees of our wholly-owned portfolio company Katonah Debt Advisors, some of whom also serve as officers of the Company, we employ an experienced team of 14 investment professionals and 18 total staff members. Dayl W. Pearson, our Chief Executive Officer ("CEO"), has been in the financial services industry for over 29 years. During the past 15 years, Mr. Pearson has focused almost exclusively in the middle market and has originated, structured and underwritten over $5 billion of debt and equity securities. R. Jon Corless, our Chief Investment Officer ("CIO"), has managed investment portfolios in excess of $4 billion at several institutions and has been responsible for managing portfolios of leveraged loans, high-yield bonds, mezzanine securities and middle market loans. E.A. Kratzman, our Vice President and the Managing Director of Katonah Debt Advisors and the portfolio manager for its Corporate Credit Group, has more than 30 years of credit and investment experience and has participated in fundraising for 15 funds investing in loans, high-yield bonds and credit derivatives with an aggregate value of approximately $4 billion. Michael I. Wirth will serve as our Chief Financial Officer ("CFO") and as our Chief Compliance Officer ("CCO"). The Chairman of our Board of Directors and Investment Committee, Christopher Lacovara, is one of the three co-managing partners of Kohlberg & Co. and has been responsible for investing more than $500 million of equity capital in more than 25 leveraged buyouts and add-on acquisitions with an aggregate value of approximately $2 billion and has served on the boards of directors of numerous private and publicly-traded middle market companies. Mr. Lacovara has served on the management committees which supervised the operations of both Katonah Debt Advisors and Katonah Capital, L.L.C. ("Katonah Capital"), and has been the Kohlberg & Co. co-managing partner primarily responsible for the formation and continued operations of both Katonah Capital and Katonah Debt Advisors.

MIDDLE MARKET BUSINESS

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

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

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

KATONAH DEBT ADVISORS

Katonah Debt Advisors is an asset manager that manages CDO Funds which invest in broadly syndicated senior loans, second lien loans, high-yield bonds, credit default swaps and other credit instruments. The securities issued by these CDO Funds are primarily held by third parties. We control Katonah Debt Advisors through our ownership of 100% of its equity interests. Subject to the requirements of the 1940 Act, Katonah Debt Advisors may, in the future, elect to register as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in connection with the conduct of its business. Katonah Debt Advisors is led by our Vice President and its Managing Director, E.A. Kratzman, who has more than 30 years of credit and investment experience. Mr. Kratzman also serves as a Vice President of the Company and a member of our Investment Committee. Katonah Debt Advisors is organized into two groups: the Corporate Credit Group and the Structured Products Group. The Corporate Credit Group structures and sponsors CDO Funds for which it serves as the asset manager and invests in syndicated term loans, high-yield bonds (rated lower than Baa3 by Moody's or lower than BBB- by Standard & Poor's) and credit default swaps. The Corporate Credit Group currently manages three CDO Funds with aggregate assets of approximately $1.2 billion and is in the process of organizing a fourth CDO Fund. The Structured Products Group structures, sponsors and invests in funds that invest primarily in the equity or mezzanine securities issued by CDO Funds and is in the process of organizing a fund to invest in mezzanine securities issued by CDO Funds. The Structured Products Group is in the process of raising a CDO Fund, which is expected to have between $200 million and $400 million of committed capital.

OUR STRATEGIC RELATIONSHIP WITH KOHLBERG & CO.

We believe that we will derive substantial benefits from our strategic relationship with Kohlberg & Co., as evidenced by the participation on our Board of Directors and Investment Committee of the three co-managing partners of Kohlberg & Co. Affiliates of Kohlberg & Co., including the co-managing partners of Kohlberg & Co. who will serve on our Board of Directors and Investment Committee, will own, in the aggregate and after giving effect to this offering, approximately 21% of our outstanding common stock, which they received, in lieu of cash, in exchange for the contribution to the Company of 100% of the equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. Founded in 1987, Kohlberg & Co. is a leading U.S. private equity firm which manages investment funds that acquire middle market companies. Since its inception, Kohlberg & Co. has organized five private equity funds, through which it has raised approximately $2 billion of committed capital and completed more than 80 platform and add-on acquisitions with an aggregate value of approximately $6 billion. We have entered into a license and referral agreement with Kohlberg & Co. (the "License and Referral Agreement") pursuant to which Kohlberg & Co. has agreed to notify us of equity investments that are presented to Kohlberg & Co. but that it has determined in its sole discretion are not appropriate for any investment funds managed by Kohlberg & Co. or any of its affiliates, typically due to their small size or non-control nature, prior to making such investment opportunity available to any third party. Kohlberg & Co. has also granted us a royalty-free license to use the "Kohlberg" name, which we believe is one of the most widely recognized names in middle market investing, and will provide certain administrative services to us on a transitional basis following our acquisition of Katonah Debt Advisors.

COMPETITIVE ADVANTAGES

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

Internally managed structure and significant management resources

We are internally managed by our executive officers under the supervision of our Board of Directors and do not depend on a third party investment advisor. As a result, we do not pay investment advisory fees and all of our income is available to pay our operating costs, including the costs associated with employing investment management professionals, and to make distributions to our shareholders. Including employees of Katonah Debt Advisors, some of whom also serve as officers of the Company we employ a team of 14 experienced investment

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

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

Multiple sourcing capabilities for assets

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

Disciplined investment process

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

Katonah Debt Advisors' credit platform

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

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

Strategic relationship with Kohlberg & Co.

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

Significant equity ownership and alignment of incentives

Following the closing of this offering, our senior management team, the senior management team of Katonah Debt Advisors and affiliates of Kohlberg & Co. will together have a significant equity interest in the Company, ensuring that their incentives are strongly aligned with those of our shareholders. Affiliates of Kohlberg & Co., including the co-managing partners of Kohlberg & Co. who will serve on our Board of Directors and Investment Committee, will own, in the aggregate and after giving effect to this offering, approximately 21% of our outstanding common stock which they received, in lieu of cash, as consideration for the contribution to the Company of 100% of the equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. We expect that following the completion of this offering we will issue to our senior management team options to purchase shares of our common stock under our Equity Incentive Plan.

RESTRUCTURING

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

RISK FACTORS

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

Risks Related to our Business

- We have no operating history.

- We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.
- Our management team has no experience managing a BDC.
- We are dependent upon senior management personnel for our future success, and if we are unable to hire and retain qualified personnel or if we lose any member of our senior management team, our ability to achieve our investment objective could be significantly harmed.
- We operate in a highly competitive market for investment opportunities.
- There is a risk that we may not make distributions.
- Any unrealized losses we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income available for distribution.
- Many of our portfolio investments will be recorded at fair value as determined in good faith by our Board of Directors. As a result, there will be uncertainty as to the value of our investments.
- If we are unable to source investments effectively, we may be unable to achieve our investment objective.
- We may experience fluctuations in our quarterly and annual operating results.
- We will be exposed to risks associated with changes in interest rates.
- We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.
- If we incur additional debt, it could increase the risk of investing in our Company.
- Because we intend to distribute substantially all of our income and net realized capital gains to our stockholders, we will need additional capital to finance our growth.
- Our Board of Directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Risks Related to our Investments

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

- Investments in equity securities involve a substantial degree of risk.
- The lack of liquidity in our investments may adversely affect our business.
- We may lose all or a portion of the income we expect to receive from Katonah Debt Advisors.
- We may not receive any return on our investment in the CDO Funds in which we have invested.
- If we incur indebtedness or issue senior securities, we will be exposed to additional risks, including the typical risks associated with leverage.

Risks Related to Our Operation as a BDC

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

Risks Related to this Offering

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

OUR CORPORATE INFORMATION

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

THE OFFERING

Common Stock offered by the Company	13,500,000 shares[1][2]
Common Stock to be outstanding after the Offering	16,984,333 shares[1]
Use of proceeds	Following the receipt of all necessary third party consents and approvals, we will use approximately $185 million of the proceeds of this offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans from a special purpose vehicle organized by Katonah Debt Advisors. These funds will in turn be used by that special purpose entity to repay a credit facility through which these loans were acquired. We intend to use the remainder of the net proceeds of this offering to invest in portfolio companies in accordance with our investment objective and strategy described in this prospectus and to pay our operating expenses. We estimate that it will take approximately 3 months to invest the remainder of the net proceeds of this offering consistent with our investment objective. See "Use of Proceeds."
Listing	Our shares have no history of public trading. We have applied for listing of our shares of common stock on the The NASDAQ Global Market under the symbol "KCAP," subject to official notice of issuance.
Trading at a Discount	Shares of closed-end investment companies, including BDCs, frequently trade at discounts to their net asset values and our stock may also be discounted in the market. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our net asset value.
Taxation	We intend to file an election to be treated for federal income tax purposes as a regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with our first taxable year as a corporation. As a RIC, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. We may, from time to time, organize and conduct the business of our portfolio company, Katonah Debt Advisors, through additional direct or indirect wholly-owned

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

	subsidiaries which may, in some cases, be taxable as corporations. To obtain and maintain our tax treatment as a RIC, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of the sum of our net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses, if any. See "Certain Federal Income Tax Considerations" and "Distributions."
Distributions	We intend to pay quarterly dividends to our stockholders, commencing after the end of the first full fiscal quarter following the completion of this offering. Our quarterly dividends will be determined by our Board of Directors. See "Distributions."
Dividend Reinvestment Plan	We have adopted a dividend reinvestment plan through which cash dividends are automatically reinvested in additional shares of our common stock, unless a stockholder opts out of the plan and elects to receive cash. Stockholders who receive distributions in the form of stock generally will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election. See "Dividend Reinvestment Plan."
Leverage	We intend to borrow funds to make additional investments, including through a securitized revolving credit facility that we expect to enter into after the closing of this offering, and we may grant a security interest in our assets to a lender in connection with any such borrowings. We will use this practice, which is known as "leverage," to attempt to increase returns to our common stockholders. However, leverage involves significant risks. See "Risk Factors." With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ will depend on our assessment of market and other factors at the time of any proposed borrowing.
Risk Factors	Investing in our common stock involves certain risks relating to our structure and our investment objective that you should consider before deciding whether to invest in our common stock. See "Risk Factors" for a discussion of factors you should carefully consider before deciding whether to invest in our common stock.
Certain Anti-Takeover Measures	Our charter and bylaws, as well as certain statutes and regulations, contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. This could delay or prevent a transaction that could give our stockholders the opportunity to realize a premium over the price for their securities. See "Description of Capital Stock."

Where You Can Find Additional Information	We have filed with the Securities and Exchange Commission, (the "SEC"), a registration statement on Form N-2, including any amendments thereto and related exhibits, under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of common stock offered by this prospectus. The registration statement contains additional information about us and the shares of common stock being offered by this prospectus.

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

FEES AND EXPENSES

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

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

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

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

Operating Expenses	1.6% (5)
Interest Payments on Borrowed Funds	2.7% (6)
Other Expenses	0.3% (7)
Total Annual Expenses	4.6% (8)

Example

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

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 126	$ 219	$ 311	$ 542

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

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

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

(4) "Net assets attributable to common stock" equals net assets (*i.e.*, total assets less total liabilities), which is estimated to be approximately $239 million immediately following completion of this offering.

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

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

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

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

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

RISK FACTORS

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

Risks Related to our Business

We have no operating history.

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

Our management team has no experience managing a BDC.

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

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

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

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

We operate in a highly competitive market for investment opportunities.

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

There is a risk that we may not make distributions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

represents contractual interest added to the loan balance and due at the end of the loan term. In addition to the cash yields received on our loans, in some instances, certain loans may also include any of the following: end of term payments, exit fees, balloon payment fees or prepayment fees. The increases in loan balances as a result of contracted payment-in-kind arrangements are included in income for the period in which such payment-in-kind interest was received, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income certain other amounts that we will not receive in cash. Any warrants that we receive in connection with our debt investments will generally be valued as part of the negotiation process with the particular portfolio company. As a result, a portion of the aggregate purchase price for the debt investments and warrants will be allocated to the warrants that we receive. This will generally result in "original issue discount" for tax purposes, which we must recognize as ordinary income, increasing the amounts we are required to distribute to qualify for the federal income tax benefits applicable to RICs. Because such original issue discount income would be not accompanied by cash, we would need to obtain cash from other sources to satisfy such distribution requirements. If we are unable to obtain cash from other sources to satisfy such distribution requirements, we may fail to qualify for tax treatment as a RIC and, thus, could become subject to a corporate-level income tax on all of our income. Other features of the debt instruments that we hold may also cause such instruments to generate original issue discount, resulting in a dividend distribution requirement in excess of current cash received. Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. If we are unable to met these distribution requirements, we will not qualify for tax treatment as a RIC or, even if such distribution requirement is satisfied, we may be subject to tax on the amount that is undistributed. Accordingly, we may have to sell some of our assets, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements and avoid tax. See "Certain Federal Income Tax Considerations."

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

As of the date of this prospectus, we have no outstanding indebtedness. However, we expect, in the future, to borrow from, and issue senior debt securities to, banks, insurance companies and other lenders, including pursuant to a securitized revolving credit facility that we expect to enter into following completion of this offering. See "Obligations and Indebtedness." Lenders will have fixed dollar claims on our assets that are superior to the claims of our stockholders, and we may grant a security interest in our assets in connection with our borrowings. In the case of a liquidation event, those lenders would receive proceeds before our stockholders. In addition, borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more than it otherwise would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause the net asset value attributable to our common stock to decline more than it otherwise would have had we not leveraged. Similarly, any increase in our revenue in excess of interest expense on our borrowed funds would cause our net income to increase more than it would without the leverage. Any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on our common stock. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures.

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

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

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

(1) Assumes that we borrow an amount equal to 45% of our total assets, which would result in, immediately following completion of this offering, approximately $434 million in total assets, approximately $195 million in debt outstanding, approximately $239 million in stockholders' equity and an average cost of funds of approximately 5.9%, which we assume to be the cost of funds of the securitized revolving credit facility we expect to enter into following completion of this offering. Actual interest payments may be different.

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

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

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

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

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

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company.

Risks Related to our Investments

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

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

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

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

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

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

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

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

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

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

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

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

Defaults by our portfolio companies could harm our operating results.

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

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

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

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

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

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

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

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

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

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

Investments in equity securities involve a substantial degree of risk.

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Operation as a BDC

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

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

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

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

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

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

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

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

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

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See "Regulation."

We believe that most of the senior loans and mezzanine investments that we propose to acquire should constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a BDC, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it would be difficult to dispose of such investments on favorable terms. For example, we may have difficulty in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss.

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

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

Risks Related to this Offering

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

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

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

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

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

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

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;

- our inability to deploy or invest our capital;
- fluctuations in interest rates;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- changes in regulatory policies or tax rules, particularly with respect to RICs or BDCs;
- loss of RIC tax treatment;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio;
- general economic conditions and trends; and
- departure of key personnel.

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

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

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

If you purchase shares of our common stock in this offering, you will experience immediate dilution of $0.95 per share (based on the midpoint of the range set forth on the cover of this prospectus) because the price that you pay will be greater than the pro forma net asset value per share of the shares you acquire. This dilution is in large part due to the expenses incurred by us in connection with the consummation of this offering. Accordingly, investors in this offering will pay a price per share that exceeds the tangible book value per share after the closing of the offering. You may experience additional dilution upon the exercise of stock options to purchase common stock by our employees and directors under our stock option plan.

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

Upon completion of this offering we will have 16,984,333 shares of common stock outstanding (or 19,009,333 shares of common stock outstanding if the underwriters exercise their option to purchase additional shares). Following the offering, sales of substantial amounts of our common stock, or the availability of shares for sale, could adversely affect the prevailing market price of our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of equity securities should we desire to do so.

Our principal stockholders will continue to have substantial ownership in us after this offering and this could limit your ability to influence the outcome of key transactions, including a change of control. In addition, some of our stockholders may have interests in Kohlberg Capital that differ from yours.

After the completion of this offering and the other transactions described in this prospectus, and assuming no exercise of the underwriters' option to purchase additional shares, individuals and entities affiliated with Kohlberg & Co. will beneficially own, in the aggregate, approximately 21% of the outstanding shares of our common stock. James A. Kohlberg, the Vice-Chairman of our Board of Directors, is a founder and a co-managing partner of Kohlberg & Co. Christopher Lacovara, who serves as the Chairman of our Board of Directors and Investment Committee, and Samuel P. Frieder, who serves as a member of our Board of Directors and our Investment Committee, are also co-managing partners of Kohlberg & Co. Our Board of Directors and our Investment Committee must approve of the acquisition and disposition of our investments. As a result, these individuals may be able to exert influence over our management and policies. Affiliates of Kohlberg & Co. may also acquire additional shares of our equity securities in the future. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our Company, deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our Company or may ultimately affect the market price of our common stock. In addition, Mr. Kratzman, who serves on our Investment Committee, is also employed by Katonah Debt Advisors and is compensated, in part, based upon the performance of Katonah Debt Advisors. As a result, Mr. Kratzman may have interests in Katonah Debt Advisors that differ from yours as a stockholder of Kohlberg Capital.

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

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

FORWARD-LOOKING STATEMENTS

The matters discussed in this prospectus, as well as in future oral and written statements by management of Kohlberg Capital Corporation, that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this prospectus include statements as to:

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- our informal relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax treatment;
- our ability to operate as a BDC and a RIC;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies, including Katonah Debt Advisors.

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

RESTRUCTURING

Certain Acquisitions

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

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

- *Acquisition of 100% of the outstanding equity of Katonah Debt Advisors*
  - We issued 2,226,333 common units to James A. Kohlberg and an entity affiliated with Kohlberg & Co. to acquire 100% of the outstanding limited liability company interests of Katonah Debt Advisors. These common units will convert into shares of our common stock upon our conversion to a Delaware corporation as described below. These common shares have a value of approximately $33 million based on the mid-point of the initial public offering price range shown on the cover page of this prospectus. Prior to the completion of this offering, we expect that James A. Kohlberg and the entity affiliated with Kohlberg & Co. will transfer certain of these common units to certain employees and officers of Kohlberg & Co. and Katonah Debt Advisors.
  - Katonah Debt Advisors was valued at its fair market value as determined by our board of directors as of the time of the acquisition. For purposes of this valuation, we estimated the annual run-rate distributable income of Katonah Debt Advisors from fees payable to it by CDO Funds managed by it at approximately $3 million on a pre-tax basis. This estimate was based on a full year of management fee revenue for all CDO Funds currently under management by Katonah Debt Advisors and annualized compensation expenses for all of Katonah Debt Advisors' employees, excluding those who will be employed solely by us immediately following this offering. Our valuation also considers that Katonah Debt Advisors has an aggregate of approximately $1.2 billion in assets under management. This methodology may or may not reflect the value that could be obtained for Katonah Debt Advisors in a transaction with a third party. In addition, third party appraisals were not used in determining the value of Katonah Debt Advisors, and, as a result, the consideration paid by us may exceed or be less than the value that may be reflected in other valuation methodologies or appraisals or as may have been obtained in a transaction with a third party.

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

CDO Fund Securities to us, and in the case of all other CDO Fund Securities, their fair market value, as determined by our board of directors. See "Portfolio Companies" for a description of the CDO Fund Securities.

The valuation of Katonah Debt Advisers and the CDO Fund Securities was determined prior to the initial filing of the registration statement of which this prospectus is a part. After our election to be regulated as a BDC and before the completion of this offering, our Board of Directors will value Katonah Debt Advisors and the CDO Fund Securities in accordance with the requirements of the 1940 Act.

BDC Election

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

Conversion to a Delaware Corporation.

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

Tax Election

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

Agreements with Kohlberg & Co. and Affiliates

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

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

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

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

Portfolio Acquisition

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

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

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

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

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

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

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

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

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

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

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

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

USE OF PROCEEDS

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

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

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

DISTRIBUTIONS

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

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

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

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

CAPITALIZATION

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

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

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

	As of September 30, 2006	
	As Adjusted (in thousands)	Pro Forma As Adjusted (in thousands)
Cash and cash equivalents	$ 1	$ 1,001
Equity:		
Preferred Stock, $0.01 par value per share; 5,000,000 shares authorized, no shares issued and outstanding, as adjusted and pro forma as adjusted	—	—
Common Stock, $0.01 par value per share; 100,000,000 shares authorized; 3,484,333 shares issued and outstanding, as adjusted; 16,984,333 shares issued and outstanding, pro forma as adjusted	35	170
Additional Paid-in capital	52,230	238,420
Total stockholders' equity	52,265	238,590
Total capitalization	$ 52,266	$ 239,591

DILUTION

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

As of September 30, 2006, after giving effect to the Restructuring, the as-adjusted net asset value of our common stock would have been approximately $52 million, or approximately $15.00 per share. We determined net asset value per share before this offering by dividing the net asset value (total assets less total liabilities) by the number of shares of common stock to be outstanding after giving effect to the Restructuring. After our election to be regulated as a BDC and before the completion of this offering, our Board of Directors will determine our net asset value in accordance with the requirements of the 1940 Act.

After giving effect to the sale of our common stock in this offering assuming an initial public offering price of $15.00 per share (which represents the mid-point of the initial public offering range set forth on the cover page of this prospectus) and after deducting estimated sales load and estimated expenses of the offering payable by us, our as-adjusted net asset value as of September 30, 2006 would have been approximately $239 million, or $14.05 per share. This represents an immediate decrease in our net asset value per share of $0.95 to existing stockholders and dilution in net asset value per share of $0.95 to new investors who purchase shares in this offering.

The following table illustrates this per share dilution:

Assumed initial public offering price per share		$15.00
As adjusted net asset value per share as of September 30, 2006 after giving effect to the Restructuring	$15.00	
Decrease in net asset value per share attributable to new investors in this offering	$ 0.95	
As adjusted net asset value per share after this offering		$14.05
Dilution per share to new investors		$ 0.95

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

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	3,484,333	20.5%	$ 52,264,995(1)	20.5%	$ 15.00
New investors	13,500,000	79.5%	202,500,000	79.5%	$ 15.00
Total	16,984,333	100.0%	$254,764,995	100.0%	

(1) Represents the value of 3,484,333 shares of our common stock which were issued in exchange for 100% of the equity of Katonah Debt Advisors and the CDO Fund Securities contributed to the Company in the Restructuring.

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

DISCUSSION OF EXPECTED OPERATING PLANS

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

Overview

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

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

Revenues

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

Distributable Income of Katonah Debt Advisors

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

Expenses

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

Financial Condition, Liquidity and Capital Resources

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

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

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

Distribution Policy

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

Critical Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

OBLIGATIONS AND INDEBTEDNESS

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

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

BUSINESS

OVERVIEW

We are an internally managed, non-diversified closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. We have been organized to continue and expand the middle market investment business and the asset management business of Katonah Debt Advisors, which we acquired, prior to our election to be regulated as a BDC, from affiliates of Kohlberg & Co., a leading private equity firm with two decades of middle market investment experience. Our middle market investment business will continue to originate, structure, finance and manage a portfolio of senior secured term loans and will also invest in mezzanine debt and selected equity securities in privately-held middle market companies. Our wholly-owned portfolio company, Katonah Debt Advisors, currently has approximately $1.2 billion of assets under management and will continue to manage CDO Funds which invest in broadly syndicated loans, high-yield bonds and other credit instruments. We will use the proceeds of this offering to acquire a portfolio of approximately $185 million in aggregate principal amount of first and second lien loans that were originated during 2006 by Katonah Debt Advisors' middle market lending group. Prior to the offering and our election to be regulated as a BDC, we issued 3,484,333 shares of our common stock to affiliates of Kohlberg & Co. to acquire 100% of the outstanding equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. Following this offering, we will maintain a strategic relationship with Kohlberg & Co. which includes its co-managing partners serving on our Board of Directors and our Investment Committee. Kohlberg & Co. will also provide us with referrals of middle market private equity investment opportunities. Our relationship with Kohlberg & Co. is an important part of our strategy.

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

Including employees of our wholly-owned portfolio company, Katonah Debt Advisors, some of whom also serve as officers of the Company, we employ an experienced team of 14 investment professionals and 18 total staff members. Dayl W. Pearson, our CEO, has been in the financial services industry for over 29 years. During the past 16 years, Mr. Pearson has focused almost exclusively in the middle market and has originated, structured and underwritten over $5 billion of debt and equity securities. R. Jon Corless, our CIO, has managed portfolios in excess of $4 billion at several institutions and has been responsible for managing portfolios of leveraged loans, high-yield bonds, mezzanine securities and middle market loans. E.A. Kratzman, our Vice President and the Managing Director of Katonah Debt Advisors and the portfolio manager for its Corporate Credit Group, has

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

BACKGROUND

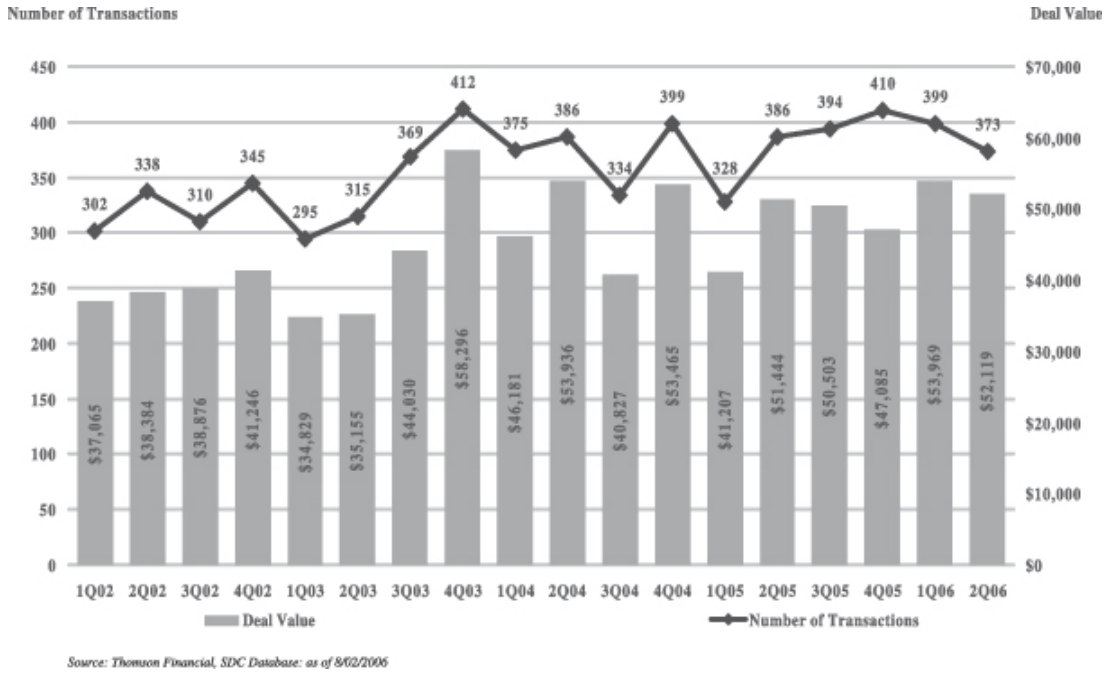
In 1999, affiliates of Kohlberg & Co. formed a lending platform called Katonah Capital to capitalize on the experience of Kohlberg & Co. in arranging and structuring debt financing for its own portfolio companies. From its inception through 2005, Katonah Capital organized six CDO Funds that raised in excess of $2 billion in capital to invest in below-investment-grade broadly syndicated loans, bonds and other credit instruments. In 2005, affiliates of Kohlberg & Co. organized Katonah Debt Advisors as a new platform to continue to manage CDOs investing in broadly syndicated loans and high-yield bonds, and to diversify into lending to middle market companies and investing in other types of credit instruments, and the operations of Katonah Capital were discontinued. In 2005 and 2006, Katonah Debt Advisors raised three CDO Funds with approximately $1.2 billion in assets under management to invest in broadly syndicated loans and high-yield bonds. Katonah Debt Advisors is in the process of organizing a fourth CDO Fund as well as an additional fund to invest in mezzanine and equity securities issued by CDO Funds. In February 2006, Katonah Debt Advisors hired Dayl W. Pearson and R. Jon Corless to head its middle market investment business. Since joining Katonah Debt Advisors, they have managed a special purpose vehicle that has invested approximately $185 million in middle market first and second lien loans which we intend to acquire with the proceeds of this offering.

MARKET OPPORTUNITY

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

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

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



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

STRATEGY

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

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

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

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

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

MIDDLE MARKET BUSINESS

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

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

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

KATONAH DEBT ADVISORS

Katonah Debt Advisors is an asset manager that manages CDO Funds which invest in broadly syndicated senior loans, second lien loans, high-yield bonds, credit default swaps and other credit instruments. The securities issued by these CDO Funds are primarily held by third parties. We control Katonah Debt Advisors through our ownership of 100% of its equity interests. Subject to the requirements of the 1940 Act, Katonah Debt Advisors may, in the future, elect to register as an investment adviser under the Advisers Act in connection with the

conduct of its business. Katonah Debt Advisors is led by our Vice President and its Managing Director, E.A. Kratzman, who has more than 30 years of credit and investment experience. Mr. Kratzman also serves as Vice President of the Company and a member of our Investment Committee. Katonah Debt Advisors is organized into two groups: the Corporate Credit Group and the Structured Products Group. The Corporate Credit Group structures and sponsors CDO Funds for which it serves as the asset manager and invests in syndicated term loans, high-yield bonds (rated lower than Baa3 by Moody's or lower than BBB- by Standard & Poor's) and credit default swaps. The Corporate Credit Group currently manages three CDO Funds with aggregate assets of approximately $1.2 billion and is in the process of organizing a fourth CDO Fund. The Structured Products Group structures, sponsors and invests in funds that invest primarily in the equity or mezzanine securities issued by CDO Funds and is in the process of organizing a fund to invest in mezzanine securities issued by CDO Funds. The Structured Products Group is in the process of raising a CDO Fund which is expected to have between $200 million and $400 million of committed capital.

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

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

The Structured Products Group invests primarily in the equity or unrated debt securities issued by CDO Funds backed by corporate commercial loans or asset backed securities, and invests on a limited basis in the rated (BBB or BB) mezzanine securities in CDO Funds to provide current cash income and asset diversity. The market for equity and mezzanine securities issued by CDO Funds is large and diverse, with an estimated $273 billion of CDO securities issued in 2005 and more than $1 trillion of such securities outstanding. The strategy of the Structured Products Group is to target securities issued by CDO Funds managed by experienced collateral managers or emerging managers where due diligence suggests an attractive opportunity for long-term success. The Structured Products Group is in the process of raising a fund, which is expected to have between $200 million and $400 million of committed capital. We anticipate that funds managed by the Structured Products Group will earn a management fee of 1% of assets under management per annum and an incentive fee of 20% of profits, payable at the liquidation of the fund, provided that the investment return of the fund has exceeded a specified hurdle rate of return.

Katonah Debt Advisors employs an experienced team of ten investment professionals. E.A. Kratzman, Managing Director of Katonah Debt Advisors and portfolio manager for the Corporate Credit Group, has participated in the fundraising for 15 CDO Funds investing in loans, high-yield bonds and credit derivatives with an aggregate value of more than approximately $4 billion. Mr. Kratzman also serves as our Vice President and as a member of our Investment Committee, providing the benefit of his experience to the Company's lending

activities. The two co-portfolio managers of the Structured Products Group each have more than 20 years of investment and securitization experience. In addition to investing funds managed by Katonah Debt Advisors, the portfolio managers in the Structured Credit Products Group, each of whom also serves as an officer of the Company, will source and evaluate selected CDO equity and mezzanine investment opportunities for us and will assist us in identifying ways to optimize the use of our capital through securitizations of assets and other potential refinancing structures. The seven credit analysts at Katonah Debt Advisors average more than 15 years of industry experience. Each analyst follows a specific set of industries, allowing them to develop deep insight and broad industry contacts. This credit team will review, when appropriate, loans sourced by us as well as investment opportunities for CDO Funds managed by Katonah Debt Advisors.

OUR STRATEGIC RELATIONSHIP WITH KOHLBERG & CO.

We believe that we will derive substantial benefits from our strategic relationship with Kohlberg & Co. as evidenced by the participation on our Board of Directors and Investment Committee of the three co-managing partners of Kohlberg & Co. Through such participation, we will have access to the expertise of these individuals in the middle market and leveraged investing, which we believe will enhance our capital raising, due diligence, investment selection and credit analysis. In addition, affiliates of Kohlberg & Co., including the co-managing partners of Kohlberg & Co. who will serve on our Board of Directors and Investment Committee, will own, in the aggregate and after giving effect to this offering, approximately 21% of our outstanding common stock, which they received, in lieu of cash, in exchange for the contribution to the Company of 100% of the equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. We have entered into a License and Referral Agreement with Kohlberg & Co. pursuant to which Kohlberg & Co. has agreed to notify us of equity investment opportunities that are presented to Kohlberg & Co. but that it has determined in its sole discretion are not appropriate for any investment funds managed by Kohlberg & Co. or any of its affiliates, typically due to their small size or non-control nature, prior to making such investment opportunity available to any third party. Kohlberg & Co. has also granted us a royalty-free license to use the “Kohlberg” name, which we believe is one of the most widely recognized names in middle market investing, and will provide certain administrative services to us on a transitional basis after our offering.

Kohlberg & Co. is a leading U.S. private equity firm which manages investment funds that acquire middle market companies. Kohlberg & Co. was formed in 1987 by Jerome Kohlberg Jr., the senior founding partner of Kohlberg Kravis Roberts & Co. (“KKR”) and his son, James A. Kohlberg, at the time an executive with KKR. Since its inception, Kohlberg & Co. has organized five private equity funds, through which it has raised approximately $2 billion of committed capital and completed more than 80 platform and add-on acquisitions with an aggregate value of approximately $6 billion. Kohlberg & Co. is currently investing its fifth private equity fund, which typically targets control equity investments of greater than $40 million.

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

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

COMPETITIVE ADVANTAGES

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

Internally managed structure and significant management resources

We are internally managed by our executive officers under the supervision of our Board of Directors and do not depend on a third party investment advisor. As a result, we do not pay investment advisory fees and all of our income is available to pay our operating costs, including the costs associated with employing investment management professionals and to make distributions to our shareholders. Including employees of Katonah Debt Advisors, some of whom also serve as officers of the Company, we employ a team of 14 experienced investment professionals with substantial experience in middle market lending, credit analysis, loan securitization and portfolio administration. Our CEO, Dayl W. Pearson, our CIO, R. Jon Corless, and E.A. Kratzman, our Vice President and a member of our investment committee and the Managing Director of Katonah Debt Advisors, have an average of over 28 years of credit and investment experience. The seven credit analysts employed by us and Katonah Debt Advisors average more than 15 years of experience.

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

Multiple sourcing capabilities for assets

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

Disciplined investment process

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

Katonah Debt Advisors' credit platform

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

Strategic relationship with Kohlberg & Co.

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

Significant equity ownership and alignment of incentives

Following the closing of this offering, our senior management team, the senior management team of Katonah Debt Advisors and affiliates of Kohlberg & Co. will together have a significant equity interest in the Company, ensuring that their incentives are strongly aligned with those of our shareholders. Affiliates of Kohlberg & Co., including the co-managing partners of Kohlberg & Co. who will serve on our Board of Directors and Investment Committee, will own, in the aggregate and after giving effect to this offering, approximately 21% of our outstanding common stock which they received, in lieu of cash, as consideration for the contribution to the Company of 100% of the equity of Katonah Debt Advisors and certain subordinated debt investments in CDO Funds managed by Katonah Debt Advisors and two other asset managers. We expect that following the completion of this offering we will issue to our senior management team options to purchase shares of our common stock under our Equity Incentive Plan.

CREDIT AND INVESTMENT PROCESS

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

We will focus on lending and investing opportunities in:

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

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

We expect to source investment opportunities from:

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

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

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

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

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

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

Qualitative Analysis

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

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

Quantitative Analysis

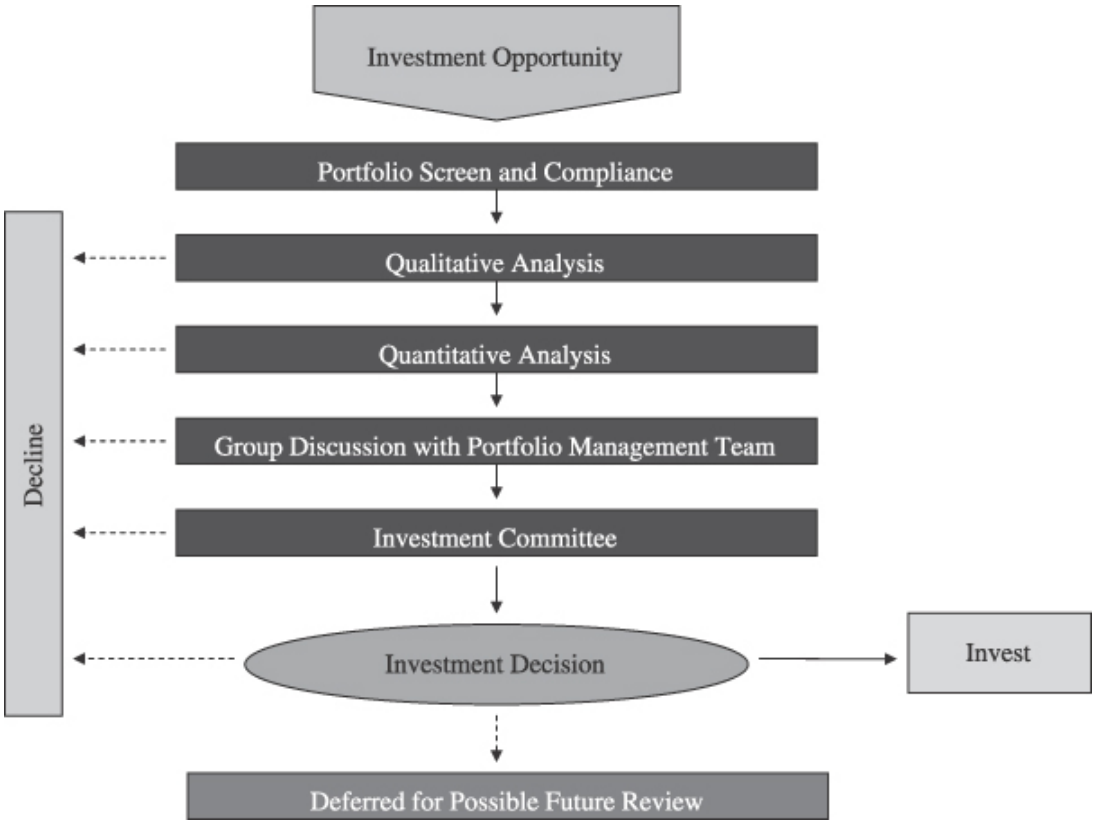
Elements of the quantitative analysis we will use in evaluating investment opportunities include the following:

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

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

Approval Process

The following chart illustrates our screening and approval process:



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

CREDIT MONITORING

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

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

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

OUR PEOPLE

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

Our wholly-owned portfolio company, Katonah Debt Advisors, employs a highly experienced team of 10 investment professionals, all of whom are officers of the Company. The three portfolio managers at Katonah Debt Advisors average more than 20 years of credit, investment and securitization experience. The seven credit analysts at Katonah Debt Advisors average more than 15 years of experience. Katonah Debt Advisors will continue to add to its staff as it increases its assets under management. We will utilize the Katonah Debt Advisors team to assist both our origination and credit evaluation and monitoring efforts.

COMPETITION

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

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

CORPORATE STRUCTURE AND OFFICES

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

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

LEGAL PROCEEDINGS

We are not a party to any pending legal proceedings.

PORTFOLIO COMPANIES

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

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

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

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

Name and Address of Portfolio Company	Nature of Its Principal Business	Type of Securities Held by Us	Terms of Loans to Portfolio Companies		Cost of Investment	Fair Value of Investment (2)
			Interest Rate LIBOR + %	Maturity		
AGA Medical Corporation	Healthcare, Education and Childcare	Senior Secured 1st Lien Term Loan	2.25%	04/28/13	$1,834,500	$ 1,834,500
Atlantic Marine Holding Company	Cargo Transport	Senior Secured 1st Lien Term Loan	2.50%	08/02/13	1,995,000	1,995,000
Bankruptcy Management Solutions, Inc.	Diversified/Conglomerate Service	Senior Secured 1st Lien Term Loan	2.75%	07/31/12	2,000,000	2,000,000
Bay Point Re Limited	Insurance	Senior Secured 1st Lien Term Loan	4.50%	12/31/10	3,027,500	3,027,500
Capital Automotive REIT	Automobile	Senior Secured 1st Lien Term Loan	1.75%	12/16/10	3,753,611	3,753,611
Caribe Information Investments Incorporated	Printing and Publishing	Senior Secured 1st Lien Term Loan	2.25%	03/31/13	4,488,750	4,488,750
Clarke American Corp.	Printing and Publishing	Senior Secured 1st Lien Term Loan	3.25%	12/15/11	2,500,000	2,500,000
Concord Re Limited	Insurance	Senior Secured 1st Lien Term Loan	4.25%	2/29/12	3,000,000	3,000,000
CST Industries, Inc.	Diversified/ Conglomerate Manufacturing	Senior Secured 1st Lien Term Loan	2.75%	08/31/13	1,000,000	1,000,000
Dayco Products LLC—(Mark IV)	Automobile	Senior Secured 2nd Lien Term Loan	5.75%	12/31/11	500,000	500,000
Dealer Computer Services (Reynolds & Reynolds)	Electronics	Senior Secured 2nd Lien Term Loan	5.50%	10/28/13	1,000,000	1,000,000
Dealer Computer Services (Reynolds & Reynolds)	Electronics	Senior Secured 3rd Lien Term Loan	7.50%	04/28/14	1,500,000	1,500,000
Delta Educational Systems, Inc.	Healthcare, Education and Childcare	Senior Secured 1st Lien Term Loan	3.50%	06/30/12	2,985,987	2,985,987
E.A. Viner International CO. (Oppenheimer)	Finance	Senior Secured 1st Lien Term Loan	2.75%	07/31/13	1,000,000	1,000,000
First American Payments Systems, LP	Finance	Senior Secured 1st Lien Term Loan	3.25%	10/06/13	4,000,000	4,000,000
Flatiron Re Ltd.	Insurance	Senior Secured 1st Lien Term Loan	4.25%	12/29/10	5,980,000	5,980,000

Name and Address of Portfolio Company	Nature of Its Principal Business	Type of Securities Held by Us	Terms of Loans to Portfolio Companies		Cost of Investment	Fair Value of Investment (2)
			Interest Rate LIBOR + %	Maturity		
Gentiva Health Services, Inc.	Healthcare, Education and Childcare	Senior Secured 1st Lien Term Loan	2.25%	03/31/13	1,881,081	1,881,081
Ginn LA Conduit Lender, Inc.	Buildings and Real Estate	Senior Secured 1st Lien Term Loan	3.00%	06/08/11	3,993,143	3,993,143
Ginn LA Conduit Lender, Inc.	Buildings and Real Estate	Senior Secured 2nd Lien Term Loan	7.00%	06/08/12	1,000,000	1,000,000
Gleason Works	Machinery (Non-Agriculture, Non-Construction, Non-Electronic)	Senior Secured 1st Lien Term Loan	2.50%	06/30/13	2,000,000	2,000,000
HealthSouth Corporation	Healthcare, Education and Childcare	Senior Secured 1st Lien Term Loan	3.25%	03/10/13	3,003,722	3,003,722
Infiltrator Systems, Inc.	Ecological	Senior Secured 1st Lien Term Loan	3.50%	09/30/12	4,000,000	4,000,000
Intrapac Corporation	Containers, Packaging and Glass	Senior Secured 1st Lien Term Loan	3.00%	05/18/12	4,010,000	4,010,000
Intrapac Corporation	Containers, Packaging and Glass	Senior Secured 2nd Lien Term Loan	7.00%	05/18/13	1,000,000	1,000,000
Jones Stephens Corp.	Buildings and Real Estate	Senior Secured 1st Lien Term Loan	3.75%	9/30/12	6,966,200	6,966,200
LBREP/L-Suncal Master I LLC	Buildings and Real Estate	Senior Secured 1st Lien Term Loan	3.25%	01/19/10	3,984,888	3,984,888
LBREP/L-Suncal Master I LLC	Buildings and Real Estate	Senior Secured 2nd Lien Term Loan	7.25%	01/18/11	2,015,000	2,015,000
Legacy Cabinets, Inc.	Home and Office Furnishings/ Durable Consumer	Senior Secured 1st Lien Term Loan	3.50%	8/31/12	2,992,500	2,992,500
LPL Holdings, Inc.	Finance	Senior Secured 1st Lien Term Loan	3.25%	06/28/13	3,033,609	3,033,609
LSP Kendall Energy, LLC	Utilities	Senior Secured 1st Lien Term Loan	2.00%	10/07/13	1,933,690	1,933,690
Metaldyne Corporation	Automobile	Senior Secured 1st Lien Term Loan	4.50%	12/31/09	2,040,000	2,040,000
Mirant North America, LLC	Utilities	Senior Secured 1st Lien Term Loan	1.75%	01/03/13	4,009,700	4,009,700

Name and Address of Portfolio Company	Nature of Its Principal Business	Type of Securities Held by Us	Terms of Loans to Portfolio Companies		Cost of Investment	Fair Value of Investment (2)
			Interest Rate LIBOR + %	Maturity		
Murray Energy Corporation	Mining, Steel, Iron and Non-Precious Metals	Senior Secured 1st Lien Term Loan	3.00%	01/28/10	2,019,873	2,019,873
Northeast Biofuels, LLC	Farming and Agriculture	Senior Secured 1st Lien Term Loan	3.25%	06/30/13	1,377,805	1,377,805
Northeast Biofuels, LLC	Farming and Agriculture	Synthetic Letter of Credit	3.25%	06/30/13	639,695	639,695
PAS Technologies Inc.	Aerospace and Defense	Senior Secured 1st Lien Term Loan	3.25%	06/30/11	4,841,884	4,841,884
Payroll Acquisition, LLC	Leisure, Amusement, Entertainment	Senior Secured 1st Lien Term Loan	3.25%	09/25/12	7,000,000	7,000,000
Primus International Inc.	Aerospace and Defense	Senior Secured 1st Lien Term Loan	2.50%	06/07/12	3,500,000	3,500,000
Rhodes Companies, LLC	Buildings and Real Estate	Senior Secured 2nd Lien Term Loan	7.50%	11/21/11	2,020,000	2,020,000
Sorenson Communications, Inc.	Electronics	Senior Secured 1st Lien Term Loan	3.00%	08/31/13	2,992,500	2,992,500
Standard Steel, LLC	Cargo Transport	Senior Secured 1st Lien Term Loan	2.50%	06/30/12	3,991,667	3,991,667
Standard Steel, LLC	Cargo Transport	Senior Secured 2nd Lien Term Loan	6.00%	06/30/13	1,000,000	1,000,000
Stolle Machinery Company	Machinery (Non-Agriculture, Non-Construction, Non-Electronic)	Senior Secured 1st Lien Term Loan	2.50%	09/29/12	2,000,000	2,000,000
Stratus Technologies, Inc.	Electronics	Senior Secured 1st Lien Term Loan	3.00%	03/29/11	2,012,500	2,012,500
Thermal North America, Inc.	Utilities	Senior Secured 1st Lien Term Loan	2.75%	10/12/09	3,659,229	3,659,229
TLC Funding Corp.	Healthcare, Education and Childcare	Senior Secured 1st Lien Term Loan	3.00%	05/19/12	3,980,000	3,980,000
TransAxle LLC	Automobile	Senior Secured 1st Lien Revolver	3.50%	09/30/12	995,000	995,000
TransAxle LLC	Automobile	Senior Secured 1st Lien Term Loan	3.50%	09/30/12	3,000,000	3,000,000

Name and Address of Portfolio Company	Nature of Its Principal Business	Type of Securities Held by Us	Terms of Loans to Portfolio Companies		Cost of Investment	Fair Value of Investment (2)
			Interest Rate LIBOR + %	Maturity		
Valleycrest Holding Co.	Diversified/Conglomerate	Senior Secured 2nd Lien Term Loan	5.50%	04/04/14	1,000,000	1,000,000
Water Pik Technologies, Inc.	Personal and Non Durable Consumer Products (Mfg. Only)	Senior Secured 1st Lien Term Loan	2.25%	06/30/13	902,313	902,313
Water Pik Technologies, Inc.	Personal and Non Durable Consumer Products (Mfg. Only)	Senior Secured 2nd Lien Term Loan	6.50%	12/31/13	2,512,500	2,512,500
Wesco Aircraft Hardware Corp.	Aerospace and Defense	Senior Secured 2nd Lien Term Loan	5.75%	03/28/14	2,000,000	2,000,000
WM. Bolthouse Farms, Inc.	Beverage, Food and Tobacco	Senior Secured 1st Lien Term Loan	2.50%	12/16/12	3,022,387	3,022,387
Wolf Hollow I, LP	Utilities	Senior Secured 2nd Lien Term Loan	4.50%	12/22/12	2,686,592	2,686,592
Subtotal(3)					**$145,582,825**	**$145,582,826**
Grand Total					**$197,847,825**	**$197,847,826**

(1) The purchase price for each investment represents the value of shares of our common stock and assumes an initial public offering price of $15 per share, the mid-point of the initial public offering price range shown on the cover page of this prospectus.

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

(3) In addition to the portfolio of investments listed above, as of the date of this prospectus there are outstanding commitments to fund approximately $10 million in aggregate principal amount of additional loans, which are expected to close within 5 days. However, there can be no assurance that the special purpose vehicle organized by Katonah Debt Advisors will receive the allocation of any such loan initially allocated to it by the agent for such loan or that the loan will close within such 5 day period or at all. We expect that this portfolio of investments will consist of approximately $185 million in aggregate principal amount of loans as of the completion of this offering.

MANAGEMENT

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

Directors and Executive Officers

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

Name	Age	Position
Independent Directors:		
C. Turney Stevens, Jr.	56	Director
Albert G. Pastino	64	Director
C. Michael Jacobi	64	Director
Gary Cademartori	65	Director
Non-Independent Directors:		
Christopher Lacovara (1)	42	Chairman and Vice President
James A. Kohlberg (1)	48	Vice Chairman and Vice President
Samuel P. Frieder (1)	42	Director and Vice President
Executive Officers		
Dayl W. Pearson	52	Chief Executive Officer
R. Jon Corless	54	Chief Investment Officer
Michael I. Wirth	48	Chief Financial Officer and Chief Compliance Officer
E.A. Kratzman	54	Vice President; Managing Director of Katonah Debt Advisors
David J. Duncan	48	Vice President; Principal and Portfolio Manager of Katonah Debt Advisors
Philip E. Theoharides	42	Vice President; Principal and Portfolio Manager of Katonah Debt Advisors

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

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

Independent Directors

C. Turney Stevens, Jr.

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

Albert G. Pastino

Mr. Pastino is the Senior Managing Director at Amper Investment Banking ("AIB"), a NASD member investment bank focusing on private transactions for middle market companies. He founded AIB in 2004. AIB focuses on capital formation, mergers and acquisitions and strategic advisory and due diligence assignments. After leaving an affiliate of Kohlberg & Co. in June 1997, Mr. Pastino worked as an investor, Chief Financial Officer and Chief Operating Officer at a variety of companies and was involved in all aspects of financial and general management, reporting and fundraising for a variety of companies, including Aptegrity, Inc., Bolt, Inc., AmTec, Inc. and Square Earth, Inc. Mr. Pastino is a member of the Board of Trustees and Executive Committee of Saint Joseph's University, and a member of the Board of Directors of Crompco, Inc., an environmental testing company owned by a Massachusetts based private equity firm.

C. Michael Jacobi

Mr. Jacobi is the owner and President of Stable House[1], LLC, a company that is engaged in business consulting and real estate development. From 2001 to 2004, Mr. Jacobi served as the President, Chief Executive Officer and member of the board of directors of Katy Industries, Inc., a portfolio company of investment funds affiliated with Kohlberg & Co., which is involved in the manufacture and distribution of electrical and maintenance products. Mr. Jacobi was the President and CEO of Timex Corporation from 1993 to 1999, and he was a member of the board of directors of Timex Corporation from 1992 to 2000. Prior to 1993, he served Timex Corporation in senior positions in marketing, sales, finance and manufacturing. Mr. Jacobi received a B.S. from the University of Connecticut and he is a Certified Public Accountant. Mr. Jacobi is currently a member of the board of directors of Webster Financial Corporation, Corrections Corporation of America and Sturm Ruger & Co. He serves as the chairman of the audit committees of Webster Financial Corporation and Corrections Corporation of America.

Gary Cademartori

Mr. Cademartori is a partner in Wall Street Technology Group, LLC, a company engaged in financial and technology consulting, mentoring and interim management to create more value in companies involved in business change. Prior to Wall Street, Mr. Cademartori was a financial consultant for less than one year and, from 1999 to 2005, a partner in Tatum CFO Partners, LLP, serving as the interim chief financial officer (CFO) and rendering financial consulting services for mid-market SEC reporting and privately-held companies. From 1995 to 1998, Mr. Cademartori served in the capacity of CFO for Schrader-Bridgeport International, Inc. Between 1981 and 1995, Mr. Cademartori served as the CFO of Charter Power Systems, Inc., Athlone Industries, Inc., Formica Corporation, and Butler International, Inc., all of which were mid-sized companies listed on the New York Stock Exchange. Prior to 1981, Mr. Cademartori was an audit partner in Touche Ross & Co., an international accounting firm. Mr. Cademartori received his M.B.A. degree in Finance and International Business from Seton Hall University and he is a certified public accountant. He serves on the Small Business Advisory Committee of the Financial Accounting Standards Board, and on the board of directors of Marotta Controls, Inc.

Non-Independent Directors

Christopher Lacovara, Chairman and Vice President

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

companies as well as the Management Committee of Katonah Debt Advisors. Mr. Lacovara also serves on the board of directors of Katy Industries, Inc., Schawk, Inc. and Stanadyne Corp.

James A. Kohlberg, Vice Chairman and Vice President

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

Samuel P. Frieder, Director and Vice President

Mr. Frieder joined Kohlberg & Co. in 1989 and became a Principal in 1995 and co-managing partner in 2006. From 1988 to 1989 he was a senior associate in the Capital Funding Group at Security Pacific Business
Credit. Prior to that, he was a senior real estate analyst at Manufacturers Hanover Trust Company. Mr. Frieder received an A.B. from Harvard College. Mr. Frieder serves on the board of directors of a number of private companies as well as on the Management Committee of Katonah Debt Advisors. Mr. Frieder also serves on the board of directors of Katy Industries, Inc. and Stanadyne Corp.

Executive Officers

Dayl W. Pearson, President and Chief Executive Officer

Mr. Pearson has more than 25 years of banking experience and has focused primarily on middle market credit intensive transactions, completing over $5 billion of financings over the past 15 years. From 1997 to 2006, he was a Managing Director at CIBC in the Leveraged Finance and Sponsor Coverage Group specializing in middle market debt transactions. Mr. Pearson was responsible for originating and executing more than $3 billion of transactions including senior loans, high-yield securities, mezzanine investments and equity co-investments. Prior to joining CIBC, Mr. Pearson was instrumental in developing the middle market leveraged finance business of IBJ Schroder from 1992 through 1997. In 1995, he became responsible for the entire $500 million leveraged finance portfolio and was involved in approving all new senior and mezzanine commitments. Previously, he was a senior lending officer in First Fidelity Bank's middle market lending group primarily focused on restructurings and prior to that Mr. Pearson invested in distressed securities. Mr. Pearson began his career at Chase Manhattan Bank after receiving a B.A. from Claremont Men's College and an M.B.A. from the University of Chicago.

R. Jon Corless, Chief Investment Officer

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

Michael I. Wirth, Chief Financial Officer, Chief Compliance Officer and Executive Vice President

Mr. Wirth has over 23 years of experience in the financial services sector and has managed over $2 billion in real estate debt and equity securities and advised or structured over $4.4 billion in structured real estate debt. Prior to joining the Company, from 2003 to 2006, Mr. Wirth was a co-founder, Chief Financial Officer and

Executive Vice President of New York Mortgage Trust, a mortgage REIT that completed its initial public offering in 2004. Mr. Wirth served from 2002 to 2003 as Chief Financial Officer of Newcastle Investment Corp., a mortgage REIT. Mr. Wirth also served as a Senior Vice President of Fortress Investment Group, the external advisor of Newcastle, from 2002 to 2003. From 2000 to 2002, Mr. Wirth served as the Senior Vice President and Chief Financial Officer of Charter Municipal Mortgage Acceptance Company (now known as CharterMac), a residential finance company, American Mortgage Acceptance Company, a mortgage REIT, and Aegis Realty Inc., a retail property REIT. Mr. Wirth also served as a Senior Vice President of Related Capital Company, which externally managed each of the foregoing companies from 2000 to 2002. From 1997 to 2000, Mr. Wirth served as a Vice President at CGA Investment Management, a monoline insurer of structured debt and an investor in real estate and asset-backed securities. Mr. Wirth received a B.B.A. from Georgia State University and is a member of the American Institute of Certified Public Accountants.

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

Mr. Kratzman has primary responsibility for the overall management and direction of the business activities of Katonah Debt Advisors since May 2005. Mr. Kratzman oversees portfolio management, trading, structuring, analytics and operations at Katonah Debt Advisors and serves as chairman of the Investment Committee.

Mr. Kratzman has previously been at Rabobank International in New York where he was the Head of CLO Management. Prior to that he was employed at First Union's Institutional Debt Management Group (IDM), where as Head of Portfolio Management and one of three co-founders, he was responsible for the development and execution of portfolio investment strategies as well as the management of portfolio management personnel. Mr. Kratzman has over nine years of experience in CDOs/CLOs across 17 funds totaling in excess of $5 billion. Prior to IDM, Mr. Kratzman was with Societe Generale, New York where he had, among other responsibilities, the senior credit signature for all real estate and leveraged finance transactions. Prior to joining Societe Generale in 1997, Mr. Kratzman was co-Head of the Asset Recovery Group at Deutsche Bank North America in New York. From 1985 to 1996, Mr. Kratzman was employed by Westpac Banking Corporation, both in New York and London, where he held numerous positions, including founding and managing its Southeast Corporate Banking Group and Real Estate Finance Group, and managing the Workout Division of Westpac Banking Corporation. From 1993 to 1996, Mr. Kratzman was Senior Vice President and Chief Credit Officer for the Americas Division. Mr. Kratzman has over 30 years of leveraged finance experience, including extensive workout experience and has successfully completed the Citibank Credit Training Program. He holds a B.A. from Hobart College and an M.B.A. in finance from Rutgers University, and is a graduate of the Executive Management Program at J.L. Kellogg Graduate School of Management.

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

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

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

Philip Theoharides, the Co-Portfolio Manager of the Structured Products Fund at Katonah Debt Advisors, has more than 20 years of corporate and structured finance experience. For two years prior to joining Katonah

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

Board of Directors

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

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

Compensation of Directors

As compensation for serving on our Board of Directors, each of our independent directors receives an annual fee of $25,000 and an additional $1,500 per meeting attended. Employee directors and non-independent directors will not receive compensation for serving on our Board of Directors. Independent directors who serve on board committees will receive cash compensation in addition to the compensation they receive for service on our Board of Directors. The chairperson of our Audit Committee receives an additional $10,000 per year and the chairperson of each other committee of our Board of Directors receives an additional $5,000 per year and all committee members receive an additional $500 for each committee meeting they attend. In addition, we will reimburse our directors for their reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors.

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

Committees of the Board of Directors

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

Valuation Committee. Our Board of Directors has established a Valuation Committee. The Valuation Committee is comprised of Mr. Lacovara, Mr. Frieder and Mr. Stevens. Mr. Lacovara serves as chairman of the Valuation Committee. The Valuation Committee is responsible for reviewing and recommending to the full board the fair value of debt and equity securities for which market quotations are not readily available. The Valuation Committee may utilize the services of an independent valuation firm in arriving at fair value of these securities.

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

Compensation of Executive Officers

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

Summary Compensation Table

Name	Aggregate Compensation from the Company	Pension or Retirement Benefits Accrued as Part of Company Expenses	Options Expected to be Granted	Directors' Fees by the Company
Independent Directors:				
C. Michael Jacobi	—	—	—	33,000
Albert G. Pastino	—	—	—	43,000
C. Turney Stevens	—	—	—	33,000
Gary Cademartori	—	—	—	33,000
Non-Independent Directors:				
Christopher Lacovara	(1)	(1)	250,000	(1)
James A. Kohlberg	(1)	(1)	5,000	(1)
Samuel P. Frieder	(1)	(1)	5,000	(1)
Executive Officers				
Dayl W. Pearson	$ 650,000(2)	29,000(2)	250,000	—
E.A. Kratzman	$ 800,000(2)(3)	29,000(2)	150,000	—
Michael I. Wirth	$ 600,000(2)	29,000(2)	150,000	—

(1) Non-independent directors do not receive any cash compensation or pension or retirement benefits from the Company in respect of their services as director. They will receive compensation in respect of the services provided as an officer or employee of the Company.

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

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

Compensation of Portfolio Management Employees

Our portfolio is managed by our Investment Committee, consisting of Christopher Lacovara, Samuel P. Frieder, Dayl W. Pearson, R. Jon Corless and E.A. Kratzman. Messrs. Pearson, Corless and Kratzman are

compensated in the form of annual salaries, annual cash bonuses based on performance and long-term compensation in the form of stock option grants. Messrs. Lacovara and Frieder will not receive any cash compensation for their service on the Investment Committee but will receive stock option grants in respect of their services as officers of the Company.

Salaries and Annual Bonus

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

Long Term Compensation

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

Option Grants in Last Fiscal Year

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

Employment Agreements

We have entered into employment agreements with Messrs. Pearson, Wirth and Corless. Each of these employment agreements provides for a term ending on December 31, 2008. The term will be automatically extended for one year on January 1, 2009, and for successive one-year periods on January 1 of each subsequent year, unless either party to the employment agreement provides at least 30 days prior written notice of its decision not to extend the term of the employment agreement. Under their respective employment agreements, Messrs. Pearson, Wirth and Corless are entitled to receive an annual base salary of $300,000, $300,000 and $200,000, respectively. If any of these executive officers is terminated other than for cause, such officer is entitled to the continued payment of his base salary and the employer portion of his health care premiums for six months, plus any accrued but unpaid base salary, bonus and profit sharing payment. Mr. Pearson's agreement grants him an option to purchase 250,000 shares of our common stock, Mr. Wirth's agreement grants him an option to purchase 150,000 shares of our common stock, and Mr. Corless's agreement grants him an option to purchase 100,000 shares of our common stock. These options shall vest in four equal annual installments. Each employment agreement also contains provisions governing death, disability, and non-competition covenants.

Katonah Debt Advisors and the Company have each entered into an employment agreement with Mr. Kratzman. Mr. Kratzman's agreement with Katonah Debt Advisors provides for a term ending on December 31, 2009. The term will be automatically extended for one year on January 1, 2010, and for successive one-year periods on January 1 of each subsequent year, unless previously terminated in writing by either party. Under the employment agreement, Mr. Kratzman is entitled to receive an annual salary of $300,000 and is eligible for an annual bonus and profit sharing payment from Katonah Debt Advisors based on achievement of performance objectives. If Mr. Kratzman is terminated other than for cause, he is entitled to the continued payment of his base salary and the employer portion of his health care premiums for six months, plus any accrued but unpaid base salary, bonus and profit sharing payment. The agreement also contains provisions governing death, disability, and non-competition covenants. Mr. Kratzman's agreement with Kohlberg Capital provides for an indefinite

term ending upon Mr. Kratzman's resignation, death or removal with or without cause. The agreement grants Mr. Kratzman an option to purchase 150,000 shares of our common stock, which option shall vest in three equal annual installments. The agreement also contains provisions regarding non-competition covenants.

Equity Incentive Plan

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

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

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

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

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

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

- an option to Mr. Lacovara to purchase an aggregate of 250,000 shares of common stock;
- an option to Mr. Pearson to purchase 250,000 shares of common stock;
- an option to Mr. Kratzman to purchase 150,000 shares of common stock;
- an option to Mr. Wirth to purchase 150,000 shares of common stock;
- an option to Mr. Corless to purchase 100,000 shares of common stock;
- an option to Mr. Kohlberg to purchase 5,000 shares of common stock; and
- an option to Mr. Frieder to purchase 5,000 shares of common stock.

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

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

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

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

Immediately following completion of this offering, certain entities and affiliates of Kohlberg & Co. will own an aggregate of 21% of our outstanding common stock. See "Restructuring."

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

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

CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

Immediately prior to the completion of this offering, we will have 3,484,333 shares of common stock outstanding, all of which will be beneficially owned by the stockholders listed in the table below. At that time, we will have no other shares of capital stock outstanding. After this offering, no person will be deemed to control us, as such term is defined in the 1940 Act.

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

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

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of September 30, 2006 are deemed to be outstanding and beneficially owned by the person holding such options or warrants. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Percentage of beneficial ownership is based on (i) 3,484,333 shares of common stock outstanding as of September 30, 2006 after giving effect to the Restructuring, and (ii) 16,984,333 shares of common stock to be outstanding after the offering.

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

	Shares of Common Stock Beneficially Owned			
Name and Address	Number of Shares	Percentage of Class Before Offering	Percentage of Class After Offering	Dollar Range of Equity Securities
Principal Stockholders:				
KAT Associates, LLC	264,493	7.6%	1.6%	
Directors and Executive Officers:				
C. Michael Jacobi	—	—	—	—
Albert G. Pastino	—	—	—	—
C. Turney Stevens	—	—	—	—
Gary Cademartori				
James A. Kohlberg (1)	2,017,164	57.9%	11.9%	›$ 100,000
Christopher Lacovara (2)(3)	462,134	13.3%	2.7 %	›$ 100,000
Samuel P. Frieder (2)	462,134	13.3%	2.7 %	›$ 100,000
E.A. Kratzman (3)	94,272	2.7%	*	›$ 100,000
Michael I. Wirth (3)	—	—	—	—
Dayl W. Pearson (3)	—	—	—	—
R. Jon Corless (3)	—	—	—	—
David J. Duncan (3)	—	—	—	—
Philip Theoharides	—	—	—	—
Directors and Executive Officers as a Group (10 persons)	3,300,197	94.7%	19.4 %	›$ 100,000

* Less than 1%.

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

KKAT Acquisition Company IV, LLC, 221,333 shares of common stock held by KKAT Acquisition Company V, LLC, 300,000 shares of common stock held by KKAT Acquisition Company VII, LLC and 226,667 shares of common stock held by KKAT Acquisition Company VIII, LLC, as to which Mr. Kohlberg has both voting and dispositive power. Mr. Kohlberg disclaims beneficial ownership of the shares held by KKAT Acquisition Company III, LLC, KKAT Acquisition Company IV, LLC, KKAT Acquisition Company V, LLC, KKAT Acquisition Company VII, LLC and KKAT Acquisition Company VIII, LLC (collectively, the "KKAT Entities"), except to the extent of his pecuniary interest therein. Excludes shares of our common stock owned by KAT Associates, LLC. Mr. Kohlberg is a beneficiary under certain trusts that are members of KAT Associates, LLC and, as such, may have a pecuniary interest in a portion of such shares.

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

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

DETERMINATION OF NET ASSET VALUE

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

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

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

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

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

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

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

the characteristics of the underlying cash flow and comparable yields for similar bonds and preferred shares/income notes, when available. We recognize unrealized appreciation or depreciation on our CDO Investments as comparable yields in the market change and/or based on changes in estimated cash flows resulting from changes in prepayment or loss assumptions in the underlying collateral pool. As each CDO Investment ages, the expected amount of losses and the expected timing of recognition of such losses in the underlying collateral pool is updated and the revised cash flows are used in determining the fair value of the CDO Investment. We determine the fair value of our CDO Investments on an individual security-by-security basis. If we were to sell a group of CDO Investments in a pool in one or more transactions, the total value received for that pool may be different than the sum of the fair values of the individual CDO Investments.

DIVIDEND REINVESTMENT PLAN

We will adopt a dividend reinvestment plan that provides for reinvestment of our distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our Board of Directors authorizes, and we declare, a cash dividend, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash.

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

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

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

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

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

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

REGULATION

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

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

Qualifying Assets

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

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

On October 25, 2006, the SEC reproposed a rule under the 1940 Act that would further expand the definition of an "eligible portfolio company" to include certain domestic operating companies that list their securities on a national securities exchange.

See "Risk Factors—If our primary investments are not deemed to be qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy" above for a discussion of the possible impact of any failure to invest a sufficient portion of our assets in qualifying assets.

Significant Managerial Assistance

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

Temporary Investments

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

Senior Securities; Coverage Ratio

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

Code of Ethics

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

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

Privacy Principles

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

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

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

Proxy Voting Policies and Procedures

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

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

Other

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

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

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

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

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

Election to be Taxed as a Regulated Investment Company

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

Taxation as a Regulated Investment Company

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

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

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

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

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

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

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

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

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

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

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

Failure to Qualify as a Regulated Investment Company

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

Taxation of U.S. Stockholders

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

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

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

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

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

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

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

Taxation of Non-U.S. Stockholders

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

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

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

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

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

DESCRIPTION OF CAPITAL STOCK

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

Stock

As of the date of completion of this offering, our authorized capital stock will consist of 100,000,000 shares of common stock, par value $0.01 per share, of which immediately after this offering 16,984,333 shares will be outstanding, and 5,000,000 shares of preferred stock, par value $0.01 per share, none of which will be outstanding immediately after this offering. There is currently no market for our common stock, and we can offer no assurances that a market for our shares will develop in the future. We have reserved the symbol "KCAP" for the listing of our common stock on The NASDAQ Global Market. A total of 1,500,000 shares of our common stock will have been authorized for issuance under the Equity Incentive Plan prior to the completion of this offering. Under Delaware law, our stockholders will not be personally liable for our debts or obligations solely based on their ownership of our common stock.

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

(1)	(2)	(3)	(4)
Title of Class	Amount Authorized	Amount Held by Us or for our Account	Amount Outstanding Exclusive of Amount Under Column (3)
Common Stock	100,000,000	—	16,984,333
Preferred Stock	5,000,000	—	—

Common Stock

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

Preferred Stock

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

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

Registration Rights

In connection with our Restructuring, we entered into a registration rights agreement with certain affiliates of Kohlberg & Co. who hold shares of our common stock. Pursuant to the registration rights agreement, we have agreed that, upon demand by the holders of a specified percentage of these shares, we will file a registration statement to cover resales of the shares of common stock held by the requesting stockholders, including with respect to the 433,333 shares of our common stock held by certain directors and other stockholders that are subject only to a 90 day lock-up in connection with this offering to enable such holders to fund certain tax liabilities arising out of the Restructuring. In addition, pursuant to the registration rights agreement, we have agreed to grant these holders piggyback registration rights to include the shares held by these holders in any registration statement that we file for newly issued shares of our common stock, subject to certain exceptions. All expenses incurred in connection with these registrations will be borne by the Company. Immediately following this offering, holders of approximately 3,484,333 shares of our common stock will be entitled to have such shares included in any such registration statement and 433,333 shares included therein will be subject only to a 90 day lock-up agreement.

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

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

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

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

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

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

Delaware law also provides that indemnification permitted under the law shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise. In connection with the completion of this offering, we expect to enter into indemnification agreements with some of our officers and directors.

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

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

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

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

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

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

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

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

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

SHARES ELIGIBLE FOR FUTURE SALE

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

We, our executive officers and directors and certain other stockholders have agreed with the underwriters not to sell any shares of our common stock, other than an aggregate of 433,333 shares of our common stock which will only be subject to a 90 day lock-up period and as to which we expect to file a shelf registration statement covering the resale of such shares shortly after the completion of this offering to enable the holders of such shares to fund certain tax liabilities arising out of the Restructuring, that we or they own for a period of either 360 days or 180 days from the date of this prospectus, as described below. This agreement, referred to as a "lock-up agreement," may be waived by Lehman Brothers, Inc. as representative of the underwriters. Notwithstanding the foregoing, we have agreed, and are permitted pursuant to the terms of our lock-up agreement, to file a shelf registration statement covering all of the shares of our common stock outstanding prior to this offering shortly after the completion of this offering. See "Description of Capital Stock—Registration Rights."

Upon the completion of this offering, as a result of the issuance of 13,500,000 shares of common stock, we will have 16,984,333 shares of our common stock outstanding, of which 3,484,333 shares will be "restricted" securities under the meaning of Rule 144 promulgated under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including exemptions contained in Rule 144. Pursuant to a registration rights agreement, we have agreed to file a registration statement in respect of the shares of common stock that are restricted securities and, as described above, 433,333 shares to be included in such registration statement will be subject only to a 90 day lock-up period and may be resold at any time following the 90th day following the date of this prospectus, subject to the effectiveness of such shelf registration statement.

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

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

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

Lock-Up Agreements

Our executive officers and directors and certain of our other stockholders who hold in the aggregate 1,961,840 shares of our common stock will be subject to agreements with the underwriters that restrict their ability to transfer shares of our common stock for a period of up to 360 days from the date of this prospectus, other than with respect to an aggregate of 433,333 shares of our common stock held by such stockholders that will be subject only to a 90-day lock-up restriction to enable such holders to fund certain tax liabilities arising out of the Restructuring. We and all of our other stockholders who received shares of our common stock in the Restructuring will be subject to agreements with the underwriters that restrict our and their ability to transfer shares of our common stock for a period of up to 180 days from the date of this prospectus. After all of the lock-up agreements expire, an aggregate of 3,484,333 additional shares will be eligible for sale in the public market in accordance with Rule 144 under the Securities Act. These lock-up agreements provide that these persons will not offer, sell, contract to sell, pledge (other than to us), hedge or otherwise dispose of our common stock or any securities convertible into or exchangeable for our common stock, owned by them for a period specified in the agreement without the prior written consent of Lehman Brothers Inc.

Stock Options

As of the completion of this offering, there will be options to purchase 910,000 shares of our common stock outstanding under our Equity Incentive Plan. All of these shares will be eligible for sale in the public market from time to time, subject to vesting provisions, Rule 144 volume limitations applicable to our affiliates and, in the case of some of the options, the expiration of lock-up agreements.

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

BROKERAGE ALLOCATION AND OTHER PRACTICES

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

UNDERWRITING

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

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

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

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

Commissions and Expenses

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

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

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

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

Option to Purchase Additional Shares

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

Reserved Share Program

At our request, the Underwriters have reserved for sale, at the initial public offering price, up to 100,000 shares offered hereby to be sold to certain directors, officers and employees of the Company or its subsidiaries. The number of shares of Common Stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the Underwriters to the general public on the same terms as the other shares offered hereby.

Discretionary Sales

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares offered by them.

Lock-Up Agreements

We, our executive officers and directors and certain other stockholders, have agreed that, other than with respect to an aggregate of 433,333 shares of our common stock held by certain of our directors and stockholders that will only be subject to a 90 day lock-up agreement to enable such holders to fund certain tax liabilities arising out of the Restructuring, without the prior written consent of Lehman Brothers Inc., we and they will not directly or indirectly, (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of common stock (including, without limitation, shares of common stock that may be deemed to be beneficially owned by us or them in accordance with the rules and regulations of the SEC and shares of common stock that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for common stock, (2) enter into any swap or other derivatives transaction agreement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any common stock or securities convertible or exchangeable into common stock or any of our other securities or (4) publicly disclose the intention to do any of the foregoing for a period of 360 days after the date of this Prospectus, in the case of our directors, officers and certain of our stockholders who hold in the aggregate 1,961,840 shares of our common stock, and 180 days after the date of this Prospectus in the case of the Company and all of our other stockholders who received shares of our common stock in the Restructuring.

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

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

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

Lehman Brothers Inc., in its sole discretion, may release the common stock subject to lock-up agreements in whole or in part at any time with or without notice. When determining whether or not to release shares of common

stock from lock-up agreements, Lehman Brothers Inc. will consider, among other factors, the stockholder's reasons for requesting the release, the number of shares of common stock and other securities for which the release is being requested and market conditions at the time. Lehman Brothers Inc. has advised us that it has no present intent to release the lock-ups prior to the expiration of the applicable restricted period described above.

Offering Price Determination

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between the representative and us. In determining the initial public offering price of our common stock, the representative will consider:

- the history and prospects for the industry in which we compete;
- our financial information;
- the ability of our management and our business potential and earning prospects;
- the prevailing securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded shares of generally comparable companies.

Indemnification

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

Stabilization and Short Positions

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

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

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

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

Electronic Distribution

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

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

Listing

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

Stamp Taxes

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

Relationships

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

CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

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

LEGAL MATTERS

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The financial statements as of August 17, 2006 and for the period from August 8, 2006 (inception date) to August 17, 2006 included in this prospectus have been audited by Deloitte & Touch LLP, an independent registered public accounting firm, and have been so included in reliance on the report of such firm given upon their authority as experts in auditing and accounting.

AVAILABLE INFORMATION

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Members of
Kohlberg Capital, LLC
New York, NY

We have audited the accompanying statement of assets, liabilities and member's capital of Kohlberg Capital, LLC as of August 17, 2006, and the related statements of operations, cash flows and statement of members' capital for the period August 8, 2006 (inception date) to August 17, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Kohlberg Capital, LLC as of August 17, 2006, the results of its operations, its cash flows and the changes in members' capital for the period August 8, 2006 (inception date) to August 17, 2006, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

November 17, 2006

KOHLBERG CAPITAL, LLC

STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' CAPITAL

	August 17, 2006
ASSETS	
Current Assets	
Cash	$ 1,000
Due from Katonah Debt Advisors	52,119
Total Current Assets	53,119
Other Assets	
Deferred Offering Costs	543,676
Total Other Assets	543,676
TOTAL ASSETS	$ 596,794
LIABILITIES & MEMBERS' CAPITAL	
Current Liabilities	
Accrued Expenses	$ 571,719
Due to Katonah Debt Advisors	24,075
Total Current Liabilities	595,794
Members' Capital	
Capital Contributed	1,000
Net Income (Loss)	—
Total Members' Capital	1,000
TOTAL LIABILITIES & MEMBERS' CAPITAL	$ 596,794

KOHLBERG CAPITAL, LLC

STATEMENT OF OPERATIONS

	For the Period August 8, 2006 (Inception) through August 17, 2006
INCOME	
Interest & Dividends	
Interest	$ —
Total Interest & Dividends	—
TOTAL INCOME	—
EXPENSES	
Organizational Expenses	
Accounting fees	10,000
Legal fees	10,000
Recruiting fees	32,119
Reimbursement from KDA	(52,119)
TOTAL EXPENSES	—
NET INCOME (LOSS)	$ —

KOHLBERG CAPITAL, LLC

STATEMENT OF CASH FLOWS

	For the Period August 8, 2006 (Inception) through August 17, 2006
OPERATING ACTIVITIES	
Net Income (Loss)	$ —
Adjustments to Reconcile Net Income (Loss) to Net Cash Used in Operating Activities:	
Increase in Deferred Offering Cost	(543,676)
Net (Increase) Decrease in Due from Katonah Debt Advisors	(52,118)
Net Increase (Decrease) in Due to Katonah Debt Advisors	24,075
Increase (Decrease) in Accrued Expenses	571,719
Net Cash Used in Operating Activities	—
FINANCING ACTIVITIES	
Contributions from Members	1,000
Net Cash Provided by Financing Activities	1,000
Net Increase (Decrease) in Cash and Cash Equivalents	1,000
Cash, Beginning Balance	—
Cash, Ending Balance	$ 1,000

KOHLBERG CAPITAL, LLC

STATEMENT OF MEMBERS' CAPITAL

	For the Period August 8, 2006 (Inception) through August 17, 2006
BEGINNING CAPITAL—AUGUST 8, 2006 (Inception)	$ —
Capital Contributions	1,000
Net Income from Operations	—
Capital Distributions	—
ENDING CAPITAL—AUGUST 17, 2006	$ 1,000

KOHLBERG CAPITAL, LLC
(a Delaware limited liability company)
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Kohlberg Capital, LLC (the "LLC") was organized on August 8, 2006 as a Delaware limited liability company. The LLC is a newly non-diversified closed-end investment company that intends to elect to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended, prior to the IPO. The Company intends to raise common equity in an initial public offering ("IPO") which is anticipated to be finalized in the fourth quarter of 2006. In connection with the IPO, Kohlberg Capital, LLC, will convert, in accordance with Delaware Law, to a Delaware corporation to be named Kohlberg Capital Corporation ("the Company").

Other than the capitalization of the LLC by its members and certain organizational costs and registration fees related to the pending IPO, the LLC has not commenced operations.

2. SIGNIFICANT ACCOUNTING POLICIES

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

3. AGREEMENTS

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

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

The LLC has also entered into a transition services agreement with Kohlberg & Co. pursuant to which Kohlberg & Co. will provide accounting services, cash management and budgeting services, tax services, internal legal services, payroll administration and other human resource services and intellectual technology services for a period of up to six months from the date of the agreement. Kohlberg & Co. will not receive a fee for such services but will be reimbursed for any normal out of pocket expenses that it incurs.

4. ORGANIZATIONAL AND OFFERING EXPENSES

A portion of the net proceeds of the proposed IPO will be used to pay offering costs. Offering costs will be charged against proceeds from the IPO when received and organizational expenses will be treated as an expense in the year incurred. Katonah Debt Advisors, an affiliate of the Company, has agreed to pay organizational expenses on behalf of the Company, and to be subsequently reimbursed through the proceeds of the offering. Offering costs are currently estimated to be $16.2 million. Such offering and organization expenses reflect management's best estimate and are subject to change upon the completion of the IPO and conclusion of the organization process. In the event the IPO does not occur, the LLC will not incur all such expenses and may not be able to pay expenses that are incurred.

KOHLBERG CAPITAL, LLC
(a Delaware limited liability company)
NOTES TO FINANCIAL STATEMENTS—(Continued)

5. FEDERAL INCOME TAXES

No provision for federal, state and local income taxes has been made in the accompanying financial statements, as partners are individually liable for their own tax payments.

When the LLC converts to a corporation it intends to file an election to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and, among other things, intends to make the requisite distributions to its stockholders which will relieve it from Federal income or excise taxes. Therefore, no provision is anticipated to be recorded for Federal income or excise taxes.

******

13,500,000 Shares

KOHLBERG CAPITAL CORPORATION

Common Stock

PROSPECTUS

, 2006

LEHMAN BROTHERS

MERRILL LYNCH & CO.

BMO CAPITAL MARKETS

BEAR, STEARNS & CO. INC.

A.G. EDWARDS

STIFEL NICOLAUS

PART C—OTHER INFORMATION

Item 25. Financial Statements and Exhibits

1. *Financial Statements*

Not applicable.

2. *Exhibits*

Exhibit Number	Description
a	Form of Certificate of Incorporation of Kohlberg Capital Corporation (the "Company").*
b	Form of Bylaws of the Company.*
d.1	Specimen certificate of the Company's common stock, par value $0.01 per share.*
d.2	Form of Registration Rights Agreement.
e	Form of Dividend Reinvestment Plan.
h	Form of Underwriting Agreement between the Company, Lehman Brothers Inc. and Merrill Lynch, Pierce Fenner & Smith incorporated as representatives of the underwriters named therein.
i.1	Form of the 2006 Equity Incentive Plan.
i.2	Form of Kohlberg Capital Non-Qualified Stock Option Certificate.
j	Form of Custodian Agreement by and among Kohlberg Capital Corporation and U.S. Bank National Association.
k.1	Form of Amended and Restated Irrevocable Exchange and Subscription Agreement—Katonah Debt Advisors, effective as of August 17, 2006 between Katonah Capital, LLC, James A. Kohlberg and KAT Associates LLC.
k.2	Form of Irrevocable Exchange and Subscription Agreement—CDO Securities, dated August 17, 2006 between Kohlberg Capital, LLC, KKAT Acquisition Company III, LLC, KKAT Acquisition Company IV, LLC, KKAT Acquisition Company V, LLC, KKAT Acquisition Company VII, LLC and KKAT Acquisition Company VIII, LLC.*
k.3	Form of Transition Services Agreement between the Company and Kohlberg & Company, LLC.*
k.4	Form of License and Referral Agreement between the Company and Kohlberg & Company, LLC.*
k.5	Form of Overhead Allocation Agreement between the Company and Katonah Debt Advisors, LLC.
k.6	Form of Employment Agreement between Kohlberg Capital Corporation and Dayl W. Pearson.
k.7	Form of Employment Agreement between Kohlberg Capital Corporation and Michael I. Wirth.
k.8	Form of Employment Agreement between Kohlberg Capital Corporation and R. Jon Corless.
k.9	Form of Employment Agreement between Kohlberg Capital Corporation and E.A. Kratzman.
k.10	Form of Employment Agreement between Katonah Debt Advisors and E.A. Kratzman.
k.11	Form of Indemnification Agreement for Officers and Directors of the Company.
l	Opinion of Ropes & Gray LLP, counsel to the Registrant.
n.1	Consent of James A. Kohlberg pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.2	Consent of Christopher Lacovara pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*

Exhibit Number	Description
n.3	Consent of Samuel P. Frieder pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.4	Consent of C. Turney Stevens, Jr. pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.5	Consent of Albert G. Pastino pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.6	Consent of C. Michael Jacobi pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.*
n.7	Consent of Gary Cademartori pursuant to Rule 438 under the Securities Act of 1933 to be named as a director.
n.8	Consent of Deloitte & Touche, LLP, Independent Registered Public Accounting Firm.
n.9	Consent of Ropes & Gray LLP, counsel to the Registrant (included in Exhibit l).
r	Form of Code of Ethics of the Company adopted under Rule 17j-1.

* Previously filed.

Item 26. Marketing Arrangements

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

Item 27. Other Expenses of Issuance and Distribution

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

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

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

Item 28. Persons Controlled by or Under Common Control

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

Item 29. Number of Holders of Securities

The following table sets forth the number of record holders of the Registrant's common equity at November 17, 2006.

Title of Class	Number of Record Holders
Common Units	7

Item 30. Indemnification

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

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person in the successful defense of an action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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

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

Item 31. Business and Other Connections of Investment Adviser

Not applicable.

Item 32. Location of Accounts and Records

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

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

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

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

Item 33. Management Services

Not applicable.

Item 34. Undertakings

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

2. The Registrant undertakes that:

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

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

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, and State of New York, on the 17th day of November 2006.

KOHLBERG CAPITAL, LLC[1]

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

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

Signature	Title	Date
/s/ DAYL W. PEARSON **DAYL W. PEARSON**	Chief Executive Officer (principal executive, financial and accounting officer)	November 17, 2006
* **JAMES A. KOHLBERG**	Member of the Board of Managers	November 17, 2006
* **SAMUEL P. FRIEDER**	Member of the Board of Managers	November 17, 2006
* **CHRISTOPHER LACOVARA**	Member of the Board of Managers	November 17, 2006

The undersigned, by signing his name hereto, does sign and execute this Amendment No. 2 to the registration statement pursuant to the Power of Attorney executed by the above named directors of the Registrant and previously filed with the Securities and Exchange Commission on behalf of such directors.

*By: /s/ DAYL W. PEARSON **DAYL W. PEARSON**	Attorney-in-fact	November 17, 2006

(1) In connection with this offering, the Registrant, which is currently named Kohlberg Capital, LLC, a Delaware limited liability company, will convert, in accordance with Delaware law, to a Delaware corporation to be named Kohlberg Capital Corporation.

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INDEX OF EXHIBITS

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e	Form of Dividend Reinvestment Plan.
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n.9	Consent of Ropes & Gray LLP, counsel to the Registrant (included in Exhibit l).
r	Form of Code of Ethics of Kohlberg Capital Corporation adopted under Rule 17j-1.

* Previously filed.

Exhibit d.2

REGISTRATION RIGHTS AGREEMENT

among

Kohlberg Capital, LLC

and

Certain Holders of Common Units of Kohlberg Capital, LLC

Dated as of , 2006

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REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the "Agreement") is made as of , 2006 by and among:

(i) Kohlberg Capital, LLC, a Delaware limited liability company;

(ii) each Person executing this Agreement and listed as an Investor on the signature pages hereto (collectively with their Permitted Transferees, the "Investors"); and

(iii) such other Persons, if any, that from time to time become party hereto as holders of Other Holder Shares (as defined below) pursuant to Section 4.2 solely in the capacity of permitted assignees with respect to certain registration rights hereunder (collectively, the "Other Holders").

RECITALS

1. Pursuant to the Irrevocable Exchange and Subscription Agreement – Katonah Debt Advisors, dated as of August 17, 2006, by and among Kohlberg Capital, LLC and certain of the Investors, and the Irrevocable Exchange and Subscription Agreement – CDO Securities, dated as of August 17, 2006, by and among Kohlberg Capital, LLC and certain of the Investors, the Investors contributed certain assets to the Company in exchange for common units of Kohlberg Capital, LLC (the "Common Units").

2. On August 18, 2006, Kohlberg Capital, LLC filed with the United States Securities and Exchange Commission (the "SEC") a notice on Form N-6F that it intends to file an election to be regulated as a business development company under the Investment Company Act of 1940, as amended (the "1940 Act"), together with a registration statement (the "Registration Statement") on Form N-2 relating to an initial public offering (the "IPO") of shares of Common Stock (as defined below) of Kohlberg Capital Corporation (as defined below).

3. Prior to the effectiveness of the Registration Statement, Kohlberg Capital will file with the SEC a Notification of Election to be Subject to Sections 55 through 65 of the Investment Company Act on Form N-54A (the "BDC Election").

4. Concurrently with the execution of the underwriting agreement relating to the IPO, Kohlberg Capital will convert, under Delaware law, to a Delaware corporation under the name "Kohlberg Capital Corporation" (the "Conversion").

5. As a result of the Conversion, the Common Units will automatically convert into shares of Common Stock.

6. The Company wishes to grant to each Investor registration rights in the Common Stock that will be held by such Investor after the Conversion.

Therefore, the parties hereto hereby agree as follows:

1. DEFINITIONS.

1.1. Definitions. Certain terms are used in this Agreement as specifically defined herein. These definitions are set forth or referred to in Section 6 hereof.

2. REGISTRATION RIGHTS. The Company will perform and comply, and cause each of its subsidiaries to perform and comply, with such of the following provisions as are applicable to it. Each Holder will perform and comply with such of the following provisions as are applicable to such Holder.

2.1. Demand Registration Rights for Investor Registrable Securities.

2.1.1. General. The Majority Investors (the "Initiating Investors"), by notice to the Company specifying the intended method or methods of disposition, may request that the Company effect the registration under the Securities Act for a Public Offering of all or a specified part of the Registrable Securities held by such Initiating Investors; provided, however, that the value of Registrable Securities that the Initiating Investors propose to sell in such Public Offering is at least five million dollars ($5,000,000) or such lower amount as agreed by the Majority Investors. The Company will then use its best efforts to (i) effect the registration under the Securities Act (including, for up to 433,333 shares of Common Stock immediately following the Company's Initial Public Offering, by means of a shelf registration on Form N-2 pursuant to Rule 415 under the Securities Act if so requested by the Majority Investors and if the Company is then eligible to use such registration form (such registration described in this parenthetical, the "Initial Registration")) of the Registrable Securities which the Company has been requested to register by such Initiating Investors together with all other Registrable Securities which the Company has been requested to register pursuant to Section 2.2 by other Holders, all to the extent required to permit the disposition (in accordance with the intended methods thereof as aforesaid and as otherwise specified by the Initiating Investors) of the Registrable Securities which the Company has been so requested to register, and (ii) if requested by the Initiating Investors, obtain acceleration of the effective date of the registration statement relating to such registration; provided, however, that the Company shall not be obligated to take any action to effect any such registration (other than the Initial Registration) pursuant to this Section 2.1.1:

(a) during the effectiveness of any Principal Lock-Up Agreement entered into in connection with any registration statement pertaining to an underwritten public offering of securities of the Company for its own account;

(b) if the Company has previously effected four (4) registrations of Registrable Securities under this Section 2.1.1; provided, however, that any registration of Registrable Securities (i) which does not become and remain effective for at least 270 days in accordance with the provisions of this Section 2

or (ii) pursuant to which the Initiating Investors and all other holders of Registrable Securities joining therein are not able to include at least 90% of the Registrable Securities which they desired to include shall not be included in the calculation of the numbers of registrations contemplated by this clause (b); or

(c) if a registration statement requested under this Section 2.1.1 became effective within the preceding 90 days.

2.1.2. Form. Except as otherwise provided above or required by law, each registration requested pursuant to Section 2.1.1 shall be effected by the filing of a registration statement on Form N-2 (or any other form which includes substantially the same information as would be required to be included in a registration statement on such form as currently constituted).

2.1.3. Payment of Expenses. The Company shall pay all Registration Expenses in connection with registrations of Registrable Securities pursuant to this Section 2.1, including all reasonable expenses (other than fees and disbursements of counsel that do not constitute Registration Expenses) that any Holder incurs in connection with each registration of Registrable Securities requested pursuant to this Section 2.1.

2.1.4. Additional Procedures. In the case of a registration pursuant to Section 2.1 hereof, whenever the Initiating Investors shall request that such registration shall be effected pursuant to an underwritten offering, the Company shall include such information in the written notices to Holders referred to in Section 2.2. In such event, the right of any Holder to have securities owned by such Holder included in such registration pursuant to Section 2.1 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed upon by the Initiating Investors and such Holder). If requested by the Initiating Investors, the Company together with the Holders proposing to distribute their securities through the underwriting will enter into an underwriting agreement with the underwriters for such offering containing such representations and warranties by the Company and such Holders and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including customary indemnity and contribution provisions (subject, in each case, to the limitations on such liabilities set forth in this Agreement).

2.1.5. Suspension of Registration. If the filing, initial effectiveness or continued use of a registration statement in respect of a registration pursuant to this Section 2.1 at any time would require the Company to make a public disclosure of material non-public information, which disclosure in the good faith judgment of the Board (after consultation with external legal counsel) (i) would be required to be made in any registration statement so that such registration statement would not be materially misleading, (ii) would not be required to be made at such time but for the filing, effectiveness or continued use of such registration statement and (iii) would have a material adverse effect on the Company or its business or on the Company's ability to effect a material proposed acquisition, disposition, financing, reorganization,

recapitalization or similar transaction, then the Company may, upon giving prompt written notice of such action to the Holders participating in such registration, delay the filing or initial effectiveness of, or suspend use of, such registration statement; provided, that the Company shall not be permitted to do so (i) more than two times during any 12 month period, (ii) for a period exceeding 30 days on any one occasion or (iii) for an aggregate period exceeding 60 days in any 12 month period. In the event the Company exercises its rights under the preceding sentence, such Holders agree to suspend, promptly upon their receipt of the notice referred to above, their use of any prospectus relating to such registration in connection with any sale or offer to sell Registrable Securities. The Company shall promptly notify such Holders of the expiration of any period during which it exercised its rights under this Section 2.1.5. The Company agrees that, in the event it exercises its rights under this Section 2.1.5, it shall, within 30 days following such Holders' receipt of the notice of suspension, update the suspended registration statement as may be necessary to permit the Holders to resume use thereof in connection with the offer and sale of their Registrable Securities in accordance with applicable law.

2.2. Piggyback Registration Rights.

2.2.1. Piggyback Registration.

(a) General. Each time the Company proposes to register any shares of Common Stock under the Securities Act on a form which would permit registration of Registrable Securities for sale to the public, for its own account and/or for the account of any other Person (pursuant to Section 2.1 or otherwise) for sale in a Public Offering, the Company will give notice to all Holders of its intention to do so. Any Holder may, by written response delivered to the Company within 20 days after the date of delivery of such notice, request that all or a specified part of such Holder's Registrable Securities be included in such registration. The Company thereupon will use its best efforts to cause to be included in such registration under the Securities Act all Registrable Securities which the Company has been so requested to register by such Holders, to the extent required to permit the disposition (in accordance with the methods to be used by the Company or, pursuant to Section 2.1, other Holders in such Public Offering) of the Registrable Securities to be so registered; provided that (i) if, at any time after giving written notice of its intention to register any securities, the Company shall determine for any reason not to proceed with the proposed registration of the securities to be sold by it, the Company may, at its election, give written notice of such determination to each Holder and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses in connection therewith), and (ii) if such registration involves an underwritten offering, all Holders requesting to be included in the Company's registration must sell their Registrable Securities to the underwriters selected by the Company on the same terms and conditions as apply to the Company (with such differences as may be customary or appropriate in combined primary and secondary offerings) or, in the case of a registration initiated pursuant to Section 2.1.1, the Initiating

Investors. No registration of Registrable Securities effected under this Section 2.2 shall relieve the Company of any of its obligations to effect registrations of Registrable Securities pursuant to Section 2.1 hereof.

(b) Excluded Transactions. The Company shall not be obligated to effect any registration of Registrable Securities under this Section 2.2 incidental to the registration of any of its securities in connection with:

(i) Any Public Offering relating to employee benefit plans or dividend reinvestment plans or any rights offering solely to the holders of the Company's Common Stock;

(ii) Any Public Offering relating to the acquisition or merger after the date hereof by the Company or any of its subsidiaries of or with any other businesses except to the extent such Public Offering is for the sale of securities for cash; or

(iii) The Initial Public Offering.

2.2.2. Payment of Expenses. The Company will pay all Registration Expenses in connection with registrations of Registrable Securities pursuant to this Section 2.2.

2.2.3. Additional Procedures. Holders participating in any Public Offering pursuant to this Section 2.2 shall take all such actions and execute all such documents and instruments that are reasonably requested by the Company to effect the sale of their Registrable Securities in such Public Offering, including being parties to the underwriting agreement entered into by the Company and any other selling shareholders in connection therewith and being liable in respect of the representations and warranties and the other agreements to be made by them (including customary selling stockholder representations, warranties, indemnifications and "lock-up" agreements) for the benefit of the underwriters contained therein; provided, however, that (a) with respect to individual representations, warranties, indemnities and agreements of sellers of Registrable Securities in such Public Offering, the aggregate amount of such liability shall not exceed such holder's net proceeds from such offering and (b) to the extent selling stockholders give further representations, warranties and indemnities, then with respect to all other representations, warranties and indemnities of sellers of shares in such Public Offering, the aggregate amount of such liability shall not exceed the lesser of (i) such holder's pro rata portion of any such liability, in accordance with such holder's portion of the total number of Registrable Securities included in the offering, and (ii) such holder's net proceeds from such offering less the amount of such holder's liability, if any, under clause (a) above in respect of such Public Offering.

2.3. Certain Other Provisions.

2.3.1. Underwriter's Cutback. In connection with any registration of shares, the underwriter may determine that marketing factors (including an adverse effect on the per share offering price) require a limitation of the number of shares to be underwritten.

Notwithstanding any contrary provision of this Section 2 and subject to the terms of this Section 2.3.1, the underwriter may limit the number of shares which would otherwise be included in such registration by excluding any or all Registrable Securities from such registration, it being understood that, if the registration in question involves a registration for sale of securities for the Company's own account, then the number of shares which the Company seeks to have registered in such registration shall not be subject to exclusion, in whole or in part, under this Section 2.3.1. Upon receipt of notice from the underwriter of the need to reduce the number of shares to be included in the registration, the Company shall advise all holders of the Company's securities that would otherwise be registered and underwritten pursuant hereto, and the number of shares of such securities, including Registrable Securities, that may be included in the registration shall be allocated in the following manner, unless the underwriter shall determine that marketing factors require a different allocation: shares, other than Registrable Securities, requested to be included in such registration by other shareholders shall be excluded except for any shares which the Company, with the consent of the parties required to approve any amendment or waiver of this Agreement pursuant to Section 5.2, has granted registration rights which are to be treated on an equal basis with Registrable Securities for the purpose of the exercise of the underwriter cutback (such shares afforded such equal treatment being "Parity Shares"); and, if a limitation on the number of shares is still required, the number of Registrable Securities, Parity Shares and other shares of Common Stock that may be included in such registration shall be allocated among the holders thereof in proportion, as nearly as practicable, as follows (but giving effect to Section 7.8):

(a) there shall be first allocated to each such holder requesting that its Registrable Securities or Parity Shares be registered in such registration a number of such shares to be included in such registration equal to the lesser of (i) the number of such shares requested to be registered by such holder, and (ii) a number of such shares equal to such holder's Pro Rata Portion;

(b) the balance, if any, not allocated pursuant to clause (a) above shall be allocated to those holders requesting that their Registrable Securities or Parity Shares be registered in such registration which requested to register a number of such shares in excess of such holder's Pro Rata Portion pro rata to each such holder based upon the number of Registrable Securities and Parity Shares held by such holder, or in such other manner as the holders requesting that their Registrable Securities or Parity Shares be registered in such registration may otherwise agree; and

(c) the balance, if any, not allocated pursuant to clause (b) above shall be allocated to shares, other than Registrable Securities and Parity Shares, requested to be included in such registration by other stockholders.

For purposes of any underwriter cutback, all Registrable Securities held by any Holder shall also include any Registrable Securities held by the partners, retired partners, shareholders or Affiliates of such Holder, or the estates and family members of any such Holder or such partners and retired partners, any trusts for the benefit of any of the foregoing Persons and, at the election

of such Holder or such partners, retired partners, trusts or Affiliates, any Charitable Organization to which any of the foregoing shall have contributed Common Stock prior to the execution of the underwriting agreement in connection with such underwritten offering, and such Holder and other Persons shall be deemed to be a single selling Holder, and any pro rata reduction with respect to such selling Holder shall be based upon the aggregate amount of Common Stock owned by all entities and individuals included in such selling Holder, as defined in this sentence. No securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration. Upon delivery of a written request that Registrable Securities be included in the underwriting pursuant to Section 2.1.1 or 2.2.1(a), the Holder thereof may not thereafter elect to withdraw therefrom without the written consent of the Initiating Investors, in the case of a registration initiated pursuant to Section 2.1, or the Majority Investors, in the case of a registration pursuant to Section 2.2; provided that, if the managing underwriter of any underwritten offering shall advise the Holders participating in a registration pursuant to Section 2.1 that the Registrable Securities covered by the registration statement cannot be sold in such offering within a price range acceptable to the Initiating Investors or Majority Investors, as applicable, then the Initiation Investors or Majority Investors, as applicable, shall have the right to notify the Company that they have determined that the registration statement be abandoned or withdrawn, in which event the Company shall abandon or withdraw such registration statement; provided, further, that if the price to the public at which the Registrable Securities are proposed to be sold will be less than 90% of the average closing price of the Common Stock during the 10 trading days preceding the date on which notice of such offering was given pursuant to Section 2.2.1(a), then the Investors participating in such registration pursuant to Section 2.1 or 2.2 may elect to withdraw from such registration by written notice to the Company. The Company may, but shall not be required to, extend a similar withdrawal right to other Holders of Registrable Securities or Parity Shares.

2.3.2. Registration Procedures. If and in each case when the Company is required to effect a registration of any Registrable Securities as provided in this Section 2, the Company shall promptly:

(a) prepare and, in any event within forty-five days after the end of the period under Section 2.2.1(a) within which a piggyback request for registration may be given to the Company, file with the Commission a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective within ninety days of the initial filing and keep such registration statement effective for a period of up to two hundred seventy (270) days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such two hundred seventy (270) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration, and (ii) in the case of the Initial Registration, subject to compliance with applicable SEC rules, such two hundred seventy (270) day period shall be extended for up to ninety (90) days, if necessary, to keep the registration statement effective until all such Registrable Securities are sold;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to comply with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all securities covered by such registration statement during the period in which such registration statement remains effective in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement; provided that before filing a registration statement or prospectus, or any amendments or supplements thereto in accordance with Sections 2.1 or 2.2, the Company will furnish to each counsel selected pursuant to Section 2.3.3 hereof copies of all documents proposed to be filed, which documents will be subject to the review of such counsel;

(c) furnish to each seller of such Registrable Securities such number of copies of such registration statement and of each amendment and supplement thereto (in each case including all exhibits filed therewith), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and summary prospectus), in conformity with the requirements of the Securities Act, and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities by such seller;

(d) use its best efforts to register or qualify such Registrable Securities covered by such registration in such jurisdictions as each seller shall reasonably request, and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction where, but for the requirements of this clause (d), it would not be obligated to be so qualified or to consent to general service of process in any such jurisdiction;

(e) notify each seller of any such Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the Company's becoming aware that the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and at the request of any such seller, prepare and furnish to such seller a reasonable number of copies of an amended or supplemental prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(f) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable (but not more than 18 months) after the effective date of the registration statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the Securities Act;

(g) (i) use its best efforts to list such Registrable Securities on any national securities exchange or authorize for quotation on each other market on which the Common Stock is then listed or authorized for quotation if such Registrable Securities are not already so listed or authorized for quotation; and (ii) use its best efforts to provide a transfer agent and registrar for such Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(h) enter into such customary agreements (including an underwriting agreement in customary form), which may include indemnification provisions in favor of underwriters and other Persons in addition to the provisions of Section 2.4 hereof, and take such other actions as the Initiating Investors or the Majority Investors, as applicable, or the underwriters, if any, reasonably requested in order to expedite or facilitate the disposition of such Registrable Securities;

(i) in the case of any underwritten offering, obtain a "cold comfort" letter or letters from the Company's independent public accountants in customary form and covering matters of the type customarily covered by "cold comfort" letters as the Initiating Investors (in the case of a registration initiated pursuant to Section 2.1) or the Majority Investors (in all other cases), shall reasonably request;

(j) make available for inspection by any seller of such Registrable Securities covered by such registration statement, by any managing underwriter or underwriters participating in any disposition to be effected pursuant to such registration statement and by any attorney, accountant or other agent retained by any such seller or any such managing underwriter(s), all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement (subject to each party referred to in this clause (j) entering into customary confidentiality agreements in a form reasonably acceptable to the Company);

(k) notify each counsel selected pursuant to Section 2.3.3 hereof for the Holders of Registrable Securities included in such registration statement and the managing underwriter or agent, immediately, and confirm the notice in writing (i) when the registration statement, or any post-effective amendment to the registration statement, shall have become effective, or any supplement to the prospectus or any amendment to the prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request of the Commission to amend the registration statement or amend or supplement the

prospectus or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the registration statement for offering or sale in any jurisdiction, or of the institution or threatening of any proceedings for any of such purposes;

(l) make every commercially reasonable effort to prevent the issuance of any stop order suspending the effectiveness of the registration statement or of any order preventing or suspending the use of any preliminary prospectus and, if any such order is issued, to obtain the withdrawal of any such order as soon as practicable;

(m) if requested by the managing underwriter or agent or any Holder of Registrable Securities covered by the registration statement, incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or agent or such Holder reasonably requests to be included therein, including, with respect to the number of Registrable Securities being sold by such Holder to such underwriter or agent, the purchase price being paid therefor by such underwriter or agent and with respect to any other terms of the underwritten offering of the Registrable Securities to be sold in such offering; and make all required filings of such prospectus supplement or post-effective amendment as soon as practicable after being notified of the matters incorporated in such prospectus supplement or post-effective amendment;

(n) cooperate with the Holders of Registrable Securities covered by the registration statement and the managing underwriter or agent, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing securities to be sold under the registration statement, and enable such securities to be in such denominations and registered in such names as the managing underwriter or agent, if any, or such Holders may request;

(o) obtain for delivery to the Holders of Registrable Securities being registered and to the underwriter or agent an opinion or opinions from counsel for the Company in customary form and in form, substance and scope reasonably satisfactory to such Holders, underwriters or agents and their counsel;

(p) cooperate with each seller of Registrable Securities and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the "NASD"); and

(q) use its commercially reasonable best efforts to make available the executive officers of the Company to participate with the Holders of Registrable Securities and any underwriters in any "road shows" that may be reasonably requested by the Holders in connection with distribution of the Registrable Securities.

2.3.3. Selection of Underwriters and Counsel. The underwriters to be retained by the Company (a) in connection with the first Public Offering following the Initial Public Offering, if initiated pursuant to Section 2.1, shall be selected by the Initiating Investors, and (b) otherwise, shall be selected by the Holders of a majority of Registrable Securities proposed to be covered by such registration. In connection with any registration of Registrable Securities pursuant to Section 2.1 or 2.2 hereof, the Holders of a majority of Registrable Securities covered by such registration may select one counsel to represent all Holders of Registrable Securities covered by such registration; provided, that the cost of such counsel shall be borne by the Company; provided, however, that in the event that the counsel selected as provided above is also acting as counsel to the Company in connection with such registration, the remaining Holders shall be entitled to select one additional counsel to represent, at the Company's expense, all such remaining Holders.

2.3.4. Company Lock-Up. If any registration pursuant to Section 2.1 of this Agreement shall be in connection with an underwritten public offering, the Company agrees not to effect any public sale or distribution of any Common Stock of the Company (or securities convertible into or exchangeable or exercisable for Common Stock) (in each case, other than as part of such underwritten public offering and other than pursuant to a registration on Form S-4 or S-8 or any successor form thereto) for its own account, within 90 days (or such shorter period as the managing underwriters may require) after, the effective date of such registration (except as part of such registration).

2.3.5. Holders Lock-Up. In connection with each underwritten Public Offering each Holder hereby agrees to be bound by and, if requested, to execute and deliver such lock-up agreement with the underwriter(s) of such Public Offering restricting such Holder's right to (a) Transfer, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for such Common Stock or (b) enter into any swap or other arrangement that transfers to another any of the economic consequences of ownership of Common Stock, in each case to the extent that such restrictions are agreed to (i) in the case of a Public Offering initiated upon the request of an Initiating Investor, by the underwriter(s) of such offering and Investors holding a majority of the Registrable Securities participating in such offering or (ii) in the case of all other Public Offerings, by the underwriter(s) of such Public Offering and the holders of a majority of the Registrable Securities participating in such Public Offering (the "Principal Lock-Up Agreement"); provided, however, that no Holder shall be required by this Section 2.3.5 to be bound by a lock-up agreement covering a period of greater than 108 days (198 days in the case of the Initial Public Offering) following the effectiveness of the related registration statement; provided, further, that no Holder shall be required by this Section 2.3.5 to be bound by a lock-up agreement unless all officers and directors of the Company agree to be bound by such lock-up agreement. Notwithstanding the foregoing, such lock-up agreement shall not apply to (i) transactions relating to shares of Common Stock or other securities acquired in (a) open market transactions or block purchases after the completion of the Initial Public Offering or (b) a Public Offering, (ii) Transfers to Permitted Transferees of such Holder, (iii) conversions of shares of Common Stock into other classes of Common Stock without change of holder, (iv) during the period preceding the execution of the underwriting agreement, Transfers to a Charitable Organization and (v) the Initial Registration.

2.3.6. Other Agreements. The Company covenants and agrees that, so long as any Person holds any Registrable Securities in respect of which any registration rights provided for in Section 2.1 of this Agreement remain in effect, the Company will not, directly or indirectly, without the consent of the Majority Investors, grant to any Person or agree to or otherwise become obligated in respect of (i) rights of registration in the nature or substantially in the nature of those set forth in Section 2.1 of this Agreement that would have priority over or parity with the Registrable Securities with respect to the inclusion of such securities in any registration or (ii) demand registration rights exercisable prior to such time as the Investors can first exercise their rights under Section 2.1.

2.4. Indemnification and Contribution.

2.4.1. Indemnities of the Company. In the event of any registration of any Registrable Securities or other debt or equity securities of the Company or any of its subsidiaries under the Securities Act pursuant to this Section 2 or otherwise, and in connection with any registration statement or any other disclosure document produced by or on behalf of the Company or any of its subsidiaries including reports required and other documents filed under the Exchange Act, and other documents pursuant to which any debt or equity securities of the Company or any of its subsidiaries are sold (whether or not for the account of the Company or its subsidiaries), the Company will, and hereby does, and will cause each of its subsidiaries, jointly and severally, to indemnify and hold harmless each holder of Registrable Securities, any Person who is or might be deemed to be a controlling person of the Company or any of its subsidiaries within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, their respective direct and indirect partners, advisory board members, directors, officers, trustees, members, representatives and shareholders, and each other Person, if any, who controls any such holder or any such controlling person within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such Person being referred to herein as a "Covered Person"), against any losses, claims, damages or liabilities (or actions or proceedings in respect thereof), joint or several, to which such Covered Person may be or become subject under the Securities Act, the Exchange Act, any other securities or other law of any jurisdiction, the common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any registration statement under the Securities Act, any preliminary prospectus or final prospectus included therein, or any related summary prospectus, or any amendment or supplement thereto, or any document incorporated by reference therein, or any other such disclosure document (including reports and other documents furnished or filed under the Exchange Act and any document incorporated by reference therein) or other document or report, (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) any violation or alleged violation by the Company or any of its subsidiaries of any

federal, state, foreign or common law rule or regulation applicable to the Company or any of its subsidiaries and relating to action or inaction in connection with any such registration, disclosure document or other document or report, and will reimburse such Covered Person for any legal or any other expenses incurred by it in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that neither the Company nor any of its subsidiaries shall be liable to a Covered Person in any such case to the extent that any such loss, claim, damage, liability, action or proceeding arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement, incorporated document or other such disclosure document or other document or report, in reliance upon and in conformity with written information furnished to the Company or to any of its subsidiaries through an instrument duly executed by such Covered Person specifically stating that it is for use in the preparation thereof. The indemnities of the Company and of its subsidiaries contained in this Section 2.4.1 shall remain in full force and effect regardless of any investigation made by or on behalf of such Covered Person and shall survive any transfer of securities or any termination of this Agreement.

2.4.2. Indemnities to the Company. Subject to Section 2.4.4, the Company and any of its subsidiaries may require, as a condition to including any securities in any registration statement filed pursuant to this Section 2, that the Company and any of its subsidiaries shall have received an undertaking satisfactory to it from the prospective seller of such securities, severally and not jointly, to indemnify and hold harmless the Company and any of its subsidiaries, each director of the Company or any of its subsidiaries, each officer of the Company or any of its subsidiaries who shall sign such registration statement and each other Person (other than such seller), if any, who controls the Company and any of its subsidiaries within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each other prospective seller of such securities with respect to any statement in or omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus included therein, or any amendment or supplement thereto, or any other disclosure document (including reports and other documents filed under the Exchange Act or any document incorporated therein) or other document or report, if such statement or omission was made in reliance upon and in conformity with written information furnished to the Company or any of its subsidiaries through an instrument executed by such seller specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement, incorporated document or other document or report. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company, any of its subsidiaries or any such director, officer or controlling Person and shall survive any transfer of securities or any termination of this Agreement.

2.4.3. Contribution. If the indemnification provided for in Sections 2.4.1 or 2.4.2 hereof is unavailable to a party that would have been entitled to indemnification pursuant to the foregoing provisions of this Section 2.4 (an "Indemnitee") in respect of

any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each party that would have been an indemnifying party thereunder shall, subject to Section 2.4.4 and in lieu of indemnifying such Indemnitee, contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative fault of such indemnifying party on the one hand and such Indemnitee on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof). The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or such Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties agree that it would not be just or equitable if contribution pursuant to this Section 2.4.3 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the preceding sentence. The amount paid or payable by a contributing party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 2.4.3 shall include any legal or other expenses reasonably incurred by such Indemnitee in connection with investigating or defending any such action or claim. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

2.4.4. Limitation on Liability of Holders of Registrable Securities. The aggregate liability of each holder of Registrable Securities in respect of any indemnification or contribution obligation of such holder arising under this Section 2.4 shall not in any event exceed an amount equal to the net proceeds to such holder (after deduction of all underwriters' discounts and commissions) from the disposition of the Registrable Securities disposed of by such holder pursuant to such registration.

2.4.5. Indemnification Procedures. Promptly after receipt by an Indemnitee of written notice of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 2.4, such Indemnitee will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action or proceeding; provided that the failure of the Indemnitee to give notice as provided herein shall not relieve the indemnifying party of its obligations under this Section 2.4, except to the extent and only to the extent that the indemnifying party is materially prejudiced by such failure to give notice. In case any such action or proceeding is brought against an Indemnitee, the indemnifying party will be entitled to participate in and to assume the defense thereof (at its expense), jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such Indemnitee, and after notice from the indemnifying party to such Indemnitee of its election so to assume the defense thereof, the indemnifying party will not be liable to such Indemnitee for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation and shall have no liability

for any settlement made by the Indemnitee without the consent of the indemnifying party, such consent not to be unreasonably withheld. Notwithstanding the foregoing, if in such Indemnitee's reasonable judgment a conflict of interest between such Indemnitee and the indemnifying parties may exist in respect of such action or proceeding or the indemnifying party does not assume the defense of any such action or proceeding within a reasonable time after notice of commencement, the Indemnitee shall have the right to assume or continue its own defense and the indemnifying party shall be liable for any reasonable expenses therefor, but in no event will bear the expenses for more than one firm of counsel for all Indemnitees in each jurisdiction who shall be approved by (a) the Initiating Investors in the case of a registration initiated pursuant to Section 2.1 or (b) in all other cases, the Majority Investors. No indemnifying party will settle any action or proceeding or consent to the entry of any judgment without the prior written consent of the Indemnitee, unless such settlement or judgment (i) includes as an unconditional term thereof the giving by the claimant or plaintiff of a release to such Indemnitee from all liability in respect of such action or proceeding and (ii) does not include any admission as to fault or culpability on the part of any Indemnitee and (iii) does not involve the imposition of equitable remedies or the imposition of any obligations on such Indemnitee and does not otherwise adversely affect such Indemnitee, other than as a result of the imposition of financial obligations for which such Indemnitee will be indemnified hereunder.

3. REMEDIES.

3.1. Generally. The parties shall have all remedies available at law, in equity or otherwise in the event of any breach or violation of this Agreement or any default hereunder. The parties acknowledge and agree that in the event of any breach of this Agreement, in addition to any other remedies which may be available, each of the parties hereto shall be entitled to specific performance of the obligations of the other parties hereto and, in addition, to such other equitable remedies (including preliminary or temporary relief) as may be appropriate in the circumstances.

4. PERMITTED TRANSFERS.

4.1. Transfers by Investors. The rights of an Investor hereunder may be assigned (but only with all related obligations as set forth below) in connection with a Transfer of Registrable Securities effected in accordance with the terms of this Agreement to a Permitted Transferee of such Investor. Without prejudice to any other or similar conditions imposed hereunder with respect to any such Transfer, no assignment permitted under the terms of this Section 4.1 shall be effective unless the Permitted Transferee to which such assignment is being made, if not a Stockholder, has delivered to the Company a written acknowledgment and agreement in form and substance reasonably satisfactory to the Company that the Registrable Securities in respect of which such assignment is made shall continue to be deemed Registrable Securities and shall be subject to all of the provisions of this Agreement relating to Registrable Securities and that such Permitted Transferee shall be bound by, and shall be a party to, this Agreement as an Investor. A Permitted Transferee to whom rights are transferred pursuant to this Section 4.1 may not again transfer such rights to any other Permitted Transferee, other than as provided in this Section 4.1.

4.2. Permitted Registration Rights Assignees. In addition to the foregoing, the rights of a holder of Registrable Securities to cause the Company to register its Registrable Securities pursuant to Section 2.1 (solely with respect to transfers by Investors to Permitted Transferees) and 2.2 (with respect to all Holders) may be assigned (but only with all related obligations as set forth below) in a Transfer effected in accordance with the terms of this Agreement to any transferee that, together with its Affiliates, acquires (or holds) shares of Registrable Securities either (i) for consideration of at least $1,000,000, (ii) having a then fair market value (determined in good faith by the Board at the time of the Transfer) of at least $1,000,000; or (iii) in the case of any Investor, representing all of the Registrable Securities then held by such Investor (each such transferee, a "Permitted Registration Rights Assignee"). Without prejudice to any other or similar conditions imposed hereunder with respect to any such Transfer, no assignment permitted under the terms of this Section 4.2 shall be effective unless the Permitted Registration Rights Assignee, if not an Investor, has delivered to the Company a written acknowledgment and agreement in form and substance reasonably satisfactory to the Company that such Registrable Securities in respect of which such assignment is made shall be deemed Other Holder Shares and shall be subject to all of the provisions of this Agreement relating to Other Holder Shares and that such Permitted Registration Rights Assignee shall be bound by, and shall be an Other Holder party to, this Agreement and the holder of Other Holder Shares hereunder. A transferee to whom rights are transferred pursuant to this Section 4.2 may not again transfer such rights to any Person, other than as provided in this Section 4.2.

5. AMENDMENT, TERMINATION, ETC.

5.1. Oral Modifications. This Agreement may not be orally amended, modified, extended or terminated, nor shall any oral waiver of any of its terms be effective.

5.2. Written Modifications. This Agreement may be amended, modified, extended or terminated, and the provisions hereof may be waived, only by an agreement in writing signed by the Company and Holders representing a majority of the Registrable Securities. Each amendment shall be binding upon each party hereto and each holder of Registrable Securities subject hereto. In addition, each party hereto and each holder of Registrable Securities subject hereto may waive any right hereunder by an instrument in writing signed by such party or holder.

5.3. Effect of Termination. No termination under this Agreement shall relieve any Person of liability for breach prior to termination. In the event this Agreement is terminated, each Investor shall retain the indemnification rights pursuant to Section 2.4 hereof with respect to any matter that (i) may be an indemnified liability thereunder and (ii) occurred prior to such termination.

6. DEFINITIONS. For purposes of this Agreement:

6.1. Certain Matters of Construction. In addition to the definitions referred to or set forth below in this Section 6:

(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 provision of this Agreement, and reference to a particular Section of this Agreement shall include all subsections thereof;

(ii) The word "including" shall mean including, without limitation;

(iii) Definitions shall be equally applicable to both nouns and verbs and the singular and plural forms of the terms defined; and

(iv) The masculine, feminine and neuter genders shall each include the other.

6.2. Definitions. The following terms shall have the following meanings:

"Affiliate" shall mean, with respect to any specified Person, (a) any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person (for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise); provided, however, that neither the Company nor any of its subsidiaries shall be deemed an Affiliate of any of the Investors (and vice versa), (b) if such specified Person is an investment fund, any other investment fund the primary investment advisor to which is the primary investment advisor to such specified Person or an Affiliate thereof and (c) if such specified Person is a natural Person, any Family Member of such natural Person, or any family limited partnership, trust or other estate planning vehicle established for the benefit of such Person or the Family Members of such Person.

"Agreement" shall have the meaning set forth in the Preamble.

"Board" shall mean the board of directors of the Company.

"Business Day" shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to be closed in the City of New York.

"Charitable Organization" shall mean a charitable organization as described by Section 501(c)(3) of the Internal Revenue Code of 1986, as in effect from time to time.

"Commission" shall mean the Securities and Exchange Commission.

"Common Stock" means the common stock, par value $0.01 per share, of Kohlberg Capital Corporation.

"Company" means Kohlberg Capital, LLC and, at and after the Conversion, Kohlberg Capital Corporation, together with their successors and permitted assigns.

"Convertible Securities" shall mean any evidence of indebtedness, shares of stock (other than Common Stock) or other securities (other than Options and Warrants) which are directly or indirectly convertible into or exchangeable or exercisable for shares of Common Stock.

"Covered Person" shall have the meaning set forth in Section 2.4.1.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as in effect from time to time.

"Family Member" shall mean, with respect to any natural Person, (i) any lineal descendant or ancestor or sibling (by birth or adoption) of such natural Person, (ii) any spouse or former spouse of any of the foregoing, (iii) any legal representative or estate of any of the foregoing, (iv) any trust maintained for the benefit of the foregoing and (v) any corporation, private charitable foundation or other organization controlled by the foregoing.

"Holders" shall mean the holders of Registrable Securities that are party to this Agreement (including Other Holders).

"Indemnitee" shall have the meaning set forth in Section 2.4.3.

"Initial Public Offering" shall mean the initial Public Offering of the Company registered on Form N-2 (or any successor form under the Securities Act).

"Initial Registration" shall have the meaning set forth in Section 2.1.1.

"Initiating Investors" shall have the meaning set forth in Section 2.1.1.

"Investors" shall have the meaning set forth in the Preamble.

"Majority Investors" shall mean, as of any date, the Holders of a majority of the Registrable Securities.

"NASD" shall have the meaning set forth in Section 2.3.2(p).

"Options" shall mean any options to subscribe for, purchase or otherwise directly acquire Common Stock, other than any such option held by the Company.

"Other Holder Shares" shall mean (a) all shares of Common Stock held by an Other Holder that were Transferred to such Other Holder in a transaction subject to Section 4.2 or that were acquired by such Other Holder upon the exercise, conversion or exchange of any Options, Warrants or Convertible Securities that were Transferred to such Other Holder in a transaction subject to Section 4.2 and (b) all Options, Warrants and Convertible Securities that were Transferred to such Other Holder in a transaction subject to Section 4.2, treating such Options, Warrants and Convertible Securities as a number of Other Holder Shares equal to the maximum number of shares of Common Stock for which or into which such Options, Warrants or Convertible Securities may at the time be exercised, converted or exchanged (or which will become exercisable, convertible or exchangeable on or prior to, or by reason of, the transaction

or circumstance in connection with which the number of Other Holder Shares is to be determined).

"Other Holders" shall have the meaning set forth in the Preamble.

"Parity Shares" shall have the meaning set forth in Section 2.3.1.

"Permitted Registration Rights Assignee" shall have the meaning set forth in Section 4.2.

"Permitted Transferee" shall mean, in respect of any Investor, any Affiliate of such Investor, as applicable, and any other Person approved by the Majority Investors, in each case to the extent such Person agrees to be bound by the terms of this Agreement. In addition, any Stockholder shall be a Permitted Transferee of the Permitted Transferees of itself.

"Person" shall mean any individual, partnership, corporation, company, association, trust, joint venture, limited liability company, unincorporated organization, entity or division, or any government, governmental department or agency or political subdivision thereof.

"Principal Lock-Up Agreement" shall have the meaning set forth in Section 2.3.5.

"Pro Rata Portion" shall mean for purposes of Section 2.3, with respect to each holder of Registrable Securities or Parity Shares requesting that such shares be registered in such registration statement, a number of such shares equal to the aggregate number of shares of Common Stock to be registered in such registration (excluding any shares to be registered for the account of the Company) multiplied by a fraction, the numerator of which is the aggregate number of Registrable Securities and Parity Shares held by such holder, and the denominator of which is the aggregate number of Registrable Securities and Parity Shares held by all holders requesting that their Registrable Securities or Parity Shares be registered in such registration.

"Public Offering" shall mean a public offering and sale of Common Stock for cash pursuant to an effective registration statement under the Securities Act.

"Registrable Securities" shall mean (a) all shares of Common Stock (including without limitation all shares of Common Stock issuable in the Conversion in place of Common Units), (b) all shares of Common Stock issuable upon exercise, conversion or exchange of any Option, Warrant or Convertible Security and (c) all shares of Common Stock directly or indirectly issued or issuable with respect to the securities referred to in clauses (a) or (b) above by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization. As to any particular Registrable Securities, such shares shall cease to be Registrable Securities upon the earlier of (i) the date on which such shares have been registered effectively pursuant to the Securities Act and, in the case of an underwritten offering, disposed of in accordance with the registration statement relating to it, (ii) the date on which such shares have been Transferred pursuant to Rule 144, (iii) the date on which such shares are sold to the Company, (iv) the date on which all Registrable Securities held by such holder may be sold without restriction pursuant to Rule 144(k) under the Securities Act, or (v) such securities shall have ceased to be outstanding.

"Registration Expenses" means any and all expenses incident to performance of or compliance with Section 2 of this Agreement (other than underwriting discounts and commissions paid to underwriters and transfer taxes, if any), including (a) all Commission and securities exchange or NASD registration and filing fees, (b) all fees and expenses of complying with securities or blue sky laws (including reasonable fees and disbursements of counsel for the underwriters in connection with blue sky qualifications of the Registrable Securities), (c) all printing, messenger and delivery expenses, (d) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange or NASD pursuant to Section 2.3.2(g) and all rating agency fees, (e) the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits and/or "cold comfort" letters required by or incident to such performance and compliance, (f) the reasonable fees and disbursements of one counsel for the Holders selected pursuant to the terms of Section 2, (g) any fees and disbursements customarily paid by the issuers of securities, and (h) expenses incurred in connection with any road show (including the reasonable out-of-pocket expenses of the Holders).

"Rule 144" shall mean Rule 144 under the Securities Act (or any successor Rule).

"Rule 145" shall mean Rule 145 under the Securities Act (or any successor Rule).

"Sale" shall mean a Transfer for value and the terms "Sell" and "Sold" shall have correlative meanings.

"Securities Act" shall mean the Securities Act of 1933, as in effect from time to time.

"Transfer" shall mean any sale, pledge, assignment, encumbrance or other transfer or disposition of any Registrable Securities to any other Person, whether directly, indirectly, voluntarily, involuntarily, by operation of law, pursuant to judicial process or otherwise.

"Warrants" shall mean any warrants to subscribe for, purchase or otherwise directly acquire Common Stock.

7. MISCELLANEOUS.

7.1. Authority: Effect. Each party hereto represents and warrants to and agrees with each other party that the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized on behalf of such party and do not violate any agreement or other instrument applicable to such party or by which its assets are bound. This Agreement does not, and shall not be construed to, give rise to the creation of a partnership among any of the parties hereto, or to constitute any of such parties members of a joint venture or other association.

7.2. Notices. All notices, requests, demands, claims and other communications required or permitted to be delivered, given or otherwise provided under this Agreement must be in writing and must be delivered, given or otherwise provided:

(a) by hand (in which case, it will be effective upon delivery);

(b) by facsimile (in which case, it will be effective upon receipt of confirmation of good transmission); or

(c) by overnight delivery by a nationally recognized courier service (in which case, it will be effective on the Business Day after being deposited with such courier service);

in each case, to the address (or facsimile number) listed below:

If to the Company, to it at:

295 Madison Avenue
6th Floor
New York, NY 10017
Facsimile: (212) 983-7654
Attention: Dayl W. Pearson

with copies to:

Ropes & Gray LLP
One International Place
Boston, MA 02110
Facsimile: (617) 951-7050
Attention: Craig E. Marcus

If to any Investor, to it at the address listed below such Investor's name on the signature pages hereto.

Notice to the holder of record of any shares of capital stock shall be deemed to be notice to the holder of such shares for all purposes hereof. Any of the above addresses may be changed at any time by notice given as provided above; provided, however, that any such notice of change of address shall be effective only upon receipt.

7.3. Binding Effect, Etc. Except for restrictions on the Transfer of Registrable Securities set forth in other written agreements, plans or documents, and except for other written agreements dated on or about the date of this Agreement, this Agreement constitutes the entire agreement of the parties with respect to its subject matter, supersedes all prior or contemporaneous oral or written agreements or discussions with respect to such subject matter, and shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors and permitted assigns. Except as otherwise expressly provided herein, no Investor or other party hereto may assign any of its respective rights or delegate any of its respective obligations under this Agreement without the prior written consent of the other parties hereto, and any attempted assignment or delegation in violation of the foregoing shall be null and void.

7.4. Descriptive Heading. The descriptive headings of this Agreement are for convenience of reference only, are not to be considered a part hereof and shall not be construed to define or limit any of the terms or provisions hereof.

7.5. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one instrument.

7.6. Severability. In the event that any provision hereof would, under applicable law, be invalid or unenforceable in any respect, such provision shall be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law. The provisions hereof are severable, and in the event any provision hereof should be held invalid or unenforceable in any respect, it shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

7.7. No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement, each of the Company and each Holder (including Other Holders) covenant, agree and acknowledge that no recourse under this Agreement shall be had against any current or future director, officer, employee, agent, general or limited partner, stockholder or member of the Company or any Investor or of any Affiliate or assignee thereof, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any current or future officer, employee, agent, general or limited partner, stockholder or member of the Company or any Investor or of any Affiliate or assignee thereof for any obligation to or of any Investor under this Agreement for any claim based on, in respect of or by reason of such obligations or their creation; provided, however, that nothing in this Section 7.7 shall relieve the Company or any Investor of its obligations hereunder.

7.8. Aggregation of Registrable Securities. All Registrable Securities held by an Investor and its Affiliates shall be aggregated together for purposes of determining the availability of any rights under Section 2.

8. GOVERNING LAW.

8.1. Governing Law. This Agreement and all claims arising out of or based upon this Agreement or relating to the subject matter hereof shall be governed by and construed in accordance with the domestic substantive laws of the State of New York without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

8.2. Consent to Jurisdiction. Each party to this Agreement, by its execution hereof, (a) hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State of New York, County of New York for the purpose of any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based upon this Agreement or relating to the subject matter hereof, (b) hereby waives to the extent not

prohibited by applicable law, and agrees not to assert, and agrees not to allow any of its subsidiaries 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 proceeding brought in one of the above-named courts is improper, or that this Agreement or the subject matter hereof or thereof may not be enforced in or by such court and (c) hereby agrees not to commence or maintain any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based upon this Agreement or relating to the subject matter hereof or thereof other than before one of the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any such action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation to any court other than one of the above-named courts whether on the grounds of inconvenient forum or otherwise. Notwithstanding the foregoing, to the extent that any party hereto is or becomes a party in any litigation in connection with which it may assert indemnification rights set forth in this agreement, the court in which such litigation is being heard shall be deemed to be included in clause (a) above. Notwithstanding the foregoing, any party to this Agreement may commence and maintain an action to enforce a judgment of any of the above-named courts in any court of competent jurisdiction. Each party hereto hereby consents to service of process in any such proceeding in any manner permitted by New York law, and agrees that service of process by registered or certified mail, return receipt requested, at its address specified pursuant to Section 7.2 hereof is reasonably calculated to give actual notice.

8.3. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 8.3 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 8.3 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

8.4. Exercise of Rights and Remedies. No delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any such delay, omission nor waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

[Signature pages follow]

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement (or caused this Agreement to be executed on its behalf by its officer or representative thereunto duly authorized) under seal as of the date first above written.

THE COMPANY:

KOHLBERG CAPITAL, LLC

By: _____
Name:
Title:

THE INVESTORS:

James A. Kohlberg

Christopher Lacovara

Samuel P. Frieder

Evan Wildstein

Shant Mardirossian

Walter Farley

E.A. Kratzman

KAT ASSOCIATES, LLC

By: _____
Name:
Title:

KKAT ACQUISITION COMPANY III, LLC

By: _____
Name:
Title:

KKAT ACQUISITION COMPANY IV, LLC

By: _____
Name:
Title:

KKAT ACQUISITION COMPANY V, LLC

By: _____
Name:
Title:

KKAT ACQUISITION COMPANY VII, LLC

By: _____
Name:
Title:

KKAT ACQUISITION COMPANY VIII, LLC

By: _____
Name:
Title:

The foregoing Registration Rights Agreement is hereby confirmed and accepted as of the date first above written:

KOHLBERG CAPITAL CORPORATION

By: _____
Name:
Title:

Exhibit e

KOHLBERG CAPITAL CORPORATION

DIVIDEND REINVESTMENT PLAN

Kohlberg Capital Corporation, a Delaware corporation (the "Corporation"), hereby adopts the following plan (the "Plan") with respect to dividends and distributions declared by its board of directors ("Board of Directors") on shares of its common stock:

1. Unless a stockholder specifically elects to receive cash as set forth below, all cash dividends and distributions hereafter declared by the Board of Directors shall be payable in shares of the common stock of the Corporation, and no action shall be required on such stockholder's part to receive a distribution in stock.

2. Such cash dividends and distributions shall be payable on such date or dates as may be fixed from time to time by the Board of Directors to stockholders of record at the close of business on the record date(s) established by the Board of Directors for the dividend and/or distribution involved.

3. The Corporation shall use primarily newly-issued shares of its Common Stock to implement the Plan, whether its shares are trading at a premium or at a discount to net asset value. However, the Corporation reserves the right to purchase shares in the open market in connection with its obligations under the Plan. The number of shares to be issued to a stockholder shall be determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of the Corporation's common stock at the close of regular trading on The NASDAQ Global Market on the dividend payment date. Market price per share on that date shall be the closing price for such shares on The NASDAQ Global Market or, if no sale is reported for such day, at the average of their electronically-reported bid and asked prices.

4. A stockholder may, however, elect to receive his, her or its dividends and distributions in cash. To exercise this option, such stockholder shall notify American Stock Transfer and Trust Company, P.O. Box 922, Wall Street Station, New York, New York 10269-0560, the plan administrator and the Corporation's transfer agent and registrar (the "Plan Administrator"), so that such notice is received by the Plan Administrator no later than the record date for dividend or distribution to stockholders. If such notice is received by the Plan Administrator after the record date, then that dividend or distribution will be reinvested pursuant to the terms of the Plan and any subsequent dividends or distributions will be paid in cash. Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends or distributions in cash by notifying their broker or other financial intermediary of their election.

5. For the payment to be paid in shares the Plan Administrator will set up an account for shares acquired pursuant to the Plan for each stockholder who has not so elected to receive dividends and distributions in cash (each a "Participant"). The Plan Administrator may hold each Participant's shares, together with the shares of other

Participants, in non-certificated form in the Plan Administrator's name or that of its nominee. Upon the receipt of a request by a Participant, the Plan Administrator will, instead of crediting shares to and/or carrying shares in a Participant's account, issue, without charge to the Participant, a certificate registered in the Participant's name for the number of whole shares payable to the Participant and a check for any fractional share the value of which will be calculated using the market value of the Corporation's shares determined in accordance with Section 3 hereof, less any service fees. If a request to terminate a Participant's account is received by the Plan Administrator more than three (3) days prior to the record date, then the dividend payable to the Participant in connection with that distribution will be paid out in cash to the Participant's account and, for subsequent distributions, the Participant will receive his, her or its dividends and distributions in cash. If a request to terminate a participant's account is received less than three (3) days prior to a payable date then that dividend will be reinvested and for subsequent distributions, the participant will receive his, her or its dividends and distributions in cash.

6. Upon request by a Participant, the Plan Administrator will, without charge to the Participant, issue a certificate registered in the Participant's name for the number of whole shares registered to the Participant without terminating the Participant's account.

7. The Plan Administrator will confirm to each Participant each acquisition made pursuant to the Plan as soon as practicable but not later than thirty (30) business days after the date thereof. Although each Participant may from time to time have an undivided fractional interest (computed to three decimal places) in a share of Common Stock of the Corporation, no certificates for a fractional share will be issued. However, dividends and distributions on fractional shares will be credited to each Participant's account. In the event of termination of a Participant's account under the Plan, the Plan Administrator will adjust for any such undivided fractional interest in cash at the market value of the Corporation's shares at the time of termination.

8. The Plan Administrator will forward to each Participant any Corporation-related proxy solicitation materials and each Corporation report or other communication to stockholders, and will vote any shares held by it under the Plan in accordance with the instructions set forth on proxies returned by Participants to the Corporation.

9. In the event that the Corporation makes available to its stockholders rights to purchase additional shares or other securities, the shares held by the Plan Administrator for each Participant under the Plan will be added to any other shares held by the Participant in certificated form in calculating the number of rights to be issued to the Participant.

10. The Plan Administrator's service fee, if any, and expenses for administering the Plan will be paid for by the Corporation.

11. Each Participant may terminate his, her or its account under the Plan by so notifying the Plan Administrator via the Plan Administrator's website at

www.amstock.com, by filling out the transaction request form located at the bottom of the Participant's statement and sending it to American Stock Transfer and Trust Company, P.O. Box 922, Wall Street Station, New York, New York 10269-0560 or by calling the Plan Administrator's hotline at 866-668-8564. Such termination will be effective immediately. The Plan may be terminated by the Corporation upon notice in writing mailed to each Participant at least 30 days prior to any record date for the payment of any dividend or distribution by the Corporation. Upon any termination, the Plan Administrator will cause a certificate or certificates to be issued for the full shares held for the Participant under the Plan and a cash adjustment for any fractional share to be delivered to the Participant without charge to the Participant. If a Participant elects by his, her or its notice to the Plan Administrator in advance of termination to have the Plan Administrator sell part or all of his, her or its shares and remit the proceeds to the Participant, the Plan Administrator is authorized to deduct a fee of $15.00 per transaction plus a brokerage commission of $.10 per share from the proceeds. A sale request that is received (i) by mail before 12:00 noon Eastern Time, or (ii) via the internet or by telephone before 4:00 p.m. Eastern Time, will, subject to market conditions and their factors, generally be sold the next business day. To submit a sale request via the internet, a Participant must have his, her or its 10-digit account number as provided by the Plan Administrator, and his, her or its social security number or federal taxpayer identification number, as applicable.

12. Any shares issued in connection with a stock dividend or stock split declared by the Corporation will be added to the Participant's account with the Plan Administrator. Transaction processing may either be curtailed or suspended until the completion of any stock dividend, stock split or corporate action.

13. These terms and conditions may be amended or supplemented by the Corporation at any time but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to each Participant appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by each Participant unless, prior to the effective date thereof, the Plan Administrator receives written notice of the termination of his or its account under the Plan. Any such amendment may include an appointment by the Plan Administrator in its place and stead of a successor agent under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Plan Administrator under these terms and conditions. Upon any such appointment of any agent for the purpose of receiving dividends and distributions, the Corporation will be authorized to pay to such successor agent, for each Participant's account, all dividends and distributions payable on shares of the Corporation held in the Participant's name or under the Plan for retention or application by such successor agent as provided in these terms and conditions.

14. The Plan Administrator will at all times act in good faith and use its best efforts within reasonable limits to ensure its full and timely performance of all services to be performed by it under this Plan and to comply with applicable law, but assumes no

responsibility and shall not be liable for loss or damage due to errors unless such error is caused by the Plan Administrator's negligence, bad faith, or willful misconduct or that of its employees or agents.

15. A Participant may request to have some or all of the Participant's shares certificated or sold without termination of his, her or its account with the Plan Administrator. The Plan Administrator does not charge a fee for providing certificated shares, but charges a fee of $15.00 plus a brokerage commissions of $.10 per share for shares sold by the Plan Administrator.

16. A Participant may deposit certificated shares into the Participant's account with the Plan Administrator at any time. The Plan Administrator charges a Participant a one-time fee of $7.50 for this service. The Participant, and not the Corporation, will pay this fee.

17. These terms and conditions shall be governed by the laws of the State of New York including, without limitation, Section 5-1401 of the New York General Obligations Law.

, 2006

Exhibit H

KOHLBERG CAPITAL CORPORATION

Common Stock

UNDERWRITING AGREEMENT

, 2006

LEHMAN BROTHERS INC.
As Representative of the several
Underwriters named in Schedule 1 attached hereto,
c/o Lehman Brothers Inc.
745 Seventh Avenue
New York, New York 10019

Ladies and Gentlemen:

Kohlberg Capital Corporation, a Delaware corporation (the "**Company**"), proposes to sell to the underwriters (the "**Underwriters**") named in Schedule 1 attached to this agreement (the "**Agreement**"), shares (the "**Firm Stock**") of the Company's common stock, par value $0.01 per share (the "**Common Stock**"). In addition, the Company proposes to grant to the underwriters an option to purchase up to additional shares of the Common Stock on the terms set forth in Section 2 (the "**Option Stock**"). The Firm Stock and the Option Stock, if purchased, are hereinafter collectively called the "**Stock**." This is to confirm the agreement concerning the purchase of the Stock from the Company by the Underwriters.

On August 17, 2006, Kohlberg Capital, LLC, a Delaware limited liability company and predecessor to the Company ("**Kohlberg Capital**"), KAT Associates, LLC, a Delaware limited liability company ("**KAT Associates**") and James A. Kohlberg entered into an irrevocable exchange and subscription agreement (the "**KDA Irrevocable Exchange and Subscription Agreement**"), pursuant to which KAT Associates and James A. Kohlberg exchanged their common units in Katonah Debt Advisers, LLC, a Delaware limited liability company ("**KDA**"), for limited liability company interests of Kohlberg Capital on the terms and conditions as set forth in the KDA Restated Irrevocable Exchange and Subscription Agreement.

On August 17, 2006, Kohlberg Capital, KKAT Acquisition Company III, LLC, a Delaware limited liability company ("**KKAT III**), KKAT Acquisition Company, IV LLC, a Delaware limited liability company ("**KKAT IV**"), KKAT Acquisition Company, V LLC, a Delaware limited liability company ("**KKAT V**"), KKAT Acquisition Company, VII LLC, a Delaware limited liability company ("**KKAT VII**") and KKAT Acquisition Company, VIII LLC, a Delaware limited liability company ("**KKAT VIII**," and together with KKAT III, KKAT IV, KKAT V and KKAT VII, the "**Exchanging Holders**") entered into an irrevocable exchange and subscription agreement (the "**CDO Securities Irrevocable Exchange and Subscription Agreement**"), pursuant to which the Exchanging Holders exchanged their interests in certain subordinated securities issued by collateralized debt obligation funds managed by KDA and certain other asset managers for limited liability company interests of Kohlberg Capital on the terms and conditions set forth in the CDO Securities Irrevocable Exchange and Subscription Agreement.

On August 18, 2006, Form N-6F Notice of Intent to be Subject to Sections 55 through 65 of the Investment Company Act of 1940 (File No. 814-00727) (the "Notification of Intent"), was filed with the Securities and Exchange Commission (the "**Commission**") under the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (collectively, the "**Investment Company Act**"), pursuant to which Kohlberg Capital notified the Commission that it intends to elect to be treated as a business development company ("**BDC**").

On , 2006, Form N-54A Notification of Election to be Subject to Sections 55 through 65 of the Investment Company Act of 1940, (File No. 811-[ ]) (the "Notification of Election") was filed with the Commission under the Investment Company Act, pursuant to which Kohlberg Capital elected to be treated as a BDC. The Company intends to elect to be treated as a regulated investment company ("**RIC**") (within the meaning of Section 851(a) of the Internal Revenue Code of 1986, as amended (the "**Code**")) commencing with its first taxable year that it is treated as a corporation for Federal income tax purposes.

On , 2006, following the filing of the Notification of Election and concurrently with the execution of this Agreement, Kohlberg Capital converted into the Company pursuant to a certificate of conversion filed with the Secretary of State of the State of Delaware in accordance with Section 265 of the Delaware General Corporation Law and Section 216 of the Delaware Limited Liability Company Act. At such time, the limited liability company interests of Kohlberg Capital were automatically converted into Common Stock of the Company by operation of law.

1. *Representations*, *Warranties and Agreements*. The Company represents, warrants and agrees that:

(a) The Company is eligible to use Form N-2 for the registration of the Stock. The Registration Statement relating to the Stock has (i) been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), the rules and regulations (the "**Rules and Regulations**") of the Commission thereunder and the Investment Company Act; (ii) been filed with the Commission under the Securities Act and (iii) become effective under the Securities Act. Copies of such registration statement and any amendment thereto have been delivered by the Company to you as the representative (the "Representative") of the Underwriters. As used in this Agreement:

(i) "**Applicable Time"** means a.m./p.m. New York City time on the date of this Agreement;

(ii) "**Effective Date**" means the date and time as of which the Registration Statement, or the most recent post-effective amendment thereto, was declared effective by the Commission;

(iii) "**most recent Preliminary Prospectus**" means the Preliminary Prospectus dated and included in the Registration Statement;

(iv) "**Pricing Disclosure Package**" means the most recent Preliminary Prospectus and any Rule 482 Statement used at or before the Applicable Time;

(v) "**Preliminary Prospectus**" means each prospectus used before the Registration Statement became effective, and any prospectus that omitted the Rule 430A Information, that was used after the Effective Date and prior to the execution and delivery of this Agreement;

(vi) "**Prospectus"** means the final prospectus in the form filed by the Company with the Commission pursuant to Rule 497(h) under the Securities Act on or before the second business day after the date hereof (or such earlier time as may be required under the Securities Act) or, if no such filing is required, the form of final prospectus included in the Registration Statement on the Effective Date;

(vii) "**Registration Statement**" means the Company's registration statement filed on Form N-2, including all documents filed as a part thereof, and including any Rule 430A Information contained in a prospectus subsequently filed with the Commission pursuant to Rule 497(h) under the Securities Act and deemed to be a part of the Registration Statement on the Effective Date, and also including any registration statement filed pursuant to Rule 462(b) under the Securities Act, and any post-effective amendment thereto;

(viii) "**Rule 430A Information**" means the information included in the Prospectus that was omitted from the Registration Statement on the Effective Date but that is deemed to be a part of the Registration Statement on the Effective Date pursuant to paragraph (b) of Rule 430A under the Securities Act; and

(ix) "**Rule 482 Statement**" means a document that contains the number of shares of Stock issued, the offering price and any other items dependent upon the offering price and/or certain other information, prepared by the Company in accordance with the provisions of Rule 482 under the Securities Act.

(b) The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending the effectiveness of the Registration Statement, and no proceeding or examination for such purpose has been instituted or, to the knowledge of the Company, threatened by the Commission.

(c) The Registration Statement conformed and will conform in all material respects on the Effective Date, and any amendment to the Registration Statement filed after the date hereof will conform in all material respects when filed, to the requirements of the Securities Act, the Rules and Regulations and the Investment Company Act. The Preliminary Prospectus conformed, and the Prospectus will conform, in all material respects when filed with the Commission pursuant to Rule 497(h) and on the applicable Delivery Date to the requirements of the Securities Act, the Rules and Regulations and the Investment Company Act. The Preliminary Prospectus and Prospectus delivered to the Underwriters in connection with the offering was identical to the electronically transmitted copies filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("**EDGAR**"), except as may be permitted by Regulation S-T under the Securities Act.

(d) The Registration Statement did not, as of the Effective Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided that* no representation or warranty is made as to information contained in or omitted from the Registration Statement in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e).

(e) The Prospectus will not, as of its date and on the applicable Delivery Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or

necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided that* no representation or warranty is made as to information contained in or omitted from the Prospectus in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e).

(f) The Pricing Disclosure Package did not, as of the Applicable Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided that* no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e).

(g) Any written materials provided to investors by, or with the prior written approval of, the Company specifically for use in any roadshow or investor presentations made to investors by the Company in connection with the marketing of the offering of the Stock (whether in person or electronically) (collectively, the "**Marketing Materials**"), considered together with the Preliminary Prospectus, do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All Marketing Materials complied and will comply in all material respects with the applicable requirements of the Securities Act, the Rules and Regulations, the Investment Company Act and the rules and interpretations of the National Association of Securities Dealers, Inc. (the "**NASD**").

(h) The Company has been duly organized, is validly existing and in good standing as a corporation in the State of Delaware and is duly qualified to do business and in good standing as a foreign corporation in each jurisdiction in which its ownership or lease of property or the conduct of its businesses requires such qualification, except where the failure to be so qualified or in good standing would not, in the aggregate, reasonably be expected to have a material adverse effect on the condition (financial or otherwise), results of operations, stockholders' equity, properties, business or prospects of the Company and KDA taken as a whole (a "**Material Adverse Effect**"); the Company has all corporate power and authority necessary to own or hold its properties and to conduct the businesses in which it is engaged. None of the subsidiaries of the Company is a "Significant Subsidiary" as defined in Rule 405 under the Securities Act.

(i) KDA has been duly organized, is validly existing and in good standing as a limited liability company under the laws of the State of Delaware and is duly qualified to do business and in good standing as a foreign limited liability company in each jurisdiction in which its ownership or lease of property or the conduct of its businesses requires such qualification, except where the failure to be so qualified or in good standing would not, in the aggregate, reasonably be expected to have a Material Adverse Effect; KDA has all limited liability company power and authority necessary to own or hold its properties and to conduct the businesses in which it is engaged.

(j) The Company has an authorized capitalization as set forth in the most recent Preliminary Prospectus and the Prospectus under the caption "Capitalization," and all of the issued shares of capital stock of the Company have been duly authorized and validly issued, are fully paid and non-assessable, conform to the description thereof contained in the most recent Preliminary Prospectus and the Prospectus and were issued in compliance with federal and state securities laws and not in violation of any preemptive right, resale right, right of first refusal or similar right. Except as disclosed in the Prospectus, no options, warrants or other rights to

purchase or exchange any securities for shares of the Company's capital stock are outstanding. All of the limited liability company interests of KDA have been duly authorized and validly issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for such liens, encumbrances, equities or claims as would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(k) The shares of the Stock to be issued and sold by the Company to the Underwriters hereunder have been duly authorized and, upon payment and delivery in accordance with this Agreement, will be validly issued, fully paid and non-assessable, will conform to the description thereof contained in the most recent Preliminary Prospectus and the Prospectus, will be issued in compliance with federal and state securities laws and will be free of statutory and contractual preemptive rights, rights of first refusal and similar rights.

(l) The Company and KDA, to the extent a party thereto, has all requisite corporate or limited liability company power, as applicable, and authority to execute, deliver and perform its obligations under this Agreement; the KDA Irrevocable Exchange and Subscription Agreement; the CDO Securities Irrevocable Exchange and Subscription Agreement; that certain transition services agreement between the Company and Kohlberg & Company, LLC ("**Kohlberg**"), dated , 2006 (the "**Transition Services Agreement**"); that certain license and referral agreement between the Company and Kohlberg dated , 2006 (the "**License and Referral Agreement**"); that certain registration rights agreement between the Company and , dated , 2006 (the "**Registration Rights Agreement**"); that certain overhead allocation agreement between the Company and KDA, dated , 2006 (the "**Overhead Allocation Agreement**"); and that certain assignment and assumption of lease agreement between KDA and Katonah Capital, LLC, dated , 2006 ("**Assignment and Assumption Agreement**").

(m) This Agreement has been duly authorized, executed and delivered by the Company; the KDA Irrevocable Exchange and Subscription Agreement has been duly authorized, executed and delivered by the Company, and constitutes a legal, valid, binding and enforceable instrument of the Company (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity regardless of whether in a proceeding at equity or at law); the CDO Securities Irrevocable Exchange and Subscription Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid, binding and enforceable instrument of the Company (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity regardless of whether in a proceeding at equity or at law); the Transition Services Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid, binding and enforceable instrument of the Company (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity regardless of whether in a proceeding at equity or at law); the License and Referral Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid, binding and enforceable instrument of the Company (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity regardless of whether in a proceeding at equity or at law); the Registration Rights Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid, binding and enforceable instrument of the Company (subject, as to the enforcement of remedies,

to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity regardless of whether in a proceeding at equity or at law); the Overhead Allocation Agreement has been duly authorized, executed and delivered by each of the Company and KDA and constitutes a legal, valid, binding and enforceable instrument of each of the Company and KDA (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity regardless of whether in a proceeding at equity or at law); and the Assignment and Assumption Agreement has been duly authorized, executed and delivered by KDA and constitutes a legal, valid, binding and enforceable instrument of KDA (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity regardless of whether in a proceeding at equity or at law);

(n) None of the execution, delivery and performance of this Agreement, the KDA Irrevocable Exchange and Subscription Agreement, the CDO Securities Irrevocable Exchange and Subscription Agreement, the Transition Services Agreement, the License and Referral Agreement, the Registration Rights Agreement, the Overhead Allocation Agreement or the Assignment and Assumption Agreement by the Company or KDA, to the extent a party thereto, the consummation of the transactions contemplated hereby and the application of the proceeds from the sale of the Stock as described under "Use of Proceeds" in the most recent Preliminary Prospectus and the Prospectus will (i) conflict with or result in a breach or violation of any of the terms or provisions of, impose any lien, charge or encumbrance upon any property or assets of the Company and KDA, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, license or other agreement or instrument to which the Company or KDA is a party or by which the Company or KDA is bound or to which any of the property or assets of the Company or KDA is subject, except for such conflicts, breaches or violations that would not, in the aggregate, reasonably be expected to result in a Material Adverse Effect; (ii) result in any violation of the provisions of the charter, by-laws or other organizational documents of the Company or KDA; or (iii) to the knowledge of the Company or KDA, result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or KDA or any of their properties or assets.

(o) No consent, approval, authorization or order of, or filing or registration with, any court or governmental agency or body having jurisdiction over the Company or KDA or any of their properties or assets is required to be obtained by the Company or KDA for the execution, delivery and performance of this Agreement, the KDA Irrevocable Exchange and Subscription Agreement, the CDO Securities Irrevocable Exchange and Subscription Agreement, the Transition Services Agreement, the License and Referral Agreement, the Registration Rights Agreement, the Overhead Allocation Agreement or the Assignment and Assumption Agreement by the Company or KDA, to the extent a party thereto, the consummation of the transactions contemplated hereby and the application of the proceeds from the sale of the Stock as described under "Use of Proceeds" in the most recent Preliminary Prospectus and the Prospectus, except for the registration of the Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and applicable state securities laws in connection with the purchase and sale of the Stock by the Underwriters.

(p) Except as identified in the most recent Preliminary Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect

to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement.

(q) The Company has not sold or issued any securities that would be required to be integrated with the offering of the Stock contemplated by this Agreement pursuant to the Securities Act or the Rules and Regulations of the Commission thereunder.

(r) Neither the Company, since the date of its formation, nor KDA, since December 31, 2005, has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, and since such applicable date, except as disclosed in the most recent Preliminary Prospectus, there has not been any change in the capital stock or long-term debt of the Company or KDA or any adverse change, or any development involving a prospective material adverse change, in or affecting the condition (financial or otherwise), results of operations, stockholders' equity, properties, management, business or prospects of the Company and KDA taken as a whole, in each case except as would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(s) Since the date as of which information is given in the most recent Preliminary Prospectus and except as may otherwise be described in the most recent Preliminary Prospectus, the Company has not (i) incurred any material liability or obligation, direct or contingent, other than liabilities and obligations that were incurred in the ordinary course of business, (ii) entered into any material transaction not in the ordinary course of business or (iii) declared or paid any dividend on its capital stock.

(t) Deloitte & Touche LLP, who have delivered the initial letter referred to in Section 7(f) hereof, are independent public accountants as required by the Securities Act and the Rules and Regulations.

(u) The Company and KDA have good and marketable title in fee simple to all real property, have valid rights to lease or otherwise use and have good and marketable title to all personal property owned by them, material to the respective businesses of each of the Company and KDA, in each case free and clear of all liens, encumbrances and defects, except such as (i) are described in the most recent Preliminary Prospectus; (ii) do not materially interfere with the use made and proposed to be made of such property by the Company and KDA; or (iii) would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and all assets held under lease by the Company and KDA are held by them under valid, subsisting and enforceable leases, with such exceptions as do not materially interfere with the use made and proposed to be made of such assets by the Company and KDA.

(v) The Company and KDA carry, or are covered by, insurance from insurers of recognized financial responsibility in such amounts and covering such risks as is reasonably believed to be adequate for the conduct of their respective businesses and the value of their respective properties. All policies of insurance of the Company and KDA are in full force and effect; the Company and KDA are in compliance with the terms of such policies in all material respects; and neither the Company nor KDA has received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance; there are no claims by the Company or KDA under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; and neither the Company nor KDA has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business.

(w) The statistical and market-related data included under the caption "Business" in the most recent Preliminary Prospectus are based on or derived from sources that the Company believes to be reliable and accurate in all material respects.

(x) Neither the Company nor KDA is, and as of the applicable Delivery Date and, after giving effect to the offer and sale of the Stock and the application of the proceeds therefrom as described under "Use of Proceeds" in the most recent Preliminary Prospectus and the Prospectus, will be, required to register as a "registered management investment company" under the Investment Company Act.

(y) (A) The Company has duly elected to be regulated by the Commission as a BDC under the Investment Company Act, and no order of suspension or revocation has been issued or proceedings therefor initiated or, to the knowledge of the Company, threatened by the Commission. Such election is effective and, subject to the filing of the Prospectus, all required action has been taken by the Company under the Securities Act and the Investment Company Act to make the public offering and consummate the sale of the Stock as provided in this Agreement; (B) the provisions of the Company's charter and by-laws and the investment objectives, policies and restrictions described in the most recent Preliminary Prospectus and the Prospectus, assuming they are implemented as described, will comply in all material respects with the requirements of the Investment Company Act; and (C) the operations of the Company are in compliance in all material respects with the provisions of the Investment Company Act applicable to BDCs.

(z) When the Notification of Election was filed with the Commission, it (a) contained all statements required to be stated therein in accordance with, and complied in all material respects with the requirements of the Investment Company Act and (b) did not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading.

(aa) There are no legal or governmental proceedings pending to which the Company or KDA is a party or of which any property or assets of the Company or KDA is the subject that would, in the aggregate, reasonably be expected to have a Material Adverse Effect or would, in the aggregate, reasonably be expected to have a material adverse effect on the performance of this Agreement or the consummation of the transactions contemplated hereby; and to the Company's knowledge, no such proceedings are threatened by governmental authorities or others.

(bb) There are no legal or governmental proceedings or contracts or other documents of a character required to be described in the Registration Statement or the most recent Preliminary Prospectus or, in the case of documents, to be filed as exhibits to the Registration Statement, that are not described and filed as required; and that statements made in the most recent Preliminary Prospectus under the captions "Restructuring," "Election to be Regulated as a Business Development Company and a Regulated Investment Company," "Distributions," "Determination of Net Asset Value," "Regulation," "Certain Federal Income Tax Considerations," "Description of Capital Stock" and "Shares Eligible for Future Sale," insofar as they purport to constitute summaries of the terms of statutes, rules or regulations, legal or governmental proceedings or contracts and other documents, constitute accurate summaries of the terms of such statutes, rules and regulations, legal and governmental proceedings and contracts and other documents in all material respects.

(cc) Except as described in the most recent Preliminary Prospectus, no relationship, direct or indirect, exists between or among the Company, on the one hand, and the directors, officers or stockholders of the Company, on the other hand, that is required to be described in the most recent Preliminary Prospectus or the Prospectus which is not so described.

(dd) No labor disturbance by the employees of the Company or KDA exists or, to the knowledge of the Company, is threatened that would reasonably be expected to have a Material Adverse Effect.

(ee) (i) Each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Security Act of 1974, as amended ("**ERISA**")) for which the Company or any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Code, would have any liability (each a "**Plan**"), has been maintained in compliance with its terms and with the requirements of all applicable statutes, rules and regulations including ERISA and the Code except where failure to so comply would not reasonably be expected to have Material Adverse Effect; (ii) with respect to each Plan subject to Title IV of ERISA (a) no "reportable event" (within the meaning of Section 4043(c) of ERISA) has occurred or is reasonably expected to occur, (b) no "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred or is reasonably expected to occur, (c) the fair market value of the assets under each Plan exceeds the present value of all benefits accrued under such Plan (determined based on those assumptions used to fund such Plan) and (d) neither the Company or any member of its Controlled Group has incurred, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the PBGC in the ordinary course and without default) in respect of a Plan (including a "multiemployer plan," within the meaning of Section 4001(c)(3) of ERISA); and (iii) each Plan that is intended to be qualified under Section 401(a) of the Code has received a prototype determination or opinion letter to the effect that the form of such Plan is so qualified and the company and, as to the form of such Plan, the Plan may rely on such letter or opinion (without an individual application) under applicable IRS rules, and, to the knowledge of the Company nothing has occurred, whether by action or by failure to act, which would reasonably be expected to cause the loss of such qualification.

(ff) The Company and KDA have (i) filed all Federal, state, local and foreign tax returns required to be filed through the date hereof, subject to permitted extensions, and all such tax returns are true, complete and correct in all material respects, and (ii) paid all material taxes required to be paid, and no tax deficiency has been determined adversely to the Company or KDA, nor does the Company or KDA have any knowledge of any tax deficiencies that would, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(gg) [Intentionally deleted]

(hh) The Company intends to direct the investment of the proceeds of the offering in such a manner as to comply with the requirements of Subchapter M of the Code, and the Company intends to be eligible to qualify as a RIC under Subchapter M of the Code commencing with its first taxable year that it is treated as a corporation for Federal income tax purposes.

(ii) Neither the Company nor KDA (i) is in violation of its charter, by-laws or other organizational documents, (ii) is in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement,

license or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject or (iii) is in violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or its property or assets or has failed to obtain any license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business, except in the case of clauses (ii) and (iii), to the extent any such conflict, breach, violation or default would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(jj) The Company makes and keeps accurate books and records and the Company maintains effective internal control over financial reporting as defined in Rule 13a-15 under the Exchange Act and a system of internal accounting controls sufficient to provide reasonable assurance that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States and to maintain accountability for its assets, (C) access to the Company's assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for the Company's assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(kk) (i) The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15 under the Exchange Act), (ii) such disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in the reports it will file or submit under the Exchange Act is accumulated and communicated to management of the Company, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure to be made and (iii) such disclosure controls and procedures are effective in all material respects to perform the functions for which they were established.

(ll) Since the date of its formation, (i) the Company has not been advised of (A) any significant deficiencies in the design or operation of internal controls that could adversely affect the ability of the Company to record, process, summarize and report financial data, or any material weaknesses in internal controls and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal controls of the Company, and (ii) since that date, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(mm) There is and has been no failure on the part of the Company and any of the Company's directors or officers, in their capacities as such, to comply with the applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith.

(nn) The Company and KDA have such permits, licenses, patents, franchises, certificates of need and other approvals or authorizations of governmental or regulatory authorities ("**Permits**") as are necessary under applicable law to own their properties and conduct their businesses in the manner described in the most recent Preliminary Prospectus, except for any of the foregoing that would not, in the aggregate, reasonably be expected to have a Material Adverse Effect; each of the Company and KDA has fulfilled and performed all of its obligations with respect to the Permits, and no event has occurred that allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other impairment of the rights of the holder or any such Permits, except for any of the foregoing that would not reasonably be expected to have a Material Adverse Effect.

(oo) The Company and KDA own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses, know-how, software, systems and technology (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) necessary for the conduct of their respective businesses and have no reason to believe that the conduct of their respective businesses will conflict with, and have not received any notice of any claim of conflict with, any such rights of others.

(pp) (A) There are no proceedings that are pending, or, to the knowledge of the Company, threatened against the Company or KDA under any laws, regulations, ordinances, rules, orders, judgments, decrees, permits or other legal requirements of any governmental authority, including without limitation any international, national, state, provincial, regional, or local authority, relating to the protection of human health or safety, the environment, or natural resources, or to hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**") in which a governmental authority is also a party, other than such proceedings which would not reasonably be expected to result in a Material Adverse Effect, and (B) the Company and KDA are not in violation of any Environmental Laws, or liabilities or other obligations under Environmental Laws, that would reasonably be expected to result in a Material Adverse Effect.

(qq) Neither the Company nor KDA is in violation of or has received notice of any violation with respect to any federal or state law relating to discrimination in the hiring, promotion or pay of employees, nor any applicable federal or state wage and hour laws, nor any state law precluding the denial of credit due to the neighborhood in which a property is situated, the violation of any of which would reasonably be expected to have a Material Adverse Affect.

(rr) KDA is not currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company, from making any other distribution on KDA's limited liability company interests, from repaying to the Company any loans or advances to KDA from the Company or from transferring any of KDA's property or assets to the Company, except as described in or contemplated by the most recent Preliminary Prospectus.

(ss) Neither the Company nor KDA, nor, to the knowledge of the Company, any director, officer, agent, employee or other person acting on behalf of the Company or KDA, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(tt) The operations of the Company and KDA are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or KDA with

respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened, except, in each case, as would not reasonably be expected to have a Material Adverse Effect.

(uu) Neither the Company nor KDA nor, to the knowledge of the Company, any director, officer, agent, or employee of the Company or KDA is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly knowingly use the proceeds of the offering, or lend, contribute or otherwise knowingly make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(vv) The Company has not distributed and, prior to the later to occur of any Delivery Date and completion of the distribution of the Stock, will not distribute any offering material in connection with the offering and sale of the Stock other than any Preliminary Prospectus, the Prospectus or any Rule 482 Statement to which the Representative has consented.

(ww) The Company has not taken and will not take, directly or indirectly, any action designed to or that has constituted or that would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the shares of the Stock.

(xx) The Stock has been approved for inclusion, subject to official notice of issuance and evidence of satisfactory distribution, in The NASDAQ Global Market.

(yy) To the knowledge of the Company, none of the persons identified as "independent directors" in the Preliminary Prospectus or the Prospectus is an "interested person" as that term is defined in Section 2(a)(19) of the Investment Company Act.

Any certificate signed by any officer of the Company and delivered to the Representative or counsel for the Underwriters in connection with closing of the offering of the Stock shall be deemed a representation and warranty by the Company as to matters covered thereby, to each Underwriter.

2. *Purchase of the Stock by the Underwriters.* On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell the Firm Stock to the several Underwriters, and each of the Underwriters, severally and not jointly, agrees to purchase the number of shares of the Firm Stock set forth opposite that Underwriter's name in Schedule 1 hereto. The respective purchase obligations of the Underwriters with respect to the Firm Stock shall be rounded among the Underwriters to avoid fractional shares, as the Representative may determine.

In addition, the Company grants to the Underwriters an option to purchase up to additional shares of Option Stock. Such option is exercisable in the event that the Underwriters sell more shares of Common Stock than the number of Firm Stock in the offering and as set forth in Section 4 hereof. Each Underwriter agrees, severally and not jointly, to purchase the number of shares of Option Stock (subject to such adjustments to eliminate fractional shares as the Representative may determine) that bears the same proportion to the total number of shares of Option Stock to be sold on such Delivery Date as the number of shares of Firm Stock set forth in Schedule 1 hereto opposite the name of such Underwriter bears to the total number of shares of Firm Stock.

The price of both the Firm Stock and any Option Stock purchased by the Underwriters shall be $[ ] per share.

The Company shall not be obligated to deliver any of the Firm Stock or Option Stock to be delivered on the applicable Delivery Date, except upon payment for all such Stock to be purchased on such Delivery Date as provided herein.

3. *Offering of Stock by the Underwriters*. Upon authorization by the Representative of the release of the Firm Stock, the several Underwriters propose to offer the Firm Stock for sale upon the terms and conditions to be set forth in the Prospectus.

4. *Delivery of and Payment for the Stock*. Delivery of and payment for the Firm Stock shall be made at 10:00 A.M., New York City time, on the third full business day following the date of this Agreement or at such other date or place as shall be determined by agreement between the Representative and the Company. This date and time are sometimes referred to as the "**Initial Delivery Date**." Delivery of the Firm Stock shall be made to the Representative for the account of each Underwriter against payment by the several Underwriters through the Representative of the aggregate purchase price of the Firm Stock being sold by the Company to or upon the order of the Company by wire transfer in immediately available funds to the accounts specified by the Company. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. The Company shall deliver the Firm Stock through the facilities of the Depository Trust Company ("DTC") unless the Representative shall otherwise instruct.

The option granted in Section 2 will expire 30 days after the date of this Agreement and may be exercised in whole or in part on not more than one occasion by written notice being given to the Company by the Representative; *provided* that if such date falls on a day that is not a business day, the option granted in Section 2 will expire on the next succeeding business day. Such notice shall set forth the aggregate number of shares of Option Stock as to which the option is being exercised, the names in which the shares of Option Stock are to be registered, the denominations in which the shares of Option Stock are to be issued and the date and time, as determined by the Representative, when the shares of Option Stock are to be delivered; *provided*, *however*, that this date and time shall not be earlier than the Initial Delivery Date nor earlier than the [third] business day after the date on which the option shall have been exercised nor later than the fifth business day after the date on which the option shall have been exercised. The date and time the shares of Option Stock are delivered is sometimes referred to as an "**Option Stock Delivery Date**," and the Initial Delivery Date and any Option Stock Delivery Date are sometimes each referred to as a "**Delivery Date**."

Delivery of the Option Stock by the Company and payment for the Option Stock by the several Underwriters through the Representative shall be made at 10:00 A.M., New York City time, on the date specified in the corresponding notice described in the preceding paragraph or at such other date or place as shall be determined by agreement between the Representative and the Company. On the Option Stock Delivery Date, the Company shall deliver or cause to be delivered the Option Stock to the Representative for the account of each Underwriter against payment by the several Underwriters through the Representative and of the aggregate purchase price of the Option Stock being sold by the Company to or upon the order of the Company of the purchase price by wire transfer in immediately available funds to the accounts specified by the Company. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. The Company shall deliver the Option Stock through the facilities of DTC unless the Representative shall otherwise instruct.

5. *Further Agreements of the Company and the Underwriters*. (a) The Company agrees:

(i) (A) To comply with the requirements of Rule 430A and Rule 497 under the Securities Act; (B) to prepare the Prospectus in a form approved by the Representative and to file such Prospectus pursuant to 497(h) under the Securities Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement; (C) to make no further amendment or any supplement to the Registration Statement or the Prospectus which shall be disapproved by the Representative promptly after reasonable notice thereof (unless in the reasonable determination of the Company such amendment or supplement is required by applicable law); (D) to advise the Representative, promptly after it receives notice thereof, of the time when any or amendment or supplement to the Registration Statement (including any filing pursuant to Rule 462(b) under the Securities Act) or the Prospectus has been filed and to furnish the Representative with copies thereof; and (E) to advise the Representative, promptly after it receives notice thereof of (i) the time when any post-effective amendment to the Registration Statement shall become effective; (ii) the receipt of any comments from the Commission; (iii) the request by the Commission for any amendment to the Registration Statement; (iv) the issuance by the Commission of any stop order or of any order preventing or suspending the use of the Prospectus; (v) the suspension of the qualification of the Stock for offering or sale in any jurisdiction (vi) the initiation or threatening of any proceeding or examination for any such purpose; or (vii) any request by the Commission for the amending or supplementing of the Registration Statement, the Prospectus or for additional information related to the Registration Statement or the offering contemplated thereby; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of the Prospectus suspending any such qualification, to use promptly its commercially reasonable best efforts to obtain its withdrawal;

(ii) To furnish promptly to the Representative and to counsel for the Underwriters a signed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(iii) To deliver promptly to the Representative such number of the following documents as the Representative shall reasonably request: (A) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits other than this Agreement and the computation of per share earnings), (B) each Preliminary Prospectus, the Prospectus and any amended or supplemented Prospectus, (C) any Rule 482 Statement and (D) if the delivery of a Prospectus is required at any time after the date hereof in connection with the offering or sale of the Stock or any other securities relating thereto and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary to amend or supplement the Prospectus in order to comply with the Securities Act, to notify the Representative and, upon its request, to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representative may from time to time reasonably request of an amended or supplemented Prospectus that will correct such

statement or omission or effect such compliance. The copies of the Registration Statement, any Preliminary Prospectus, Prospectus or amendment or supplement thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, expect to the extent permitted by Regulation S-T;

(iv) To file promptly with the Commission any amendment or supplement to the Registration Statement or the Prospectus that may, in the reasonable judgment of the Company or the Representative, be required by the Securities Act or requested by the Commission; prior to filing with the Commission any amendment or supplement to the Registration Statement or to the Prospectus, to furnish a copy thereof to the Representative and counsel for the Underwriters;

(v) To use its commercially reasonable best efforts to comply with the Securities Act and the Rules and Regulations so as to permit the completion of the distribution of the Stock as contemplated in this Agreement and in the Prospectus. If any time when a Prospectus is required by the Securities Act to be delivered in connection with the sale of the Stock, any event shall occur or condition exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to amend the Registration Statement or amend or supplement the Prospectus in order that the Prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances existing at the time it is delivered to the purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement the Prospectus in order to comply with the Securities Act or the Rules and Regulations, the Company will promptly prepare and file with the Commission, subject to 5(iv), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectus comply with such requirements, and the Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request.

(vi) If there occurs an event or development prior to the Initial Delivery Date as a result of which the Pricing Disclosure Package would include an untrue statement of a material fact or would omit to state a material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading, to promptly notify the Underwriters so that any use of the Pricing Disclosure Package may cease until it is amended or supplemented (at the sole cost to the Company).

(vii) As soon as reasonably practicable after the Effective Date (it being understood that the Company shall have until at least 410 days or, if the fourth quarter following the fiscal quarter that includes the Effective Date is the last fiscal quarter of the Company's fiscal year, at least 455 days after the end of the Company's current fiscal quarter), to make generally available to the Company's security holders and to deliver to the Representative an earnings statement of the Company and KDA (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules and Regulations (including, at the option of the Company, Rule 158 under the Securities Act);

(viii) During the period during which the Prospectus is required to be delivered under the Securities Act, to file all documents required to be filed with the Commission pursuant to the Exchange Act within the time period required by the Exchange Act and the rules and regulations of the Commission thereunder.

(ix) Promptly from time to time to take such action as the Representative may reasonably request to qualify the Stock for offering and sale under the securities laws of such jurisdictions as the Representative may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Stock; *provided that* in connection therewith the Company shall not be required to (i) qualify as a foreign corporation in any jurisdiction in which it would not otherwise be required to so qualify, (ii) file a general consent to service of process in any such jurisdiction or (iii) subject itself to taxation in any jurisdiction in which it would not otherwise be subject;

(x) For a period commencing on the date hereof and ending on the 180th day after the date of the Prospectus (the "**Lock-Up Period**"), not to, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by the Company at any time during such 180 day period) any shares of Common Stock or securities convertible into or exchangeable for Common Stock (other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans existing on the date hereof or pursuant to currently outstanding options, warrants or rights), or sell or grant options, rights or warrants with respect to any shares of Common Stock or securities convertible into or exchangeable for Common Stock (other than the grant of options pursuant to any equity plans), (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, (3) file or cause to be filed a registration statement, including any amendments, with respect to the registration of any shares of Common Stock or securities convertible, exercisable or exchangeable into Common Stock or any other securities of the Company, excluding up to 433,333 shares of common stock as disclosed in the Registration Statement, or (4) publicly disclose the intention to do any of the foregoing, in each case without the prior written consent of Lehman Brothers Inc. on behalf of the Underwriters, and to cause each officer, director and stockholder of the Company set forth on Schedule 2 hereto to furnish to the Representative, prior to the Initial Delivery Date, a letter or letters, substantially in the form of Exhibit A hereto (the "**Lock-Up Agreements**") relating to the lock-up periods shown on Schedule 2 hereto; notwithstanding the foregoing, if (1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs or (2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, then the restrictions imposed in the preceding paragraph shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or the occurrence of the material event, unless Lehman Brothers Inc. on behalf of the Underwriters, waive such extension in writing;

(xi) To apply the net proceeds from the sale of the Stock being sold by the Company as set forth in the Prospectus under "Use of Proceeds";

(xii) To use it commercially reasonable efforts to effect and maintain its qualification of the Common Stock on The NASDAQ Global Market;

(xiii) When and to the extent required by law, comply in all material respects with all applicable securities and other laws, rules and regulations, including without limitation, the Sarbanes Oxley Act of 2002 (the "**Sarbanes Oxley Act**"), and will use their best efforts to cause their respective officers, directors, trustees, employees and partners, in their capacities as such, to comply in all material respects with such laws, rules and regulations, including without limitation, the Sarbanes Oxley Act;

(xiv) To, during a period of at least 12 months from the Initial Delivery Date, use its commercially reasonable efforts to maintain its status as a BDC under the Investment Company Act; *provided, however,* the Company may cease to be, or withdraw its election as a BDC under the Investment Company Act, with the approval of its board of directors and a vote of its stockholders as required by Section 58 of the Investment Company Act, or a successor provision; and

(xv) To elect to be treated as a RIC within the meaning of Section 851(a) of the Code commencing with its first taxable year that it is treated as a corporation for Federal income tax purposes by timely filing its Federal income tax return for such taxable year as a RIC on Internal Revenue Service Form 1120-RIC, and to use its commercially reasonable efforts to maintain such qualification and election in effect for each taxable year during which it is a BDC under the Investment Company Act.

6. *Expenses.* The Company agrees, whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, to pay all costs, expenses, fees and taxes incident to and in connection with (a) the authorization, issuance, sale and delivery of the Stock, involving any stamp or transfer taxes in connection with the original issuance and sale of the Stock, and the preparation and printing of certificates for the Stock; (b) the preparation, printing and filing under the Securities Act of the Registration Statement (including any exhibits thereto), any Preliminary Prospectus, the Prospectus and any amendment or supplement thereto; (c) the distribution of the Registration Statement (including any exhibits thereto), any Preliminary Prospectus, the Prospectus and any amendment or supplement thereto, all as provided in this Agreement; (d) the production and distribution of this Agreement, any supplemental agreement among Underwriters, and any other related documents in connection with the offering, purchase, sale and delivery of the Stock; (e) any required review by the NASD of the terms of sale of the Stock (including related fees and expenses of counsel to the Underwriters not to exceed $[ ] in the aggregate); (f) the inclusion of the Stock on The NASDAQ Global Market; (g) the qualification of the Stock under the securities laws of the several jurisdictions as provided in Section 5(x) and the preparation, printing and distribution of a blue sky memorandum (including related fees and expenses of counsel to the Underwriters); (h) the investor presentations on any "road show" undertaken in connection with the marketing of the Stock, including, without limitation, expenses associated with any electronic roadshow, travel and lodging expenses of the officers of the Company and one-half of the cost of any aircraft chartered in connection with the road show; and (i) all other costs and expenses incident to the performance of the obligations of the Company under this Agreement and any transfer taxes payable in connection with its sales of Stock to the Underwriters, *provided that*, except as provided in this Section 6 and Section 11, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Stock which they may sell in connection with the roadshow and the expenses of advertising any such offering of the Stock made by the Underwriters, and the travel and lodging expenses of the Underwriters and one-half the cost of any aircraft chartered.

7. *Conditions of Underwriters' Obligations*. The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on each Delivery Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) The Registration Statement (including any filing pursuant to Rule 462(b) under the Securities Act), has become effective; no stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Prospectus shall have been issued and no proceeding or examination for such purpose shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 497 (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A).

(b) No Underwriter shall have discovered and disclosed to the Company on or prior to such Delivery Date that the Registration Statement, the Prospectus or the Pricing Disclosure Package, or any amendment or supplement thereto, contains an untrue statement of a fact which, in the opinion of Clifford Chance US LLP, counsel for the Underwriters, is material or omits to state a fact which, in the opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(c) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Stock, the Registration Statement and the Prospectus, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Underwriters, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(d) Ropes & Gray LLP shall have furnished to the Representative its written opinion, as counsel to the Company, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representative, and covering the matters substantially in the form attached hereto as Exhibit B-1, along with its negative assurance letter substantially in the form attached hereto as Exhibit B-2.

(e) The Representative shall have received from Clifford Chance US LLP, counsel for the Underwriters, such opinion or opinions, dated such Delivery Date, with respect to the issuance and sale of the Stock, the Registration Statement, the Prospectus and the Pricing Disclosure Package and other related matters as the Representative may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(f) At the time of execution of this Agreement, the Representative shall have received from Deloitte & Touche LLP a letter, in form and substance satisfactory to the Representative, addressed to the Underwriters and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the most recent Preliminary Prospectus, as of a date not more than three days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(g) With respect to the letter of Deloitte & Touche LLP referred to in the preceding paragraph and delivered to the Representative concurrently with the execution of this Agreement (the "**initial letter**"), the Company shall have caused Deloitte & Touche LLP to furnish to the Representative a letter (the "**bring-down letter**") of such accountants, addressed to the Underwriters and dated such Delivery Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than three days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letter and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(h) The Company shall have furnished to the Representative a certificate, dated such Delivery Date, executed on its behalf by its (a) Chief Executive Officer or President or equivalent officer and (b) its Chief Financial Officer or equivalent officer stating that:

(i) The representations, warranties and agreements of the Company in Section 1 are true and correct on and as of such Delivery Date, except for any such representation or warranty that speaks only as of an earlier date or time, which is true and correct as of such earlier specified date and time, and the Company has complied in all material respects with all its agreements contained herein and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Delivery Date;

(ii) No stop order suspending the effectiveness of the Registration Statement has been issued; and no proceedings or examination for that purpose have been instituted or, to the knowledge of such officers, threatened; and

(iii) They have reviewed the Registration Statement, the Prospectus and the Pricing Disclosure Package, and, in their opinion, (A) (1) the Registration Statement, as of the Effective Date, (2) the Prospectus, as of its date and on the applicable Delivery Date, or (3) the Pricing Disclosure Package, as of the Applicable Time, did not and do not contain any untrue statement of a material fact and did not and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (except in the case of the Registration Statement, in light of the circumstances under which they were made) not misleading and (B) since the Effective Date, no event has occurred that should have been set forth in a supplement or amendment to the Registration Statement or the Prospectus not been so set forth;

(i) The Company shall have furnished to the Representative a copy, duly executed by the Company, of the KDA Irrevocable Exchange and Subscription Agreement.

(j) The Company shall have furnished to the Representative, a copy, duly executed by the Company, of the CDO Securities Irrevocable Exchange and Subscription Agreement.

(k) The Company shall have furnished to the Representative, a copy, duly executed by the Company, of the Transition Services Agreement.

(l) The Company shall have furnished to the Representative, a copy, duly executed by the Company, of the License and Referral Agreement.

(m) The Company shall have furnished to the Representative, a copy, duly executed by the Company, of the Registration Rights Agreement.

(n) The Company shall have furnished to the Representative, a copy, duly executed by the Company and KDA, of the Overhead Allocation Agreement.

(o) The Company shall have furnished to the Representative, a copy, duly executed by KDA, of the Assignment and Assumption Agreement.

(p) Prior to such Delivery Date, the Company and KDA shall have furnished to the Representative such further information, certificates and documents as the Representative may reasonably request.

(q) (A) Neither the Company nor KDA shall have sustained since the date of their respective formation, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree or (B) since such date there shall not have been any change in the capital stock (except as otherwise disclosed in the Preliminary Prospectus) or long-term debt of the Company or KDA or any change, or any development involving a prospective change, in or affecting the condition (financial or otherwise), results of operations, stockholders' equity, properties, management, business or prospects of the Company and KDA taken as a whole, the effect of which, in any such case described in clause (A) or (B), is, in the judgment of the Representative, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Stock being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(r) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange, The NASDAQ Global Market or the American Stock Exchange, or trading in any securities of the Company on any exchange, shall have been suspended or materially limited or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by United States Federal or state authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions, including, without limitation, as a result of terrorist activities after the date hereof (or the effect of international conditions on the financial markets in the United States shall be such), as to make it, in the judgment of the Representative, impracticable or inadvisable to proceed with the public offering or delivery of the Stock being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(s) The NASDAQ Global Market shall have approved the Stock for inclusion, subject only to official notice of issuance and evidence of satisfactory distribution.

(t) The Lock-Up Agreements, in substantially the form attached hereto as Exhibit A, between the Representative and the officers, directors and stockholders of the Company set forth on Schedule 2, delivered to the Representative on or before the date of this Agreement, shall be in full force and effect on such Delivery Date.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

8. *Indemnification and Contribution*.

(a) The Company shall indemnify and hold harmless each Underwriter, its directors, officers and employees and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Stock), to which that Underwriter, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any Preliminary Prospectus, the Registration Statement, the Prospectus or in any amendment or supplement thereto, including the Rule 430A Information; (B) any Rule 482 Statement; (C) any Marketing Materials or (D) any Blue Sky application or other document prepared or executed by the Company (or based upon any written information furnished by the Company for use therein) specifically for the purpose of qualifying any or all of the Stock under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "**Blue Sky Application**"), (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus in any amendment or supplement thereto, including the Rule 430A Information, any Rule 482 Statement, any Marketing Materials or any Blue Sky Application, any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made in the case of any Preliminary Prospectus or Rule 482 Statement, or any amendment or supplement thereto, not misleading or (iii) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Stock or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered by clause (i) or (ii) above (*provided that* the Company shall not be liable under this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its gross negligence or willful misconduct), and shall reimburse each Underwriter and each such director, officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter, director, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; *provided*, *however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement, the Prospectus, or in any such amendment or supplement thereto, including the Rule 430A Information, any Rule 482 Statement, any Marketing Materials or any Blue Sky Application, in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information is limited to the information set forth in Section 8(e). The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Underwriter or to any director, officer, employee or controlling person of that Underwriter.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, its respective directors (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company), officers and employees, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus, or in any amendment or supplement thereto, including the Rule 430A Information, any Rule 482 Statement, any Marketing Materials or Blue Sky Application, or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus, or in any amendment or supplement thereto, the Rule 430A Information, any Rule 482 Statement, any Marketing Materials or Blue Sky Application, any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made in the case of any Preliminary Prospectus or Rule 482 Statement, or any amendment or supplement thereto, not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representative by or on behalf of that Underwriter specifically for inclusion therein, which information is limited to the information set forth in Section 8(e). The foregoing indemnity agreement is in addition to any liability that any Underwriter may otherwise have to the Company or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; *provided*, *however*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, *provided*, *further*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; *provided*, *however*, that the Representative shall have the right to employ counsel to represent jointly the Representative and those other Underwriters and their respective directors, officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Underwriters against the Company under this Section 8 if (i) the Company and the Underwriters shall have so mutually agreed; (ii) the Company has failed within a reasonable time to retain counsel reasonably satisfactory to the Underwriters; (iii) the Underwriters and their respective directors, officers, employees and controlling persons shall

have reasonably concluded based upon the advice of counsel that there may be legal defenses available to them that are different from or in addition to those available to the Company; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Underwriters or their respective directors, officers, employees or controlling persons, on the one hand, and the Company, on the other hand, and representation of both sets of parties by the same counsel would be inappropriate due to actual or potential differing interests between them, and in any such event the fees and expenses of such separate counsel shall be paid by the Company. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and does not include any findings of fact or admissions of fault or culpability as to the indemnified party or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other, from the offering of the Stock or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other, with respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other, with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Stock purchased under this Agreement (before deducting expenses) received by the Company, as set forth in the table on the cover page of the Prospectus, on the one hand, and the total underwriting discounts and commissions received by the Underwriters with respect to the shares of the Stock purchased under this Agreement, as set forth in the table on the cover page of the Prospectus, on the other hand. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 8(d) shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such

indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), no Underwriter shall be required to contribute any amount in excess of the amount by which the net proceeds from the sale of the Stock underwritten by it exceeds the amount of any damages that such Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective underwriting obligations and not joint.

(e) The Underwriters severally confirm and the Company acknowledges and agrees that the statements regarding delivery of shares by the Underwriters set forth on the cover page of, the concession and reallowance figures, by the Underwriters and number of shares being purchased by such Underwriters, and the paragraphs appearing under the headings "Stabilization and Short Positions" and "Electronic Distribution" in the "Underwriting" section of the most recent Preliminary Prospectus and the Prospectus are correct and constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in any Preliminary Prospectus, the Registration Statement, the Pricing Disclosure Package, the Prospectus or in any amendment or supplement thereto, including the Rule 430A Information, any Rule 482 Statement, any Marketing Materials or Blue Sky Application.

9. *Defaulting Underwriters*. If, on any Delivery Date, any Underwriter defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Underwriters shall be obligated to purchase the Stock as to which such defaulting Underwriter failed to deliver payment on such Delivery Date in the respective proportions which the number of shares of the Firm Stock set forth opposite the name of each remaining non-defaulting Underwriter in Schedule 1 hereto bears to the total number of shares of the Firm Stock set forth opposite the names of all the remaining non-defaulting Underwriters in Schedule 1 hereto; *provided*, *however*, that the remaining non-defaulting Underwriters shall not be obligated to purchase any of the Stock on such Delivery Date if the total number of shares of Stock as to which the defaulting Underwriter failed to deliver payment on such date exceeds [9.9]% of the total number of shares of the Stock to be delivered on such Delivery Date, and any remaining non-defaulting Underwriter shall not be obligated to purchase more than 110% of the number of shares of the Stock that it agreed to purchase on such Delivery Date pursuant to the terms of Section 2. If the foregoing maximums are exceeded, the remaining non-defaulting Underwriters, or those other underwriters satisfactory to the Representative who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Stock to be purchased on such Delivery Date. If the remaining Underwriters or other underwriters satisfactory to the Representative do not elect to purchase the shares as to which the defaulting Underwriter or Underwriters agreed but failed to deliver payment on such Delivery Date, this Agreement (or, with respect to any Option Stock Delivery Date, the obligation of the Underwriters to purchase, and of the Company to sell, the Option Stock) shall terminate without liability on the part of any non-defaulting Underwriter or the Company, except that the Company will continue to be liable for the payment of expenses to the extent set forth in Sections 6 and 11. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule 1 hereto that, pursuant to this Section 9, purchases Stock that a defaulting Underwriter agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company for damages caused by its default. If other Underwriters are obligated or agree to purchase the Stock of a defaulting or withdrawing Underwriter, either the Representative or the Company may postpone the Delivery Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement.

10. *Termination*. The obligations of the Underwriters hereunder may be terminated by the Representative by notice given to and received by the Company prior to delivery of and payment for the Firm Stock if, prior to that time, any of the events described in Sections 7(q) and 7(r) shall have occurred or if the Underwriters shall decline to purchase the Stock for any reason permitted under this Agreement.

11. *Reimbursement of Underwriters' Expenses*. If (a) the Company shall fail to tender the Stock for delivery to the Underwriters by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or because any other condition to the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled for any reason or (b) the Underwriters shall decline to purchase the Stock for any reason permitted under this Agreement, the Company will reimburse the Underwriters for all reasonable out-of-pocket expenses (including fees and disbursements of counsel) incurred by the Underwriters in connection with this Agreement and the proposed purchase of the Stock, and upon demand the Company shall pay the full amount thereof to the Representative. If this Agreement is terminated pursuant to Section 9 by reason of the default of one or more Underwriters, the Company shall not be obligated to reimburse any defaulting Underwriter on account of those expenses.

12. *Research Analyst Independence*. The Company acknowledges that the Underwriters' research analysts and research departments are required to be independent from their respective investment banking divisions and are subject to certain regulations and internal policies, and that such Underwriters' research analysts may hold views and make statements or investment recommendations and/or publish research reports with respect to the Company and/or the offering that differ from the views of their respective investment banking divisions. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Underwriters with respect to any conflict of interest that may arise from the fact that the views expressed by their independent research analysts and research departments may be different from or inconsistent with the views or advice communicated to the Company by such Underwriters' investment banking divisions. The Company acknowledges that each of the Underwriters is a full service securities firm and as such from time to time, subject to applicable securities laws, may effect transactions for its own account or the account of its customers and hold long or short positions in debt or equity securities of the companies that may be the subject of the transactions contemplated by this Agreement.

13. *No Fiduciary Duty*. The Company acknowledges and agrees that in connection with this offering, sale of the Stock or any other services the Underwriters may be deemed to be providing hereunder, notwithstanding any preexisting relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or subsequently made by the Underwriters: (i) no fiduciary or agency relationship between the Company and any other person, on the one hand, and the Underwriters, on the other, exists; (ii) the Underwriters are not acting as advisors, expert or otherwise, to the Company, including, without limitation, with respect to the determination of the public offering price of the Stock, and such relationship between the Company, on the one hand, and the Underwriters, on the other, is entirely and solely commercial, based on arms-length negotiations; (iii) any duties and obligations that the Underwriters may have to the Company shall be limited to those duties and obligations specifically stated herein; and (iv) the Underwriters and their respective affiliates may have

interests that differ from those of the Company. The Company hereby waives any claims that the Company may have against the Underwriters with respect to any breach of fiduciary duty in connection with this offering.

14. *Notices*, *Etc.* All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail or facsimile transmission to:

Lehman Brothers Inc.
745 Seventh Avenue
New York, New York 10019
Attention: Syndicate Registration
Facsimile: (646) 834-8133

With a copy (for informational purposes only) to:

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
Attention: Jay L. Bernstein, Esq.
Facsimile: (212) 878-8375

And in the case of any notice pursuant to Section 8(c), a copy to:

Director of Litigation
Office of the General Counsel
Lehman Brothers Inc.
399 Park Avenue, 10th Floor
New York, New York 10022
Facsimile: (212) 520-0421

(b) if to the Company, shall be delivered or sent by mail or facsimile transmission to:

Kohlberg Capital Corporation
295 Madison Avenue, 6th Floor
New York, New York 10017
Attention: [ ]
Facsimile: (212) 455-8300

With a copy (for informational purposes only) to:

Ropes & Gray LLP
One International Place
Boston, Massachusetts 02110
Attention: Craig E. Marcus, Esq.
Facsimile: (617) 951-7050

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by Lehman Brothers Inc. on behalf of the Representative.

15. *Persons Entitled to Benefit of Agreement*. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company, and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (A) the representations, warranties, indemnities and agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of the directors, officers and employees of the Underwriters and each person or persons, if any, who control any Underwriter within the meaning of Section 15 of the Securities Act and (B) the indemnity agreement of the Underwriters contained in Section 8(b) of this Agreement shall be deemed to be for the benefit of the directors of the Company, the officers of the Company who have signed the Registration Statement and any person controlling the Company within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 15, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

16. *Survival*. The respective indemnities, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Stock and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

17. *Definition of the Terms* "*Business Day*" *and* "*Subsidiary*." For purposes of this Agreement, (a) "**business day**" means each Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close and (b) "**subsidiary**" has the meaning set forth in Rule 405 under the Securities Act.

18. *Governing Law*. **This Agreement shall be governed by and construed in accordance with the laws of the State of New York**.

19. *Counterparts*. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

20. *Headings*. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement between the Company and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

KOHLBERG CAPITAL CORPORATION

By: _____
Name:
Title:

Accepted:

LEHMAN BROTHERS INC.
For itself and as Representative of the several Underwriters named in Schedule 1 hereto

By: _____
Authorized Representative

SCHEDULE 1

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

SCHEDULE 2

	PERSONS DELIVERING LOCK-UP AGREEMENTS	LENGTH OF LOCK-UP PERIOD
Directors		
Officers		
Stockholders		

KOHLBERG CAPITAL

2006 EQUITY INCENTIVE PLAN

1. PURPOSE AND CERTAIN DEFINED TERMS

The purpose of this Equity Incentive Plan (the "Plan") is to advance the interests of the Company (as defined below), by providing for the grant to employees, officers and, to the extent permitted by exemptive or other relief that may be granted by the Securities and Exchange Commission or its staff, directors who are not also employees or officers of the Company, of options to acquire Shares (as defined below), and, to the extent permitted by exemptive or other relief that may be granted by the Securities and Exchange Commission or its staff, other Share-based awards, including without limitation restricted Shares and options to acquire restricted Shares (collectively, the "Awards"). At all times during such periods as the Company qualifies or intends to qualify as a "business development company" under the Investment Company Act of 1940, as amended (the "1940 Act"), the terms of the Plan shall be construed to the maximum extent possible, as determined by the Board (as defined below) of the Company, to conform to the Share-based compensation requirements applicable to "business development companies" under the 1940 Act. Any employee, officer or director selected to receive an Award under the Plan is referred to as a "participant."

The following terms, when used in the Plan, will have the meanings and be subject to the provisions set forth below:

"Board" means, prior to Conversion, the board of managers of the LLC and, at and after Conversion, the board of directors of the Corporation.

"Company" means, prior to Conversion, the LLC and, at and after Conversion, the Corporation.

"Conversion" means the conversion of the LLC, pursuant to Section 265 of the Delaware General Corporation Law and Section 216 of the Delaware Limited Liability Company Act, to the Corporation.

"Corporation" means Kohlberg Capital Corporation, a Delaware corporation.

"LLC" means Kohlberg Capital, LLC, a Delaware limited liability company.

"Performance Criteria" or, in the singular, "Performance Criterion," means specified criteria, other than the mere continuation of employment or the mere passage of time, the satisfaction of which is a condition for the grant, exercisability, vesting or full enjoyment of an Award. For purposes of Awards that are intended to qualify for the performance-

based compensation exception under Section 162(m) of the Code, a Performance Criterion will mean an objectively determinable measure of performance relating to any or any combination of the following (measured either absolutely or by reference to an index or indices and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital or assets; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; sales of particular products or services; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings. A Performance Criterion and any targets with respect thereto determined by the Administrator need not be based upon an increase, a positive or improved result or avoidance of loss. To the extent consistent with the requirements for satisfying the performance-based compensation exception under Section 162(m) of the Code, the Board may provide in the case of any Award intended to qualify for such exception that one or more of the Performance Criteria applicable to such Award will be adjusted in an objectively determinable manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the performance period that affect the applicable Performance Criterion or Criteria.

"Shares" means, prior to Conversion, the common units of the LLC and, at and after Conversion, the common stock, $.01 par value per share, of the Corporation.

"Shareholders" means, prior to Conversion, the members of the LLC and, at and after Conversion, the stockholders of the Corporation.

2. ADMINISTRATION

The Plan shall be administered by the Board. The Board shall have discretionary authority, not inconsistent with the express provisions of the Plan, (a) to grant Awards to such Eligible Persons (defined below in Section 5 hereof) as the Board may select; (b) to determine the time or times when Awards shall be granted and the number of Shares subject to each Award; (c) to determine the terms and conditions of each Award; (d) to prescribe the form or forms of any instruments evidencing Awards and any other instruments required under the Plan and to change such forms from time to time; (e) to adopt, amend, and rescind rules and regulations for the administration of the Plan; and (f) to interpret the Plan and to decide any questions and settle all controversies and disputes that may arise in connection with the Plan. Such determinations of the Board shall be conclusive and shall bind all parties. Subject to Section 9 hereof, the Board shall also have the authority, both generally and in particular instances, to waive compliance by a participant with any obligation to be performed by him or her under an Award, to waive any condition or provision of an Award, and to amend or cancel

any Award (and if an Award is canceled, to grant a new Award on such terms as the Board shall specify), except that the Board may not take any action with respect to an outstanding Award that would adversely affect the rights of the participant under such Award without such participant's consent. Nothing in the preceding sentence shall be construed as limiting the power of the Board to make adjustments required by Sections 4(c) and 6(i) hereof or by applicable law. In the case of any Award intended to be eligible for the performance-based compensation exception under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), the Board will exercise its discretion consistent with qualifying the Award for that exception.

The Board may, in its discretion, delegate some or all of its powers with respect to the Plan to a committee (the "Committee"), in which event all references (as appropriate) to the Board hereunder shall be deemed to refer to the Committee.

3. EFFECTIVE DATE AND TERM OF PLAN

The Plan shall become effective on the date on which it is approved by the Shareholders of the Company. Grants of Awards under the Plan may be made prior to that date (but after Board adoption of the Plan, which date shall be set forth at conclusion of this Plan), subject to approval of the Plan by the Shareholders.

No Awards shall be granted under the Plan after the completion of ten years from the date on which the Plan was adopted by the Board, but Awards previously granted may extend beyond that date.

4. SHARES SUBJECT TO THE PLAN

(a) *Number of Shares*. Subject to adjustment as provided in Section 4(c), the aggregate number of Shares that may be the subject of Awards granted under the Plan shall be 1,500,000. If any option Award granted under the Plan terminates without having been exercised in full, or upon exercise is satisfied other than by delivery of Shares, or if any Share Award is repurchased by the Company, the number of Shares as to which such Award was not exercised shall be available for future grants.

The maximum number of Shares for which any option Award may be granted to any person in any calendar year shall be _____. The maximum number of Shares that may be granted to any person under other Awards (if any and to the extent permitted under the 1940 Act) in any calendar year shall be _____. The foregoing provisions will be construed in a manner consistent with Section 162(m) of the Code (if applicable) and Section 61 of the 1940 Act.

(b) *Shares to be Delivered.* Shares delivered under the Plan shall be authorized but unissued Shares, or if the Board so decides in its sole discretion, previously issued Shares acquired by the Company and held in its treasury. No fractional Shares shall be delivered under the Plan.

(c) *Changes in Shares*. In the event of a Share dividend, Share split or combination of Shares, recapitalization, or other change in the Shares, the number and kind of Shares or securities of the Company subject to Awards then outstanding or subsequently granted under the Plan, the exercise price of such Awards, the maximum number of Shares or securities that may be delivered under the Plan, and other relevant provisions shall be appropriately adjusted by the Board, whose determination shall be binding on all persons.

The Board may also adjust the number of Shares subject to outstanding Awards, the exercise price of outstanding Awards, and the terms of outstanding Awards, to take into consideration material changes in accounting practices or principles, extraordinary dividends, consolidations or mergers (except those described in Section 6(i)), acquisitions or dispositions of securities or property, or any other event if it is determined by the Board that such adjustment is appropriate to avoid distortion in the operation of the Plan. References in the Plan to Shares will be construed to include any units, any stock or any other securities resulting from an adjustment pursuant to this Section 4(c).

5. AWARDS; ETC.

Persons eligible to receive Awards under the Plan ("Eligible Persons") shall be those key employees and officers, and to the extent permitted by exemptive or other relief that may be granted by the Securities and Exchange Commission or its staff, directors who are not also employees or officers of the Company or, to the extent permitted by exemptive or other relief that may be granted by the Securities and Exchange Commission or its staff, subsidiaries of the Company who, in the opinion of the Board, are in a position to make a significant contribution to the success of the Company and its subsidiaries. A subsidiary for purposes of the Plan shall be a corporation[, limited liability company or other entity] in which the Company owns, directly or indirectly, equity securities possessing 50% or more of the total combined voting power of all classes of equity securities. Notwithstanding the foregoing, in the case of an Award that is an incentive option, an Eligible Person shall only be those employees of the Company or of a "parent corporation" or "subsidiary corporation" of the Company as those terms are defined in Section 424 of the Code.

In the case of an Award of restricted Shares (to the extent such Awards are permitted by exemptive relief or other relief that may be granted by the Securities and Exchange Commission or its staff) that is intended to qualify as performance-based for the purposes of Section 162(m) of the Code, the Plan and such Award will be construed to the maximum extent permitted by law in a manner consistent with qualifying the Award for such exception. With respect to such Awards, the Board will pre-establish, in writing, one or more specific Performance Criteria no later than 90 days after the commencement of the period of service to which the performance relates (or at such earlier time as is required to qualify the Award as performance-based under Section 162(m) of the Code). The Performance Criteria so established shall serve as a condition to either the grant of the Award or the vesting of Shares subject to the Award, as determined by the Board. Prior to grant or vesting, as the case may be, the Board will certify whether the Performance Criteria have been attained and such determination will be final and conclusive. If the Performance Criteria with respect to the Award are not attained, no other Award will be

provided in substitution. No Award of restricted Shares that is intended to qualify as performance-based for the purposes of section 162(m) of the Code may be granted after the first meeting of the Shareholders of the Company held in 2010 until the Performance Criteria have been resubmitted to and reapproved by the Shareholders of the Company in accordance with the requirements of Section 162(m) of the Code, unless such grant is made contingent upon such approval.

6. TERMS AND CONDITIONS OF AWARDS

(a) *Code Section 409A Exemption*. Except as the Board otherwise determines, no option shall have deferral features, or shall be administered in a manner, that would cause such option to fail to qualify for exemption from Section 409A of the Code. Any option resulting in a deferral of compensation subject to Section 409A of the Code shall be construed to the maximum extent possible, as determined by the Board, consistent with the requirements of Section 409A of the Code.

(b) *Exercise Price of Options*. The exercise price of each option shall be determined by the Board. The exercise price of an option will not be less than the fair market value (and if no fair market value exists at the time of issuance, the current net asset value of the Shares) of the Shares subject to the Award determined at the date of grant. Fair market value shall be determined by the Board consistent with the requirements of Section 409A of the Code and Section 61 of the 1940 Act, as applicable. No option, once granted, may be repriced other than in accordance with the 1940 Act and the applicable Shareholder approval requirements of the NASDAQ Global Market.

(c) *Duration of Options*. An option shall be exercisable during such period or periods as the Board may specify. The latest date on which an option may be exercised (the "Expiration Date") shall be the date that is ten years from the date the option was granted or such earlier date as may be specified by the Board at the time the option is granted.

(d) *Exercise of Options.*

(1) An option shall vest or become exercisable at such time or times and upon such conditions as the Board shall specify. In the case of an option not immediately exercisable in full, the Board may at any time accelerate the time at which all or any part of the option may be exercised regardless of any adverse or potentially adverse tax consequences resulting from such acceleration.

(2) Any exercise of an option shall be in writing, signed by the proper person and furnished to the Company, accompanied by (i) such documents as may be required by the Board and (ii) payment in full as specified below in Section 6(e) for the number of Shares for which the option is exercised.

(3) The Board shall have the right to require that the participant exercising the option remit to the Company an amount sufficient to satisfy any federal, state, or local

withholding tax requirements (or make other arrangements satisfactory to the Company with regard to such taxes) arising in connection with the exercise of the option. If permitted by the Board and to the extent permitted under the 1940 Act, either at the time of the grant of the option or in connection with exercise, the participant may elect, at such time and in such manner as the Board may prescribe, to satisfy such withholding obligation by (i) delivering to the Company Shares owned by such individual having a fair market value equal to such withholding obligation, or (ii) requesting that the Company withhold from the Shares to be delivered upon the exercise a number of Shares having a fair market value equal to such withholding obligation.

(4) If an option is exercised by the executor or administrator of a deceased participant, or by the person or persons to whom the option has been transferred by the participant's will or the applicable laws of descent and distribution, the Company shall be under no obligation to deliver Shares pursuant to such exercise until the Company is satisfied as to the authority of the person or persons exercising the option.

(e) *Payment for and Delivery of Shares*. Shares purchased upon exercise of an option under the Plan shall be paid for as follows: (i) in cash, check acceptable to the Company (determined in accordance with such guidelines as the Board may prescribe), or money order payable to the order of the Company, or (ii) if so permitted by the Board (which, in the case of an incentive option, shall specify such method of payment at the time of grant) and to the extent permitted by the 1940 Act and otherwise legally permissible, (A) through the delivery of Shares (which, in the case of Shares acquired from the Company, shall have been held for at least six months unless the Board specifies another period) having a fair market value on the last business day preceding the date of exercise equal to the purchase price, or (B) if so permitted by the Board and to the extent permitted by the 1940 Act, by delivery of a promissory note of the participant to the Company, such note to be payable on such terms as are specified by the Board provided that the interest rate on such note shall be at a fair market rate, or (C) by delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay the exercise price, or (D) by any combination of the permissible forms of payment. The delivery of Shares in payment of the exercise price under clause (ii)(A) above may be accomplished either by actual delivery or by constructive delivery through attestation of ownership subject to such rules as the Board may provide.

(f) *Delivery of Shares*. A participant shall not have the rights of a Shareholder with regard to Awards under the Plan except as to Shares actually received by him or her under the Plan.

(g) *Dividend Equivalents, Etc.* To the extent permitted under the 1940 Act, the Board may provide for the payment of amounts in lieu of cash dividends or other cash distributions with respect to Shares subject to an Award.

(h) *Nontransferability of Awards.* No option, Share, or other Award may be transferred other than by will or by the laws of descent and distribution, and during a participant's lifetime an Award may be exercised only by him or her.

(i) *Mergers, etc.* To the extent permitted under the 1940 Act, the following provisions shall apply in the event of a Covered Transaction (as defined below).

(1) Subject to subparagraph (2) below, all outstanding Awards requiring exercise will terminate and cease to be exercisable, and all other Awards to the extent not fully vested (including Awards subject to conditions not yet satisfied or determined) will be forfeited, as of the effective time of the Covered Transaction (as defined in subparagraph (3) herein), *provided* that the Board may in its sole discretion on or prior to the effective date of the Covered Transaction take any (or any combination of) the following actions: (i) make any outstanding option exercisable in full, (ii) remove any performance or other conditions or restrictions on any Award and (iii) in the event of a Covered Transaction under the terms of which holders of the Shares of the Company will receive upon consummation thereof a payment for each such Share surrendered in the Covered Transaction (whether cash, non-cash or a combination of the foregoing), make or provide for a payment (with respect to some or all of the Awards), to the participant equal in the case of each affected Award to the difference between (A) the fair market value of a Share times the numbers of Shares subject to such outstanding Award (to the extent then exercisable at prices not in excess of the fair market value) and (B) the aggregate exercise price of all Shares subject to such outstanding Award, in each case on such payment terms (which need not be the same as the terms of payment to holders of Shares) and other terms, and subject to such conditions, as the Committee determines; or

(2) With respect to an outstanding Award held by a participant who, following the Covered Transaction, will be employed by or otherwise providing services to an entity which is a surviving or acquiring entity in the covered transaction or any affiliate of such an entity, the Board may at or prior to the effective time of the Covered Transaction, in its sole discretion and in lieu of the action described in subparagraph (1) above, arrange to have such surviving or acquiring entity or affiliate assume any Award held by such participant outstanding hereunder or grant a replacement Award which, in the judgment of the Board is substantially equivalent to any Award being replaced.

(3) For purposes of this Section 6(i), a "Covered Transaction" is a (i) Share sale, consolidation, merger, or similar transaction or series of related transactions in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding Shares by a single person or entity or by a group of persons and/or entities acting in concert; (ii) a sale or transfer of all or substantially all the Company's assets, or (iii) a dissolution or liquidation of the Company. Where a Covered Transaction

involves a tender offer that is reasonably expected to be followed by a merger described in clause (i) (as determined by the Board), the Covered Transaction shall be deemed to have occurred upon consummation of the tender offer.

(j) *No Grants in Contravention of the 1940 Act.* At all times during such periods as the Company qualifies or intends to qualify as a "business development company," no Award may be granted under the Plan if the grant or terms of such Award would cause the Company to violate Section 61 of the 1940 Act (or any other provision of the 1940 Act applicable to "business development companies"), and, if approved for grant, such an Award will be void and of no effect.

In furtherance of the intent that Awards available to be granted under the Plan be limited to those that can be granted by a "business development company" qualifying as such under the 1940 Act, except as otherwise permitted by exemptive relief or other relief that may be granted by the Securities and Exchange Commission or its staff and determined by the Board, restricted Shares and unrestricted Shares may be awarded only in exchange for full payment (as determined by the Board).

7. TERMINATION OF EMPLOYMENT

(a) Unless the Board expressly provides otherwise, immediately upon the cessation of the participant's employment or services an Award requiring exercise will cease to be exercisable and will terminate, and all other Awards to the extent not already vested will be forfeited, except that:

(1) subject to (2) and (3) below, all vested options held by the participant immediately prior the cessation of the participant's employment, to the extent then exercisable, will remain exercisable for the less of (i) a period of 90 days or (ii) the period ending on the latest date on which such option could have been exercised without regard to this Section 7(a)(1), and will thereupon terminate;

(2) all vested options held by a participant immediately prior to the participant's death, to the extent then exercisable, will remain exercisable for the lesser of (i) the 180 day period ending following the participant's death or (ii) the period ending on the latest date on which such option could have been exercised without regard to this Section 7(a), and will thereupon terminate;

(3) all options (whether or not vested) held by a participant immediately prior to the cessation of the participant's employment for "Cause" will immediately terminate; for this purpose, "Cause" shall have the same meaning as provided in the employment agreement between the participant and the Company or its Affiliate, provided that if the participant is not a party to any such agreement, "Cause" shall mean (i) the participant's chronic alcoholism or drug addiction; (ii) fraud, embezzlement, theft, dishonesty, or any deliberate misappropriation of any material amount of money or other assets or property of the Company or any of its Affiliates by the paragraph; (iii) willful failure to perform, or gross negligence in the performance of, the participant's duties and responsibilities to the Company and its Affiliates; (iv) the participant's material breach of any agreement between the participant and the Company or its Affiliates except where the breach is caused by incapacity or disability of the participant; (v) charge, indictment or conviction of, or plea of nolo contendere by, the participant to a felony or other crime involving moral turpitude; (vi) the participant's material breach of his fiduciary duties as an officer, trustee, or director of the Company or any of its Affiliates; (vii) the participant's willful refusal or failure to carry out a lawful and reasonable written directive of the Board or its designee, which failure or refusal does not cease within fifteen (15) days after written notice of such failure is given to the participant by the Company; or (viii) the participant willful misconduct which has, or could be reasonably expected to have, a material adverse effect upon the business, interests or reputation of the Company or any of its Affiliates; and

(4) Except as otherwise provided in an Award, after completion of the 90-day (or 180-day) period, such Awards shall terminate to the extent not previously exercised, expired, or terminated.

No option shall be exercised or surrendered in exchange for a cash payment after the Expiration Date.

(b) In particular but not in limitation of the foregoing, the Board may provide in the case of any Award for post-termination exercise provisions different from those expressly set forth in this Section 7, including without limitation terms allowing a later exercise by a former employee (or, in the case of a former employee who is deceased, the person or persons to whom the Award is transferred by will or the laws of descent and distribution) as to all or any portion of the Award not exercisable immediately prior to termination of employment or other service, but in no case may an Award be exercised after the Expiration Date.

8. EMPLOYMENT RIGHTS

Neither the adoption of the Plan nor the grant of Awards shall confer upon any participant any right to continue as an employee of the Company, its parent, or any subsidiary or affect in any way the right of the Company, its parent, or a subsidiary to terminate the participant's relationship at any time. Except as specifically provided by the Board in any particular case, the loss of existing or potential profit in Awards granted under this Plan shall not constitute an element of damages in the event of termination of the relationship of a participant even if the termination is in violation of an obligation of the Company to the participant by contract or otherwise.

9. DISCONTINUANCE, CANCELLATION, AMENDMENT, AND TERMINATION

The Board may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, and may at any time terminate the Plan as to any future grants of Awards; *provided* that, except as otherwise expressly provided in the Plan the Board may not, without the participant's consent, alter the terms of an Award so as to affect adversely the participant's rights under the Award, unless the Board expressly reserved the right to do so at the time of the Award. Any amendments to the Plan shall be conditioned upon Shareholder approval only to the extent, if any, such approval is required by law (including the Code), as determined by the Committee.

10. LIMITATION OF LIABILITY

Notwithstanding anything to the contrary in the Plan, neither the Company, any subsidiary, nor the Board, nor any person acting on behalf of the Company, any subsidiary, or the Board, shall be liable to any participant or to the estate or beneficiary of any participant or to any other holder of an option by reason of any acceleration of income, or any additional tax, asserted by reason of the failure of an option to satisfy the requirements of Section 409A or by reason of Section 4999 of the Code; provided, that nothing in this Section 10 shall limit the ability of the Board to provide by separate express written agreement with a participant for a gross-up payment or other payment in connection with any such tax or additional tax.

11. WAIVER OF JURY TRIAL

By accepting an Award under the Plan, each participant waives any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan and any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees that any such action, proceedings or counterclaim shall be tried before a court and not before a jury. By accepting an Award under the Plan, each participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers.

12. LEGAL CONDITIONS ON DELIVERY OF SHARES

The Company will not be obligated to deliver any Shares pursuant to the Plan or to remove any restriction from Shares previously delivered under the Plan until: (i) the Company is satisfied that all legal matters in connection with the issuance and delivery of such Shares have been addressed and resolved; (ii) if the outstanding Shares are at the time of delivery listed on any stock exchange or national market system, the Shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance; and (iii) all conditions of the Award have been satisfied or waived. If the sale of Shares has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), the Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of the Securities Act. The Company may require that certificates evidencing Shares issued under the Plan bear an appropriate legend reflecting any restriction on transfer applicable to such Shares, and the Company may hold the certificates pending lapse of the applicable restrictions.

Approved as of _____, 2006

KOHLBERG CAPITAL
2006 EQUITY INCENTIVE PLAN

KOHLBERG CAPITAL STRONGLY ENCOURAGES YOU TO SEEK THE ADVICE OF YOUR OWN LEGAL AND FINANCIAL ADVISORS WITH RESPECT TO YOUR AWARD AND ITS TAX CONSEQUENCES. THANK YOU.

FORM OF
KOHLBERG CAPITAL
NON-QUALIFIED STOCK OPTION CERTIFICATE

This Certificate evidences a stock option (the "Option") granted by Kohlberg Capital Corporation, a Delaware corporation (the "Company"), to _____ (the "Optionee"), pursuant to, and subject to the terms of the Kohlberg Capital 2006 Equity Incentive Plan (the "Plan"), which is incorporated herein by reference and of which the Optionee acknowledges receipt. In particular, but not in limitation of the foregoing, all terms not specifically defined herein shall have the same definitions as provided in the Plan.

1. Grant, Exercisability and Term of Option.

(a) This certificate ("Certificate") evidences the grant by the Company to the Optionee the option to purchase, in whole or in part, from the Company upon the terms and conditions hereinafter set forth ____ shares ("Shares") of the common stock of Company, $.01 par value ("Common Stock") at the purchase price per Share of $____ (the "Option Price"). The date of grant of this Option is _____, 2006 (the "Option Date"). The final exercise date of the Option is the tenth anniversary date of the Option Date (the "Expiration Date"). This Option is intended to be a nonstatutory stock option; it is not intended that this Option shall be an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended from time to time (the "Code");

(b) This Option is exercisable in the following installments prior to the Expiration Date (each an "Installment Period") at the Option Price (per share) set forth above:

__% of the Shares on and after _____, 20__.

__% of the Shares on and after _____, 20__.

__% of the Shares on and after _____, 20__.

__% of the Shares on and after _____, 20__.

The right of exercise shall be cumulative, so that if an Option is not exercised to the maximum extent permissible during an Installment Period, it shall be exercisable, in whole or in part, with respect to all Shares not so purchased at any time prior to the Expiration Date, subject to earlier termination as set forth in this Certificate and the Plan. Only whole Shares may be purchased pursuant to this option.

2. Conditions and Limitations.

(a) The Option shall not be transferable otherwise than by will or by the laws of descent and distribution, and except as provided in the following sentence the Option shall be exercisable during the lifetime of the Optionee by the Optionee only; provided, however, that the Option may be transferred pursuant to a qualified domestic relations order (as defined in Rule 16b-3 under the Securities Exchange Act of 1934). Notwithstanding the foregoing, however, if the Optionee is determined to be mentally incompetent and a guardian or conservator (or other similar person) is appointed by a court of competent jurisdiction to manage the Optionee's affairs, the guardian or conservator (or other similar person) may exercise the Option on behalf of the Optionee, provided that such exercise is made within the time limits prescribed herein.

(b) The Option evidenced by this Certificate is subject to the terms, conditions and definitions of the Plan. The Option is expressly conditioned on the availability of shares authorized under the Plan. To the extent that the terms, conditions and definitions of this Certificate are inconsistent with those of the Plan, those of the Plan shall govern. All decisions under, and interpretations of, such provisions of the Plan by the Board or the Committee, as defined in the Plan, shall be final, binding and conclusive upon the Optionee and his or her heirs. On and after the commencement of the Committee's duties under the Plan, all references to the Board in this Certificate shall mean and relate to such Committee.

(d) The Company is not obligated to deliver any shares of Common Stock or to remove any restrictions from shares previously delivered under the Plan (a) until all conditions hereunder have been satisfied or removed, (b) until, in the opinion of the Company's counsel, all applicable federal and state laws and regulations have been complied with, (c) if the Common Stock is at the time of delivery listed on any stock exchange of The Nasdaq National Market, until the shares to be delivered have been listed or authorized to be listed on such exchange or market upon official notice of the notice of issuance, and (d) until all other legal matters in connection with the issuance and delivery of such shares have been approved by the Company's counsel.

3. Exercise of Option: Withholding Taxes.

(a) Written notice of the exercise of the Option or any installment thereof shall be given to the Company specifying the number of Shares for which the Option is exercised and accompanied by payment in full of the Option Price. Payment shall be made (a) in cash, (b) by check or money order payable to the order of the Company, (c) by delivery and assignment to the Company of shares of the Common Stock owned by the Optionee (provided that such shares have been held by the Optionee for at least 6 months before delivery) having a fair market value on the last business day preceding the date of exercise equal to the Option Price, (d) by delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay the exercise price, or (e) by any combination of the foregoing. Notwithstanding the foregoing, this Option may not be exercised by delivery and assignment to the Company of shares of Company stock to the extent that such delivery and assignment would constitute a violation of the provisions of any law, or related regulation or rule, or any agreement or Company policy, restricting the transfer or redemption of the Company's stock.

(b) The Company's obligation to deliver Shares upon exercise of an Option shall be subject to the Optionee's satisfaction of all applicable federal, state and local income and employment tax withholding obligations. The Optionee may satisfy such obligation(s), in whole or in part, by (i) delivering to the Company a check for the amount required to be withheld or (ii) if permitted under the 1940 Act and as the Board in its sole discretion approves in any specific or general case, having the Company withhold Shares or delivering to the Company already-owned shares of Common Stock, in either case having a fair market value equal to the amount required to be withheld, as determined by the Board.

4. Termination of Option. In the event that the Optionee ceases to be employed by the Company at any time prior to the exercise of this Option in full, this Option shall terminate according to the following provisions:

(a) If the Optionee ceases to be employed by the Company for Cause, then the Option may not be exercised after the date of such employment termination and shall automatically terminate;

(b) If the Optionee ceases to be employed for any reason other than death, the Optionee may at any time within a period of ninety (90) days after the date of such cessation of employment exercise the Option to the extent that the Option was exercisable on the date of such cessation, and to the extent not so exercised or exercisable shall automatically terminate; and

(c) If the Optionee ceases to be employed because of death, the Option, to the extent that the Optionee was entitled to exercise it on the date of death, may be exercised within a period of one hundred eighty days (180) days after the Optionee's death by the person or persons to whom the Optionee's rights under the Option shall pass by will or by the laws of descent and distribution and to the extent not so exercised or exercisable; provided, however, that this Option may not be exercised to any extent by anyone after the Expiration Date as set forth in Section 1(a) hereof.

5. Notices. All notices or demands given to the Company pursuant to this Certificate and the Plan shall be in writing and shall be deemed to have been sufficiently given if delivered by hand or sent by certified or registered mail, postage prepaid, addressed to Kohlberg Capital Corporation, Attn: Chief Financial Officer at the principal office of the Company.

6. No Employment Commitment; Tax Treatment; Status as Stockholder. Nothing herein contained shall be deemed to be or constitute an agreement or commitment by the Company or any other member of the Company Group to continue the Optionee in its employ. The Company makes no representation about the tax treatment to the Optionee with respect to receipt or exercise of the option or acquiring, holding or disposing of the Shares. The Optionee shall have no rights as a stockholder with respect to the Shares subject to the Option until the exercise of the Option and the issuance of a stock certificate for the Shares with respect to which the Option shall have been exercised.

IN WITNESS WHEREOF the Company has caused this Option to be executed under the corporate seal by its duly authorized officer. This Option shall take effect as a sealed instrument.

KOHLBERG CAPITAL CORPORATION

By: _____

Name: _____

Title: _____

Acknowledged and Agreed:

_____

Optionee

Exhibit J

CUSTODIAN AGREEMENT

By and among

Kohlberg Capital Corporation,

("Company")

U.S. BANK NATIONAL ASSOCIATION
("Custodian")

Dated as of , 2006

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THIS CUSTODIAN AGREEMENT (this "Agreement") is dated as of _____, 2006 and is by and among Kohlberg Capital Corporation (the "Company"), having a business address at _____, _____ and U.S. BANK NATIONAL ASSOCIATION, a national banking association (the "Custodian"), having a place of business at One Federal Street, 3rd Floor, Boston, MA 02110.

WHEREAS, the Company desires to engage the Custodian to act as custodian for the Company with respect to the Company's acquisition of certain investments to be made by the Company, subject to the terms of this Agreement; and

WHEREAS, the Custodian is willing to act in such capacity as custodian under and subject to the terms of this Agreement;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. DEFINITIONS

1.1 The following words have these meanings as used in this Agreement:

"Account" or "Accounts" shall mean, collectively the Cash Account and the Securities Account.

"Authorized Person" shall have the meaning assigned in Section 3.10 (a).

"Business Day" means a day on which the Custodian or the relevant sub-custodian is open for business in the market or country in which a transaction is to take place.

"Cash Account" shall have the meaning set forth in Section 2.2(b).

"Delivery Date" means such date or dates on which Securities may be delivered to the Custodian (including the relevant sub-custodian) from time to time pursuant to the terms of this Agreement (it being hereby expressly acknowledged that there will be more than one Delivery Date).

"Eligible Investments" means any investment that at the time of its acquisition is one or more of the following:

(a) United States government and agency obligations;

(b) commercial paper having a rating assigned to such commercial paper by Standard & Poor's Rating Services or Moody's Investor Service, Inc. (or, if neither such organization shall rate such commercial paper at such time, by any nationally recognized rating organization in the United States of America) equal to one of the two highest ratings assigned by such organization, it being understood that as of the date hereof such ratings by Standard & Poor's Rating Services are "AAAm" and "Aam" and such ratings by Moody's Investor Service, Inc. are "Aaa" and "Aa";

(c) interest bearing deposits in United States dollars in United States banks with an unrestricted surplus of at least U.S. $250,000,000, maturing within one year; and

(d) money market funds (including funds of the Custodian or its affiliates) or United States government securities funds designed to maintain a fixed share price and high liquidity.

“Eligible Securities Depository” has the meaning set forth in Section (b)(1) of Rule 17f-7 under the 1940 Act.

“Federal Reserve Bank Book-Entry System” means a depository and securities transfer system operated by the Federal Reserve Bank of the United States on which are eligible to be held all United States Government direct obligation bills, notes and bonds.

“1940 Act” means the Investment Company Act of 1940, as amended.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof) unincorporated organization, or any government or agency or political subdivision thereof.

“Proceeds” means, collectively, (i) the net cash proceeds to the Company of the initial public offering by the Company and any subsequent offering by the Company of any class of securities issued by the Company, (ii) all cash distributions, earnings, dividends, fees and other cash payments paid on the Securities by or on behalf of the issuer or obligor thereof, or applicable paying agent, (iii) the net cash proceeds of the sale or other disposition of the Securities pursuant to the terms of this Agreement (and any Reinvestment Earnings from investment of the foregoing, as defined in Section 3.4(b) hereof) and (iv) the net cash proceeds to the Company of any borrowing or other financing by the Company.

“Proper Instructions” means instructions received by the Custodian from an Authorized Person acting on behalf of the Company, in any of the following forms acceptable to the Custodian:

(a) in writing signed by the Authorized Person; or

(b) in tested communication; or

(c) in a communication utilizing access codes effected between electromechanical or electronic devices; or

(d) such other means as may be agreed upon from time to time by the Custodian and the party giving such instructions, including oral instructions.

“Securities” means, collectively, the (i) investments acquired by the Company and delivered to the Custodian by the Company from time to time during the term of, and pursuant to the terms of, this Agreement, and (ii) all dividends in kind (e.g., non-cash dividends) from the investments described in clause (i).

"Securities Account" shall have the meaning set forth in Section 2.2(a).

"Securities System" means the Federal Reserve Book Entry System, a clearing agency which acts as a securities depository, or another book entry system for the central handling of securities (including an Eligible Securities Depository).

"Street Delivery Custom" means a custom of the United States securities market to deliver securities which are being sold to the buying broker for examination to determine that the securities are in proper form.

"Street Name" means the form of registration in which the securities are held by a broker who is delivering the securities to another broker for the purposes of sale, it being an accepted custom in the United States securities industry that a security in Street Name is in proper form for delivery to a buyer and that a security may be re-registered by a buyer in the ordinary course.

1.2 In this Agreement unless the contrary intention appears:

(a) a reference to this Agreement or another instrument refers to such agreement or instrument as the same may be amended, modified or otherwise rewritten from time to time;

(b) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(c) the singular includes the plural and vice versa;

(d) a reference to a Person includes a reference to the Person's executors, administrators, successors and permitted assigns;

(e) an agreement, representation or warranty in favor of two or more Persons is for the benefit of them jointly and severally;

(f) an agreement, representation or warranty on the part of two or more Persons binds them jointly and severally;

(g) a reference to any accounting term is to be interpreted in accordance with generally accepted principles and practices in the United States, consistently applied, unless otherwise instructed by the Company; and

(h) the term "include" or "including" shall mean without limitation by reason of enumeration.

1.3 Headings are inserted for convenience and do not affect the interpretation of this Agreement.

2. APPOINTMENT OF CUSTODIAN AND DESIGNATION OF ACCOUNTS

2.1 Appointment of Custodian

(a) The Company hereby appoints the Custodian as the custodian of the Securities and Proceeds received by it pursuant to this Agreement, and in such capacity appoints the Custodian to act as custodial agent on behalf of the Company with respect thereto. All Securities and Proceeds delivered to the Custodian, its agents or its sub-custodians shall be held and dealt with in accordance with this Agreement. The Custodian shall not be responsible for any property held or received by the Company, or any other Person and not delivered to the Custodian (its agents or its sub-custodians) pursuant to the terms of this Agreement. At the time of each delivery of Securities to the Custodian (or any sub custodian) by or on behalf of the Company, the Company agrees that it shall expressly identify the same to the Custodian as Securities being delivered under this Agreement.

(b) The Custodian accepts its appointment as custodian hereunder, and agrees to receive and hold, as custodian for the Company pursuant to the terms of this Agreement, the Securities delivered and identified to it by the Company on each Delivery Date and any Proceeds received from time to time therefrom.

2.2 Establishment of Accounts

(a) There shall be established at the Custodian a securities account to which the Custodian shall deposit and hold the Securities received by it (and any Proceeds received by it from time to time in the form of dividends in kind) pursuant to this Agreement, which account shall be designated the "Kohlberg Capital Corporation Securities Custody Account" (the "Securities Account").

(b) There shall be established at the Custodian a deposit account to which the Custodian shall deposit and hold any cash Proceeds received by it from time to time from or with respect to the Securities or the sale of the common stock of the Company, as applicable, which deposit account shall be designated the "Kohlberg Capital Corporation Cash Proceeds Account" (the "Cash Account").

(c) Securities held in the Securities Account may be withdrawn by the Company from time to time pursuant to Section 3.2 below. Amounts held in the Cash Account from time to time may be withdrawn by the Company upon receipt of Proper Instructions therefore for, among other purposes, the purchase of Securities, payment of expenses relating thereto, and operating expenses of the Company and such other purposes as the Company may deem proper, and may be invested upon and pursuant to specific direction of the Company in the form of Proper Instructions, pursuant to Section 3.4 below.

3. DUTIES OF THE CUSTODIAN

3.1 Holding Securities

The Custodian shall hold and segregate, or direct its agents or its sub-custodians to hold and segregate, for the account of the Company all Securities received by it pursuant to this Agreement other than Securities which are held in a Securities System, or which are maintained in one or more omnibus accounts at the Custodian, its agents or sub-custodians, and shall properly account for all Securities held in a Securities System or maintained through one or more omnibus accounts and identify the same on its books and records as held for the account of the Company.

3.2 Delivery of Securities

(a) Delivery of Securities to the Custodian shall be in Street Name or other good delivery form.

(b) The Custodian shall release and deliver, or direct its agents or sub-custodians to release and deliver, as the case may be, Securities of the Company held by the Custodian, its agents or its sub-custodians from time to time upon receipt of Proper Instructions (which shall, among other things specify the Securities to be released, with such delivery and other information as may be necessary to enable the Custodian to perform), which may be standing instructions (in form acceptable to the Custodian) in the following cases:

(i) upon sale of such Securities by or on behalf of the Company and, unless otherwise directed by Proper Instructions:

(A) in accordance with the customary or established practices and procedures in the jurisdiction or market where the transactions occur, including delivery to the purchaser thereof or to a dealer therefor (or an agent of such purchaser or dealer) against expectation of receiving later payment; or

(B) in the case of a sale effected through a Securities System, in accordance with the rules governing the operations of the securities System;

(ii) upon the receipt of payment in connection with any repurchase agreement related to such securities;

(iii) to the depositary agent in connection with tender or other similar offers for securities;

(iv) to the issuer thereof or its agent when such securities are called, redeemed, retired or otherwise become payable (unless otherwise directed by Proper Instructions, the cash or other consideration is to be delivered to the Custodian, its agents or its sub-custodians);

(v) to an issuer thereof, or its agent, for transfer into the name of the Custodian or of any nominee of the Custodian or into the name of any of

its agents or sub-custodians or their nominees or for exchange for a different number of bonds, certificates or other evidence representing the same aggregate face amount or number of units;

(vi) to brokers clearing banks or other clearing agents for examination in accordance with the Street Delivery Custom;

(vii) for exchange or conversion pursuant to any plan of merger, consolidation, recapitalization, reorganization or readjustment of the securities of the issuer of such securities, or pursuant to any deposit agreement (unless otherwise directed by Proper Instructions, the new securities and cash, if any, are to be delivered to the Custodian, its agents or its sub-custodians);

(viii) in the case of warrants, rights or similar securities, the surrender thereof in the exercise of such warrants, rights or similar securities or the surrender of interim receipts or temporary securities for definitive securities (unless otherwise directed by Proper Instructions, the new securities and cash, if any, are to be delivered to the Custodian, its agents or its sub-custodians); and/or

(ix) for any other purpose, but only upon receipt of Proper Instructions specifying the Securities to be delivered and naming the Person or Persons to whom delivery of such Securities shall be made.

3.3 Registration of Securities

Securities held by the Custodian, its agents or its sub-custodians (other than bearer securities or securities held in a Securities System) shall be registered in the name of the Company or its nominee; or, at the option of the Custodian, in the name of the Custodian or in the name of any nominee of the Custodian, or in the name of its agents or its sub-custodians or their nominees; or if directed by the Company by Proper Instruction, may be maintained in Street Name. The Custodian, its agents and its sub-custodians shall not be obliged to accept securities on behalf of the Company under the terms of this Agreement unless such Securities are in Street Name or other good deliverable form.

3.4 Bank Accounts, and Management of Cash

(a) Cash Proceeds from the Securities received by the Custodian from time to time shall be credited to the Cash Account. All amounts credited to the Cash Account shall be subject to clearance and receipt of final payment by the Custodian.

(b) Amounts held in the Cash Account from time to time may be invested in Eligible Investments pursuant to specific written Proper Instructions (which may be standing instructions) received by the Custodian from an Authorized Person acting on behalf of the Company. Such investments shall be subject to availability and the Custodian’s then applicable transaction charges (which shall be at the Company’s expense). The Custodian shall have no liability for any loss incurred on any such investment. Absent receipt of such written instruction from the Company, the Custodian shall have no obligation to invest (or otherwise pay

interest on) amounts on deposit in the Cash Account. In no instance will the Custodian have any obligation to provide investment advice to the Company. Any earnings from such investment of amounts held in the Cash Account from time to time (collectively, "Reinvestment Earnings") shall be redeposited in the Cash Account (and may be reinvested at the written direction of the Company).

(c) In the event that the Company shall at any time request a withdrawal of amounts from the Cash Account, the Custodian shall be entitled to liquidate, and shall have no liability for any loss incurred as a result of the liquidation of, any investment of the funds credited to such account as needed to provide necessary liquidity. Investment instructions may be in the form of standing instructions (in form Proper Instructions in form acceptable to Custodian).

(d) The Company acknowledges that cash deposited or invested with any bank (including the bank acting as Custodian) may generate a margin or banking income for which such bank shall not be required to account to the Company.

3.5 Foreign Exchange

(a) Upon the receipt of Proper Instructions, the Custodian, its agents or its sub-custodians may (but shall not be obligated to) enter into all types of contracts for foreign exchange on behalf of the Company, upon terms acceptable to the Custodian and the Company (in each case at the Company's expense), including transactions entered into with the Custodian, its sub-custodians or any affiliates of the Custodian or the sub-custodian. The Custodian shall have no liability for any losses incurred in or resulting from the rates obtained in such foreign exchange transactions; and absent specific and acceptable Proper Instructions, the Custodian shall not be deemed to have any duty to carry out any foreign exchange on behalf of the Company. The Custodian shall be entitled at all times to comply with any legal or regulatory requirements applicable to currency or foreign exchange transactions.

(b) The Company acknowledges that the Custodian, any sub-custodian or any affiliates of the Custodian or any sub-custodian, involved in any such foreign exchange transactions may make a margin or banking income from foreign exchange transactions entered into pursuant to this section for which they shall not be required to account to the Company.

3.6 Collection of Income

The Custodian, its agents or its sub-custodians shall use reasonable efforts to collect on a timely basis all income and other payments with respect to the Securities held hereunder to which the Company shall be entitled, to the extent consistent with usual custom in the securities custodian business in the United States. Such efforts shall include collection of interest income, dividends and other payments with respect to registered domestic securities if on the record date with respect to the date of payment by the issuer the Security is registered in the name of the Custodian or its nominee (or in the name of its agent or sub-custodian, or their nominee); and interest income, dividends and other payments with respect to bearer domestic securities if, on

the date of payment by the issuer such securities are held by the Custodian or its sub-custodian or agent; provided, however, that in the case of Securities held in Street Name, the Custodian shall use commercially reasonable efforts only to timely collect income. In no event shall the Custodian's agreement herein to collect income be construed to obligate the Custodian to commence, undertake or prosecute any legal proceedings.

3.7 Payment of Moneys

(a) Upon receipt of Proper Instructions, which may be standing instructions, the Custodian shall pay out from the Cash Account (or remit to its agents or its sub-custodians, and direct them to pay out) moneys of the Company on deposit therein in the following cases:

(i) upon the purchase of Securities for the Company pursuant to such Proper Instruction; and such purchase may, unless and except to the extent otherwise directed by Proper Instructions, be carried out by the Custodian;

(A) in accordance with the customary or established practices and procedures in the jurisdiction or market where the transactions occur, including delivering money to the seller thereof or to a dealer therefor (or any agent for such seller or dealer) against expectation of receiving later delivery of such securities; or

(B) in the case of a purchase effected through a Securities System, in accordance with the rules governing the operation of such Securities System;

(ii) for the purchase or sale of foreign exchange or foreign exchange agreements for the accounts of the Company, including transactions executed with or through the Custodian, its agents or its sub-custodians, as contemplated by Section 3.5 above; and

(iii) for any other purpose directed by the Company, but only upon receipt of Proper Instructions specifying the amount of such payment, and naming the Person or Persons to whom such payment is to be made.

(b) At any time or times, the Custodian shall be entitled to pay (i) itself from the Cash Account, whether or not in receipt of express direction or instruction from the Company, any amounts due and payable to it pursuant to Section 6 hereof, and (ii) as otherwise permitted by Section 3.11, 10.4 or Section 10.7 below, provided, however, that in each case all such payments shall be accounted for to the Company.

3.8 Proxies

The Custodian will, with respect to the Securities held hereunder, use reasonable efforts to cause to be promptly executed by the registered holder of such Securities proxies received by the Custodian from its agents or its sub-custodians or from issuers of the Securities being held for the Company, without indication of the manner in which such proxies are to be voted, and upon

receipt of Proper Instructions shall promptly deliver such proxies, proxy soliciting materials and notices relating to such Securities. In the absence of such Proper Instructions, or in the event that such Proper Instructions are not received in a timely fashion, the Custodian shall be under no duty to act with regard to such proxies.

3.9 Communications Relating to Securities

The Custodian shall transmit promptly (via telecopier, electronic mail or overnight courier) to the Company all written information (including pendency of calls and maturities of Securities and expirations of rights in connection therewith) received by the Custodian, from its agents or its sub-custodians or from issuers of the Securities being held for the Company. The Custodian shall have no obligation or duty to exercise any right or power, or otherwise to preserve rights, in or under any Securities unless and except to the extent it has received timely Proper Instruction from the Company in accordance with the next sentence. The Custodian will not be liable for any untimely exercise of any right or power in connection with Securities at any time held by the Custodian, its agents or sub-custodians unless

(i) the Custodian has received Proper Instructions with regard to the exercise of any such right or power; and

(ii) the Custodian, or its agents or sub-custodians are in actual possession of such Securities, in each case, at least three (3) Business Days prior to the date on which such right or power is to be exercised. It will be the responsibility of the Company to notify the Custodian of the Person to whom such communications must be forwarded under this Section.

3.10 Proper Instructions

(a) the Company will give a notice to the Custodian, in the form acceptable to it, specifying the names and specimen signatures of Persons authorized to give Proper Instructions (collectively, "Authorized Persons") which notice shall be initially signed by _____ or _____ and subsequently signed by any Authorized Person previously certified to the Custodian. The Custodian shall be entitled to rely upon the identity and authority of such persons until it receives written notice from the Company to the contrary.

(b) the Custodian shall have no responsibility or liability to the Company (or any other person or entity), and shall be indemnified and held harmless by the Company in the event that a subsequent written confirmation of an oral instruction fails to conform to the oral instructions received by the Custodian. The Custodian shall have no obligation to act in accordance with purported instructions to the extent that they conflict with applicable law or regulations or the Custodian's operating policies and practices. The Custodian shall not be liable for any loss resulting from a delay while it obtains clarification of any Proper Instructions.

3.11 Actions Permitted without Express Authority

The Custodian, may at its discretion, without express authority from the Company:

(a) make payments to itself as described in or pursuant to Section 3.7(b), or to make payments to itself or others for minor expenses of handling securities or other similar items relating to its duties under this agreement, provided that all such payments shall be accounted for to the Company;

(b) surrender Securities in temporary form for Securities in definitive form;

(c) endorse for collection cheques, drafts and other negotiable instruments; and

(d) in general attend to all nondiscretionary details in connection with the sale, exchange, substitution, purchase, transfer and other dealings with the securities and property of the Company.

3.12 Evidence of Authority

The Custodian shall be protected in acting upon any instructions, notice, request, consent, certificate instrument or paper reasonably believed by it to be genuine and to have been properly executed or otherwise given by or on behalf of the Company by an Authorized Person. The Custodian may receive and accept a certificate signed by any Authorized Person as conclusive evidence of:

(a) the authority of any person to act in accordance with such certificate; or

(b) any determination or of any action by the Company as described in such certificate,

and such certificate may be considered as in full force and effect until receipt by the Custodian of written notice to the contrary from an Authorized Person of the Company.

3.13 Receipt of Communications

Any communication received by the Custodian on a day which is not a Business Day or after 3:30 p.m. (or such other time as is agreed by the Company and the Custodian from time to time) on a Business Day will be deemed to have been received on the next Business Day (but in the case of communications so received after 3:30 p.m. on a Business Day, the Custodian will use commercially reasonable efforts to process such communications as soon as possible after receipt).

3.14 Records

The Custodian shall create and maintain complete and accurate records relating to its activities under this Agreement with respect to the Securities, cash or other property held for the Company, with particular attention to Section 31 of the 1940 Act, and Rules 31a-1 and 32a-2 thereunder. To the extent that the Custodian, in its sole opinion, is able to do so, the Custodian shall provide assistance to the Company (at the Company's reasonable request made from time to time) by providing sub-certifications regarding certain of its services performed hereunder to the Company in connection with the Company's Sarbanes-Oxley Act of 2002 certification requirements. All such records shall be the property of the Company and shall at all times during the regular business hours of the Custodian be open for inspection by duly authorized officers,

employees or agents of the Company and employees and agents of the Securities and Exchange Commission, upon reasonable request and prior notice. The Custodian shall, at the Company's request, supply the Company with a tabulation of securities owned by the Company and held by the Custodian and shall, when requested to do so by the Company and for such compensation as shall be agreed upon between the Company and the Custodian, include the certificate numbers in such tabulations, to the extent such information is available to the Custodian.

4. REPORTING

(a) If requested by the Company, the Custodian shall render to the Company a monthly report of (i) all deposits to and withdrawals from the Cash Account during the month, and the outstanding balance (as of the last day of the preceding monthly report and as of the last day of the subject month) and (ii) an itemized statement of the Securities held in the Securities Account as of the end of each month, as well as a list of all Securities transactions that remain unsettled at that time, and (iii) such other matters as the parties may agree from time to time.

(b) For each Business Day, the Custodian shall render to the Company a daily report of (i) all deposits to and withdrawals from the Cash Account for such Business Day and the outstanding balance as of the end of such Business Day, (ii) a report of settled trades of Securities for such Business Day, and (iii) an itemized statement of the Securities held in the Securities Account as of the end of such Business Day.

(c) The Custodian shall have no duty or obligation to undertake any market valuation of the Securities under any circumstance.

(d) The Custodian shall provide the Company with such reports as are reasonably available to it and as the Company may reasonably request from time to time, on the internal accounting controls and procedures for safeguarding securities, which are employed by the Custodian.

5. RESPONSIBILITY OF COMPANY

(a) With respect to each Security to be held by the Custodian hereunder, the Company shall (a) deliver to the Custodian an amortization schedule of principal payments and a schedule of the interest payable date(s) (together, the "Payment Schedule"), identifying the amount and due dates of all scheduled principal and interest payments for such Security, and such other information with respect to the Security, including, without limitation, a trade ticket or confirmation with respect to such Security, as the Custodian reasonably may require in order to enable the Custodian to perform its services hereunder (collectively, "Portfolio Information"), in such form and format as the Custodian reasonably may require; (c) take all actions necessary to acquire good title to such Security (or participation therein, as applicable), as and to the extent intended to be acquired; and (d) cause and direct payments in respect of the Security to be made to the Custodian. The Custodian shall be entitled to rely upon the Portfolio Information provided to it by the Company without any obligation on the part of the Custodian independently to verify, investigate, recalculate, update or otherwise confirm the accuracy or completeness thereof; and the Custodian shall have no liability for any delay or failure on the part of the Company in

providing necessary Portfolio Information to the Custodian, or for any inaccuracy therein or incompleteness thereof. With respect to each such Security, the Custodian shall be entitled to rely on any information and notices it may receive from time to time from the related bank agent, obligor or similar party with respect to the related Security, and shall be entitled to update its records on the basis of such information or notices received, without any obligation on its part independently to verify, investigate or recalculate such information.

(b) With respect to each Security, the Company from time to time shall deliver to the Custodian and the Custodian shall hold in custody such copies of the related loan agreement, note (if applicable) and any other instruments and agreements (collectively, "Financing Documents"), if any, in respect of the Securities as are delivered to it by the Company. The Custodian shall be under no obligation to examine or review, or determine the sufficiency of, any of the Financing Documents or to provide any certification with respect thereto, whether received by the Custodian as original documents, photocopies, by facsimile or otherwise; and the Custodian shall not be responsible for the sufficiency, genuineness, validity, completeness, enforceability or contents of any of the Financing Documents, or for the genuineness or due authority of any signature appearing thereon. Without limiting the foregoing, the Custodian is under no duty to review the such Financing Documents to determine whether necessary steps have been taken to transfer the related Security, or applicable interest or participation therein. The Custodian shall be under no obligation to require delivery of any instrument, document or agreement constituting, evidencing or representing any Security, other than to receive such Financing Documents, if any, as may be delivered or caused to be delivered to it by the Company. Delivery of any Security in the form of a loan may be made by, and may be represented solely by, delivery to the Custodian of a facsimile or photocopy of an assignment agreement (an "Assignment Agreement") or a confirmation or certification from the Company to the effect that it has acquired such loan and/or has received or will receive , and/or will deliver to the Custodian, appropriate Financing Documents constituting, evidencing or representing such loan (such confirmation or certification, together with any Assignment Agreement, collectively, an "Assignment Agreement or Confirmation"), in any case without delivery of any promissory note, participation certificate or similar instrument (collectively, an "Instrument"). If an original Instrument shall be or shall become available with respect to any such loan, it shall be the sole responsibility of the Company to make or cause delivery thereof to the Custodian, and the Custodian shall be under no obligation at any time or times to determine whether any such original Instrument has been issued or made available with respect to any Loan, and shall not be under any obligation to compel or cause delivery of such Instrument to the Custodian. Any reference to "Financing Documents" appearing herein shall be deemed to include, without limitation, any such Instrument and/or Assignment Agreement or Confirmation.

6. COMPENSATION OF CUSTODIAN

(a) The Custodian shall be entitled to compensation for its services in accordance with the terms set forth in Schedule A attached hereto and made a part hereof.

(b) The Company agrees to pay or reimburse to the Custodian upon its request from time to time for all costs, disbursements, advances and expenses (including reasonable fees and expenses of legal counsel) incurred, and any disbursements and advances made (including any account overdraft resulting from any

settlement or assumed settlement, provisional credit, reclaimed payment or claw-back, or the like), in connection with the preparation or execution of this Agreement, or in connection with the transactions contemplated hereby or the administration of this Agreement or performance by the Custodian of its duties and services under this Agreement, from time to time (including costs and expenses of any action deemed necessary by the Custodian to collect any amounts owing to it under this Agreement).

7. APPOINTMENT OF AGENTS

Upon notice to the Company, the Custodian may at any time or times in its discretion appoint (and may at any time remove) any other bank, trust company or other Person to act as an agent or sub-custodian, to carry out such of the provisions of this Agreement as the Custodian may from time to time direct; provided, however, that the appointment of any agent or sub-custodian shall not relieve the Custodian of its responsibilities or liabilities hereunder (except to the extent otherwise provided in Sections 8 or 10 below).

8. DEPOSIT IN U.S. SECURITIES SYSTEMS

The Custodian may deposit and/or maintain Securities in a Securities System within the United States in accordance with applicable Federal Reserve Board and Securities and Exchange Commission rules and regulations, including Rule 17f-4 under the 1940 Act, and subject to the following provisions:

(a) The Custodian may keep domestic Securities in a U.S. Securities System provided that such Securities are represented in an account of the Custodian in the U.S. Securities System which shall not include any assets of the Custodian other than assets held by it as a fiduciary, custodian or otherwise for customers;

(b) The records of the Custodian with respect to Securities which are maintained in a U.S. Securities System shall identify by book-entry those securities belonging to the Company;

(c) If requested by the Company, the Custodian shall provide to the Company, as the case may be, copies of all notices received from the U.S. Securities System of transfers of Securities for the account of the Company; and

(d) Anything to the contrary in this Agreement notwithstanding, the Custodian shall not be liable to the Company for any direct loss, damage, cost, expense, liability or claim to the Company resulting from use of any Securities System (other than to the extent resulting from the gross negligence, misfeasance or misconduct of the Custodian itself, or from failure of the Custodian to enforce effectively such rights as it may have against the U.S. Securities System).

9. [INTENTIONALLY OMITTED]

10. RESPONSIBILITY OF CUSTODIAN

10.1 General Duties

The Custodian shall have no duties, obligations or responsibilities under this Agreement or with respect to the Securities or the Proceeds except for such duties as are expressly and specifically set forth in this Agreement as duties on its part to be performed or observed, and the duties and obligations of the Custodian shall be determined solely by the express provisions of this Agreement. No implied duties, obligations or responsibilities shall be read into this Agreement against, or on the part of, the Custodian.

10.2 Instructions

(a) The Custodian shall be entitled to refrain from taking any action unless it has such instruction (in the form of Proper Instructions) from the Company as the Custodian deems necessary, and shall be entitled to require that instructions to it be in writing. The Custodian shall have no liability for any action (or forbearance from action) taken pursuant to the instruction of the Company.

(b) Whenever the Custodian is entitled or required to receive or obtain any report, opinion, notice of other information pursuant to or as contemplated by this Agreement, it shall be entitled to receive the same in writing, in form, content and medium reasonably acceptable to it; and whenever any report or other information is required to be produced or distributed by the Custodian shall be in form, content and medium reasonably acceptable to it.

10.3 General Standards of Care

Notwithstanding any terms herein contained to the contrary, the acceptance by the Custodian of its appointment hereunder is expressly subject to the following terms, which shall govern and apply to each of the terms and provisions of this Agreement (whether or not so stated therein):

(a) With respect to its responsibilities under this Agreement, the Custodian hereby agrees to exercise reasonable care and diligence such as it exercises in the safekeeping of similar assets owned or held by it.

(b) The Custodian shall not be responsible for the title, validity or genuineness, including good deliverable form of any property or evidence of title thereto received by it or delivered by it pursuant to this Agreement.

(c) The Custodian may rely on and shall be protected in acting or refraining from acting upon any written notice, instruction, statement, certificate, request, waiver, consent, opinion, report, receipt or other paper or document furnished to it (including any of the foregoing provided to it by telecopier or electronic means), not only as to its due execution and validity, but also as to the truth and accuracy of any information therein contained, which it in good faith believes to be genuine and signed or presented by the proper person; and the Custodian shall be entitled to presume the genuineness and due authority of any signature appearing thereon. The Custodian shall not be bound to make any independent investigation into the facts or matters stated in any such notice, instruction, statement, certificate,

statement, request, waiver, consent, opinion, report, receipt or other paper or document, provided, however, that if the form thereof is specifically prescribed by the terms of this Agreement, the Custodian shall examine the same to determine whether it substantially conforms on its face to such requirements hereof.

(d) Neither the Custodian nor any of its directors, officers or employees shall be liable to anyone for any error of judgment, or for any act done or step taken or omitted to be taken by it (or any of its directors, officers of employees), or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, unless such action constitutes gross negligence, willful misconduct or bad faith on its part and in breach of the terms of this Agreement. The Custodian shall not be liable for any action taken by it in good faith and reasonably believed by it to be within powers conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed hereunder, or omitted to be taken by it by reason of the lack of direction or instruction required hereby for such action. The Custodian shall not be under any obligation at any time to ascertain whether the Company is in compliance with the 1940 Act, the regulations thereunder, or the Company's investment objectives and policies then in effect.

(e) In no event shall the Custodian be liable for any indirect, special or consequential damages (including lost profits) whether or not it has been advised of the likelihood of such damages.

(f) The Custodian may consult with, and obtain advice from, legal counsel with respect to any question as to any of the provisions hereof or its duties hereunder, or any matter relating hereto, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Custodian in good faith in accordance with the opinion and directions of such counsel; the cost of such services shall be reimbursed pursuant to Section 6 hereinabove.

(g) The Custodian shall not be deemed to have notice of any fact, claim or demand with respect hereto unless actually known by an officer working in its Corporate Trust Division and charged with responsibility for administering this Agreement or unless (and then only to the extent received) in writing by the Custodian at its Corporate Trust Division and specifically referencing this Agreement.

(h) No provision of this Agreement shall require the Custodian to expend or risk its own funds, or to take any action (or forbear from action) hereunder which might in its judgment involve any expense or any financial or other liability unless it shall be furnished with acceptable indemnification. Nothing herein shall be construed to obligate the Custodian to commence, prosecute or defend legal proceedings in any instance, whether on behalf of the Company on its own behalf or otherwise, with respect to any matter arising hereunder or relating to this Agreement or the services contemplated hereby.

(i) The permissive right of the Custodian to take any action hereunder shall not be construed as duty.

(j) Custodian may act or exercise its duties or powers hereunder through agents or attorneys, and the Custodian shall not be liable or responsible for the actions or omissions of any such agent or attorney appointed and maintained with reasonable due care.

(k) All indemnifications contained in this Agreement in favor of the Custodian shall survive the termination of this Agreement.

(l) All costs and risks of shipment shall be borne exclusively by the Company.

10.4 Indemnification; Custodian's Lien

(a) The Company shall and does hereby indemnify and hold harmless the Custodian, for and from any and all costs and expenses (including reasonable attorney's fees and expenses), and any and all losses, damages, claims and liabilities, that may arise, be brought against or incurred by the Custodian as a result of, relating to, or arising out of this Agreement, or the administration or performance of the Custodian's duties hereunder, or the relationship between the Company and the Custodian created hereby, other than such liabilities, losses, damages, claims, costs and expenses as are directly caused by the Custodian's own actions taken in bad faith or constituting gross negligence.

(b) The Custodian shall have and is hereby granted a continuing lien upon and security interest in, and right of set-off against, any property and assets it may hold from time to time under this Agreement to secure the payment when due of all amounts owing to it from time to time hereunder.

10.5 Force Majeure

Without prejudice to the generality of the foregoing, the Custodian shall be without liability to the Company for any damage or loss resulting from or caused, directly or indirectly, by:

(a) events or circumstances beyond the Custodian's reasonable control, including nationalization, expropriation, currency restrictions, the interruption, disruption or suspension of the normal procedures and practices of any securities market, power, computer viruses or the like, fires, floods, earthquakes or other natural disasters, civil or military disturbances, acts of war or terrorism, riots, revolution, acts of God, work stoppages, strikes, national disasters of any kind, or other similar events or acts, provided, that this provision shall not relieve the Custodian from the responsibility to provide and maintain appropriate backup and disaster recovery procedures and shall not limit the liability of the Custodian if the Custodian, its agents or any subcustodian has failed to provide and maintain appropriate backup and disaster recovery procedures;

(b) errors by the Company (including any Authorized Person) in its instructions to the Custodian;

(c) failure by the Company to adhere to the Custodian's operational policies and procedures, provided, that such policies and procedures have been communicated to the Company;

(d) acts, omissions or insolvency of any Securities System;

(e) any delay or failure of any broker, agent or intermediary, central bank or other commercially prevalent payment or clearing system to deliver to the Custodian's sub-custodian or agent securities purchased or in the remittance of payment made in connection with Securities sold;

(f) any delay or failure of any company, corporation, or other body in charge of registering or transferring securities in the name of the Custodian, the Company, the Custodian's sub-custodians, nominees or agents or any consequential losses arising out of such delay or failure to transfer such securities including non-receipt of bonus, dividends and rights and other accretions or benefits; or

(g) changes in applicable law, regulation or orders.

10.6 Disputes

If any dispute or conflicting claim is made by any person with respect to securities or other property held for the Company, the Custodian shall be entitled to refuse to act until either:

(a) such dispute or conflicting claim has been finally determined by a court of competent jurisdiction or settled by agreement between conflicting parties, and the Custodian has received written evidence satisfactory to it of such determination or agreement; or

(b) the Custodian has received an indemnity, security or both satisfactory to it and sufficient to hold it harmless from and against any and all loss, liability and expense which the Custodian may incur as a result of its actions.

10.7 Advances

Under no circumstances shall the Custodian have any responsibility, duty or obligation to advance its own funds to or for the benefit of the Company. Notwithstanding the foregoing, if the Custodian (or its affiliates, subsidiaries or agents) at any time or times, pursuant to this Agreement: (i) advances cash or securities for any purpose, including advances or overdrafts relating to or resulting from securities settlements, foreign exchange contracts, assumed settlements, provisional credit or payment items, or reclaimed payments or adjustments or claw-backs, or (ii) incurs any liability to pay taxes, interest, charges, expenses, assessments, or other moneys in connection with the performance of this Agreement, except such as may arise from its own gross negligent acts or gross negligent omissions, then, any property or assets at any time held for the account of the Company shall be security therefor and shall be subject to a right of set-off thereon in favor of the Custodian for the repayment of such advances and liabilities. If the Company shall fail to promptly reimburse the Custodian in respect of the advances or liabilities described above, the Custodian may utilize available cash and dispose of Securities of the Company, in a manner, at a time and at a price which the Custodian deems proper, to the extent necessary to obtain reimbursement and make itself whole.

11. SECURITY CODES

If the Custodian issues to the Company, security codes, passwords or test keys in order that the Custodian may verify that certain transmissions of information, including Proper Instructions, have been originated by the Company, the Company shall, safeguard any security codes, passwords, test keys or other security devices which the Custodian shall make available.

12. TAX LAW

12.1 Domestic Tax Law

The Custodian shall have no responsibility or liability for any obligations now or hereafter imposed on the Company or the Custodian as custodian of the Securities or the Proceeds, by the tax law of the United States or any state or political subdivision thereof. The Custodian shall be kept indemnified by and be without liability to the Company for such obligations including taxes, (but excluding any income taxes assessable in respect of compensation paid to the Custodian pursuant to this agreement) withholding, certification and reporting requirements, claims for exemption or refund, additions for late payment interest, penalties and other expenses (including legal expenses) that may be assessed against the Company, or the Custodian as custodian of the Securities or Proceeds.

12.2 Foreign Tax Law

It shall be the responsibility of the Company to notify the Custodian of the obligations imposed on the Company, or the Custodian as custodian of any foreign Securities or related Proceeds by the tax law of foreign (e.g., non-U. S.) jurisdictions, including responsibility for withholding and other taxes, assessments or other government charges, certifications and government reporting. The sole responsibility of the Custodian with regard to such tax law shall be to use reasonable efforts to cooperate with the Company with respect to any claims for exemption or refund under the tax law of the jurisdictions for which the Company has provided such information.

13. EFFECTIVE PERIOD, TERMINATION AND AMENDMENT

(a) This Agreement shall become effective as of its due execution and delivery by each of the parties. This Agreement shall continue in full force and effect until terminated as hereinafter provided. This Agreement may be terminated by the Custodian or the Company pursuant to Section 13(b).

(b) This Agreement shall terminate upon the earliest of (a) occurrence of the effective date of termination specified in any written notice of termination given by either party to the other not later than 60 days prior to the effective date of termination specified therein, provided that all Securities and Proceeds shall have been delivered to the Company or as it otherwise instructs (subject to Subsection 13(e) below), (b) such other date of termination as may be mutually agreed upon by the parties in writing.

(c) The Custodian may at any time resign under this Agreement by giving not less than 60 days advance written notice thereof to the Company.

(d) Prior to the effective date of termination of this Agreement, or the effective date of the resignation (or removal of the Custodian), as the case may be, the Company shall give Proper Instruction to the Custodian to cause the Securities and Proceeds then held by the Custodian hereunder to be delivered to the Company, or its designee, or a successor custodian hereunder; and if the Company shall fail or be unable to do so on a timely basis, the Custodian shall be entitled (but not obligated) to petition a court of competent jurisdiction (at the Company's expense) for such instruction.

(e) Upon termination of this Agreement or resignation (or removal) of the Custodian,

(i) the company shall pay to the Custodian prior to the delivery by the Custodian to the Company (or as it may otherwise direct) the Securities and Proceeds held hereunder, such compensation as may be due as of the date of such termination or resignation (or removal) and shall likewise reimburse the Custodian for its costs, expenses and disbursements. All indemnifications in favor of the Custodian under this Agreement shall survive the termination of this Agreement, or any resignation or removal of the Custodian.

(ii) if Securities, Proceeds or any other property remain in the possession of the Custodian, its agents or its sub-custodians after the date of termination hereof or the date of resignation (or removal) of the Custodian, as the case may be, owing to failure of the Company to give Proper Instructions to the Custodian for delivery thereof, as referred to in Section 13(d), the Custodian shall be entitled to fair compensation for its services during such period as the Custodian retains possession of such Securities, funds and other property and the provisions of this Agreement relating to the duties and obligations of the Custodian shall remain in full force and effect during such period.

14. REPRESENTATIONS AND WARRANTIES

(a) The Company represents and warrants to the Custodian that:

(i) it has the power and authority to enter into and perform its obligations under this Agreement, and it has duly authorized and executed this Agreement so as to constitute its valid and binding obligation; and

(ii) in giving any instructions which purport to be "Proper Instructions" under this Agreement, the Company will act in accordance with the provisions of its bylaws and articles of amendment and restatement and any applicable laws and regulations.

(b) The Custodian hereby represents and warrants to the Company that it has the qualification to act as custodian prescribed in Section 26(a)(1) of the 1940 Act

and the power and authority to enter into and perform its obligations under this Agreement and has at least the minimum qualifications required by Section 17(f)(i) of the 1940 Act, and it has duly authorized and executed this Agreement so as to constitute its valid and binding obligations.

(c) The Company hereby represents and warrants to the Custodian that the Company shall not, without the prior written consent of the Custodian, permit the assets of the Account to be deemed assets of an employee benefit plan which is subject to ERISA. The Company acknowledges and agrees that the Custodian shall not grant its consent in the foregoing circumstance unless and until the Company has entered into such amendments to this Agreement and has provided such assurances and indemnities to the Custodian, as the Custodian reasonably may require to be assured that it will not be subject to the Employment Retirement Income Security Act of 1974, as amended ("ERISA") liability. If for any reason the Company breaches or otherwise fails to comply with the provisions of this Section, this Agreement may be terminated immediately by the Custodian.

15. PARTIES IN INTEREST; NO THIRD PARTY BENEFIT

This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto. This Agreement is not intended for, and shall not be construed to be intended for, the benefit of any third parties and may not be relied upon or enforced by any third parties.

16. NOTICES

All notices, approvals and other communications hereunder shall be sufficient if made in writing (unless and except where and to the extent otherwise expressly provided by the terms of this Agreement) and given to the parties at the following address (or such other address as either of them may subsequently designate by notice to the other), given by (i) certified or registered mail, postage prepaid, (ii) recognized courier or delivery service, or (iii) confirmed telecopier or telex, with a duplicate sent on the same day by first class mail, postage prepaid:

(a) if to the Company, c/o _____ (Fax: _____), Attention: _____; or

(b) if to the Custodian, to U.S. Bank National Association, Corporate Trust Services CDO Unit, One Federal Street, 3rd Floor, Boston, MA 02110 (Fax: _____, Attention: CDO Unit - Kohlberg Capital Corporation).

17. CHOICE OF LAW AND JURISDICTION

This Agreement shall be construed, and the provisions thereof interpreted under and in accordance with and governed by the laws of The Commonwealth of Massachusetts for all purposes (without regard to its choice of law provisions). The parties to this Agreement hereby submit to the jurisdiction of the courts of The Commonwealth of Massachusetts, including any appellate courts thereof.

18. ENTIRE AGREEMENT AND COUNTERPARTS

(a) This Agreement constitutes the complete and exclusive agreement of the parties with regard to the matters addressed herein and supersedes and terminates as of the date hereof, all prior agreements, agreements or understandings, oral or written between the parties to this Agreement relating to such matters.

(b) This Agreement may be executed in any number of counterparts and all counterparts taken together shall constitute one instrument.

19. AMENDMENT; WAIVER

(a) This Agreement may not be amended except by an express written instrument duly executed by each of the Company and the Custodian.

(b) In no instance shall any delay or failure to act be deemed to be or effective as a waiver of any right, power or term hereunder, unless and except to the extent such waiver is set forth in an expressly written instrument signed by the party against whom it is to be charged.

20. SUCCESSOR AND ASSIGNS

(a) The covenants and agreements set forth herein shall be binding upon and inure to the benefit of each of the parties and their respective successors and permitted assigns. Neither party shall be permitted to assign their rights under this Agreement without the written consent of the other party (provided, however, that this shall not limit the ability of the Custodian to delegate certain duties or services to or perform them through agents or attorneys appointed with due care as expressly provided in this Agreement).

(b) Any corporation or association into which the Custodian 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 Custodian shall be a party, or any corporation or association to which the Custodian transfers all or substantially all of its corporate trust business, shall be the successor of the Custodian hereunder, and shall succeed to all of the rights, powers and duties of the Custodian hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

21. SEVERABILITY

The terms of this Agreement are hereby declared to be severable, such that if any term hereof is determined to be invalid or unenforceable, such determination shall not affect the remaining terms.

22. INSTRUMENT UNDER SEAL; HEADINGS

This Agreement is intended to take effect as, and shall be deemed to be, an instrument under seal.

23. REQUEST FOR INSTRUCTIONS

If, in performing its duties under this Agreement, the Custodian is required to decide between alternative courses of action, the Custodian may (but shall not be obliged to) request written instructions from the Company as to the course of action desired by it. If the Custodian does not receive such instructions within two (2) days after it has requested them, the Custodian may, but shall be under no duty to, take or refrain from taking any such courses of action. The Custodian shall act in accordance with instructions received from the Company in response to such request after such two-day period except to the extent it has already taken, or committed itself to take, action inconsistent with such instructions.

24. OTHER BUSINESS

Nothing herein shall prevent the Custodian or any of its affiliates from engaging in other business, or from entering into any other transaction or financial or other relationship with, or receiving fees from or from rendering services of any kind to the Company or any other Person. Nothing contained in this Agreement shall constitute the Company and/or the Custodian (and/or any other Person) as members of any partnership, joint venture, association, syndicate, unincorporated business or similar assignment as a result of or by virtue of the engagement or relationship established by this Agreement.

25. REPRODUCTION OF DOCUMENTS

This Agreement and all schedules, exhibits, attachments and amendment hereto may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties hereto each agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding, whether or not the original is in existence and whether or not such reproduction was made by a party in the regular course of business, and that any enlargement, facsimile or further production shall likewise be admissible in evidence.

26. SHAREHOLDER COMMUNICATIONS

Securities and Exchange Commission Rule 14b-2 requires banks which hold securities for the account of customers to respond to requests by issuers of securities for the names, addresses and holdings of beneficial owners of securities of that issuer held by the bank unless the beneficial owner has expressly objected to disclosure of this information. In order to comply with the rule, the Custodian needs the Company to indicate whether it authorizes the Custodian to provide the Company's name, address and share position to requesting companies whose securities are held in the Company. If the Company tells the Custodian "no", the Custodian will not provide this information to requesting companies. If the Company tells the Custodian "yes" or does not check either "yes" or "no" below, the Custodian is required by the rule to treat the Company as consenting to disclosure of this information for all securities owned by the Company or any funds or accounts established by the Company. For the Company's protection, the Rule prohibits the requesting company from using the Company's name and address for any purpose other than corporate communications. Please indicate below whether the Company consents or objects by checking one of the alternatives below.

YES ☐ The Custodian is authorized to release the Company's name, address, and share positions.

NO ☒ The Custodian is not authorized to release the Company's name, address, and share positions.

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

Kohlberg Capital Corporation

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION, as Custodian

By: _____
Name:
Title:

SCHEDULE A

CUSTODIAN'S SCHEDULE OF FEES

Exhibit K.1

EXECUTION VERSION

AMENDED AND RESTATED

IRREVOCABLE EXCHANGE AND SUBSCRIPTION AGREEMENT —

KATONAH DEBT ADVISORS

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

RECITALS:

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

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

C. Each Exchanging Member wishes to exchange all of its KDA Interest for the number of common units of the Company (the "Common Units") set forth across from such Exchanging Member's name on Exhibit A hereto in the column "Katonah Capital, LLC Common Units" on the terms and conditions set forth in this Agreement.

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

Accordingly, the parties hereto agree as follows:

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

2(b)(2) of the Exchanging Member's non-foreign status; and (b) two duly completed and executed signature pages to this Agreement.

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

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

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

3.2 Purchase for Investment. Such Exchanging Member is acquiring the Common Units for such Exchanging Member's own account (or if such Exchanging Member is a trustee, for a trust account) for investment only, and not with a view to or for sale in connection with any distribution of all or any part of such Common Units in violation of the Securities Act of 1933, as amended (the "Securities Act"). Such Exchanging Member hereby agrees that such Exchanging Member shall not, directly or indirectly, transfer all or any part of such Common Units (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of all or any part of the Common Units), except in accordance with the registration provisions of the Securities Act, and the regulations thereunder or an exemption from such registration provisions, with any applicable state or non-U.S. securities laws and the terms of this Agreement. Such Exchanging Member understands that such Exchanging Member must bear the economic risk of an investment in the Common Units for an indefinite period of time because, among

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

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

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

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

3.6 Ownership of Exchanging Member's Entire Interest. Such Exchanging Member has good and marketable title to such Exchanging Member's KDA Interest listed on Exhibit A and such KDA Interest is now and will on the Closing Date be free and clear of all pledges, claims, liens,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date.

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

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

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

9. **General Provisions**.

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

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

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

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

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

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

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

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

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

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

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

9.10 Specific Performance. The parties hereto acknowledge that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to compel specific performance of the obligations of any other party under this agreement in accordance with the terms and conditions of this agreement.

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

[Remainder of this page is intentionally left blank.]

Each of the parties hereto has executed this Agreement effective as of the date first written above.

THE COMPANY:

KOHLBERG CAPITAL, LLC

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

THE EXCHANGING MEMBERS:

KAT ASSOCIATES, LLC

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

_____
James A. Kohlberg

Agreed and Accepted effective as of as of the date first written above.

KATONAH DEBT ADVISORS, LLC

By:_____

Name: James A. Kohlberg
Title: Managing Member

EXHIBIT A

Exchanging Member Name and Address	KDA Interest Held		Kohlberg Capital, LLC, Common Units
	Distribution Percentage	Other Income Percentage	
James A. Kohlberg Kohlberg & Co. 258 High Street Palo Alto, CA 94301	85.897%	100%	1,912,353
KAT Associates, LLC c/o Kisco Management 111 Radio Circle Mount Kisco, NY 10549 Jurisdiction of Organization: Delaware	14.103%	0%	313,980
TOTAL	**100%**	**100%**	**2,226,333**

Exhibit K.5

OVERHEAD ALLOCATION AGREEMENT

THIS OVERHEAD ALLOCATION AGREEMENT (this "Agreement") is entered into as of , 2006 by and among Kohlberg Capital, LLC, a Delaware limited liability company (the "Company"), and Katonah Debt Advisors, L.L.C., a Delaware limited liability company ("KDA").

Reference is made to that certain lease by and among KDA and 295 Madison Realty Co. LLC, a Delaware limited liability company, with respect to a portion of real property located at 295 Madison Avenue, New York, New York (the "Property"), which lease is attached hereto as Exhibit A and incorporated herein by reference (together with all amendments, modifications, renewals, extensions, and replacements, collectively, the "Lease").

The Company hereby agrees that it will reimburse KDA for 50% of all expenses associated with the Property and the Lease, including but not limited to rent payments, utilities payments, real estate taxes, commercial rent taxes, shared telephone and data lines, and other expenses that are deemed, in whole or in part, to be for the benefit of the Company.

[Remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives to be effective as of the date first written above.

KOHLBERG CAPITAL CORPORATION

By: _____
Name:
Title:

KATONAH DEBT ADVISORS, L.L.C.

By: _____
Name:
Title:

The undersigned, as the resulting corporation from the conversion of Kohlberg Capital, LLC under Section 265 of the Delaware General Corporation Law, hereby acknowledges and agrees that it is a party to and bound by this Agreement as fully as if it had been an original signatory hereto in the place and stead of Kohlberg Capital, LLC.

KOHLBERG CAPITAL CORPORATION

By: _____

Name:

Title:

Exhibit A

KOHLBERG
CAPITAL CORPORATION

, 2006

Mr. Dayl W. Pearson
133 Woods Road
Locust Valley, NY 11560

Dear Dayl:

This letter will confirm our offer to you of employment with Kohlberg Capital Corporation (the "Company"), under the terms and conditions that follow. This letter supercedes the letter agreement dated February 9, 2006 between you and Katonah Debt Advisors, LLC ("KDA") in its entirety effective as of the date hereof.

1. Term, Position and Duties.

(a) Subject to earlier termination as hereafter provided, your employment shall continue through December 31, 2008, and will be automatically extended for one year on January 1, 2009 and on each succeeding January 1 unless previously terminated in writing by you or an expressly authorized representative of the Company, in either case, on not less than thirty (30) days written notice. The term of this Agreement, as from time to time extended is hereafter referred to as "the term of this agreement" or "the term hereof". You will be employed by the Company as its President and Chief Executive Officer. You will report to the Board of Directors of the Company (the "Board").

(b) You agree to perform the duties of your position and such other duties as may reasonably be assigned to you from time to time including, but not limited to: investing in debt and equity securities of middle market companies, as directed by the Board; implementing and investing "warehouse" lines; negotiating, documenting, and selling debt and equity securities of the Company; and purchasing and trading non-investment grade loans, high yield bonds, and other permitted securities on behalf of the Company. You also agree that you will devote your full business time and your best efforts, business judgment, skill and knowledge exclusively to the advancement of the business and interests of the Company.

2. Compensation and Benefits. During your employment, as compensation for all services performed by you for the Company and its Affiliates, the Company will provide you the following pay and benefits:

(a) Base Salary. The Company will pay you a base salary at the rate of Three Hundred Thousand Dollars ($300,000) per year, payable in accordance with the regular payroll practices of the Company and subject to increase from time to time by the Committee in its discretion.

(b) Bonus Compensation. During employment, you will be considered for a discretionary bonus of up to Three Hundred Fifty Thousand Dollars ($350,000) for calendar year 2007 and Four Hundred Fifty Thousand Dollars ($450,000) for each subsequent calendar year. Bonus awards will be determined by the Committee, based on your performance and that of the Company against goals established annually by the Board after consultation with you and will be paid on or about March 31 of each succeeding calendar year. In addition to your annual bonus, the Company will pay to you a special bonus of One Hundred Fifty Thousand Dollars ($150,000) upon the closing of the Company's initial public offering of common stock ("IPO").

(c) Common Stock Options. You will receive an option to purchase 250,000 shares of common stock of the Company, immediately following the pricing of the initial public offering (on the day immediately preceding the date of the IPO). The option grant will be made substantially in the form attached as Exhibit A to this letter, ("Option Agreement") and will be pursuant to, and subject to the terms and conditions of, the "Katonah Capital 2006 Equity Incentive Plan". The option will vest in four equal annual installments, measured from the date of grant. You will also be eligible for a grant of restricted stock to the extent the Company receives the required regulatory approvals to implement a restricted stock program.

(d) Participation in Employee Benefit Plans. You will be entitled to participate in all employee benefit plans from time to time in effect for employees of the Company generally, except to the extent such plans are duplicative of benefits otherwise provided you under this agreement. Your participation will be subject to the terms of the applicable plan documents and generally applicable Company policies.

3. Confidential Information and Restricted Activities.

(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. 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 understand 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 or at such earlier time or times as the Committee or its designee may specify, all Documents then in your possession or control.

(c) Non-Competition. You acknowledge that in your employment with the Company you will have access to Confidential Information which, if disclosed, would assist in competition against the Company and its Affiliates and that you will also generate goodwill for the Company and its Affiliates in the course of your employment. Therefore, you agree that the following restrictions on your activities during and after your employment are necessary to protect the goodwill, Confidential Information and other legitimate interests of the Company and its Affiliates:

(i) While you are employed by the Company and for the greater of (x) the remaining term of this agreement or (y) six (6) months after your employment terminates (in the aggregate, the Non-Competition Period), you agree that you will not, without the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, finance, or participate in the ownership, marketing, management, operation, control, fundraising or financing of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant, or otherwise use or permit your name to be used in connection with any business or enterprise engaged in the United States in the business of structuring middle market lending vehicles, analyzing and acquiring loans and other assets to be held by such vehicles, arranging for the issuance of debt and preferred securities by such vehicles, acting as collateral managers for such securitizations, or performing similar functions.

(ii) You agree that during the Non-Competition Period, you will not, directly or through any other Person, (i) hire any employee of the Company or any of its Affiliates or seek to persuade any employee of the Company or any of its Affiliates to discontinue employment, (ii) solicit or encourage any customer or investor of the Company or any of its Affiliates or independent contractor providing services to the Company or any of its Affiliates to terminate or diminish its relationship with them or (iii) seek to persuade any customer or investor or prospective customer or investor of the Company or any of its Affiliates to conduct with anyone else any business or activity that such customer or investor or prospective customer or investor conducts or could conduct with the Company or any of its Affiliates.

(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 agree without reservation that these restraints are necessary for the reasonable and proper protection of the Company and its Affiliates and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. 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 preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants, without having to post bond. You and the Company further agree that, in the event that any provision of this Section 3 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. 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.

4. Termination of Employment. Your employment under this agreement may be terminated prior to the expiration of the term hereof pursuant to this Section 4.

(a) The Company may terminate your employment for cause upon notice to you setting forth in reasonable detail the nature of the cause. The following, as determined by the Company in its reasonable judgment, shall constitute cause for termination: (i) your material failure to perform (other than by reason of disability), or material negligence in the performance of, your duties and responsibilities to the Company or any of its Affiliates; (ii) your material breach of this agreement or any other agreement between you and the Company or any of its Affiliates; or (iii) other conduct by you that could be reasonably anticipated to be harmful to the business, interests or reputation of the Company or any of its Affiliates. The Company also may terminate your employment at any time without cause upon notice to you.

(b) This agreement shall automatically terminate in the event of your death during employment. In the event of your death, any amounts owed to you under this agreement will be paid to your estate, or designated successor or assigns. 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, the Company will continue to pay you your base salary and to provide you benefits in accordance with Section 2(a) above, to the extent permitted by plan terms, 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 the 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. Severance Payments and Other Matters Related to Termination.

(a) In the event of termination of your employment by the Company without cause, for the remaining term of this agreement, the Company will continue to pay you your base salary ("severance payments") and will continue to contribute to the premium cost of your health insurance on the same terms and conditions as it contributes for active employees provided that you make a timely election under the federal law known as "COBRA". The Company may, in its sole discretion, elect to cease the continuation of base salary and contributions toward health insurance premiums at any point after you have received six (6) months of base salary continuation and health insurance contributions provided that it also releases you from your remaining obligation under Section 3(c)(i) above. The Company will also pay you on the date of termination any base salary earned but not paid through the date of termination and pay for any vacation time accrued but not used to that date. In addition, the Company will pay you any bonus compensation and profit sharing payment to which you are entitled in accordance with Sections 2(c) and 2(d) above, prorated to the date of termination and payable at the time such monies are payable to Company executives generally. Any obligation of the Company to provide you severance payments or other payments or benefits under this Section 5(a) is conditioned, however, upon your signing a release of claims in the form provided by the Company (the "Employee Release") substantially in the form of the attached Exhibit A and upon your not revoking the Employee Release thereafter. All severance payments will be in the form of salary continuation, payable in accordance with the normal payroll practices of the Company, and will begin at the Company's next regular payroll period following the effective date of the Employee Release, but shall be retroactive to the date of termination. Notwithstanding anything else contained in this agreement, no bonus or severance payments or other payments or benefits will be due and payable under any provision of this Section 5(a) until the next regular Company payday following the effective date of the Employee Release.

(b) In the event of termination of your employment by the Company for cause or by you for any reason, the Company will pay you any base salary earned but not paid through the date of termination and pay for any vacation time accrued but not used to that date. The Company shall have no obligation to you for any bonus or other incentive compensation, benefits continuation or severance payments.

(c) In the event of termination of your employment by expiration of the term hereof or non-renewal of this agreement, by death, or by disability, the Company will pay you (or your estate) any base salary earned but not paid through the date of termination, pay for any vacation time accrued but not used to that date, and any bonus or other incentive compensation to which you are entitled in accordance with Sections 2(c) and 2(d) above, prorated to the date of termination and payable at the time such bonuses are payable to Company executives generally. The Company shall have no obligation to you (or your estate) for any severance payments or benefits continuation.

(d) Except for any rights you may have under Section 5(a) above or under the federal law known as "COBRA" to continue participation in the Company's group health and dental plans at your cost, benefits shall terminate in accordance with the terms of the applicable benefit plans based on the date of termination of your employment, without regard to any continuation of base salary or other payment to you following termination. Your Option Agreement will govern your exercise, if any, of your option following termination of employment.

(e) Provisions of this agreement shall survive any termination 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 of this agreement. The obligation of the Company to make payments to you under this Section 5 is expressly conditioned upon your continued full performance of obligations under Section 3 hereof. Upon termination by either you or the Company, all rights, duties and obligations of you and the Company to each other shall cease, except as otherwise expressly provided in this agreement.

6. Definitions. For purposes of this agreement, the following definitions apply:

"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.

"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.

"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 proprietary information of a third party without that party's consent.

8. 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.

9. 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, that the Company may assign its rights and obligations under this agreement without your consent to one of its Affiliates or to any Person with whom the Company shall hereafter affect a reorganization, consolidate with, or merge into or to whom it transfers 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.

10. 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.

11. 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 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 Delaware contract and shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof.

12. Notices. Any notices provided for in this agreement shall be in writing and shall be effective when delivered in person or deposited in the United States mail, postage prepaid, and addressed to you at your last known address on the books of the Company or, in the case of the Company, to it at its principal place of business, attention of the Committee, or to such other address as either party may specify by notice to the other actually received.

If the foregoing is acceptable to you, please sign this letter in the space provided and return it to me no later than _____. We will provide a countersigned copy for your records.

Sincerely yours,

Christopher Lacovara
Vice President

Accepted and Agreed:

_____
Dayl W. Pearson

_____
Date

cc: James A. Kohlberg
Samuel P. Frieder
Shant Mardirossian

KOHLBERG
CAPITAL CORPORATION

, 2006

Mr. Michael Wirth
17 Colvin Road
Scarsdale, NY 10583

Dear Mike:

This letter will confirm our offer to you of employment with Kohlberg Capital, LLC (the "Company"), under the terms and conditions that follow.

1. Term, Position and Duties.

(a) Subject to earlier termination as hereafter provided, your employment shall commence on or before November 6, 2006 and continue through December 31, 2008, and will be automatically extended for one year on January 1, 2009 and on each succeeding January 1 unless previously terminated in writing by you or an expressly authorized representative of the Company, in either case, on not less than thirty (30) days written notice. The term of this Agreement, as from time to time extended is hereafter referred to as "the term of this agreement" or "the term hereof". You will be employed by the Company as its Executive Vice President and Chief Financial Officer. You will report to the Chief Executive Officer of the Company under the supervision of the Board of Directors (the "Board").

(b) You agree to perform the duties of your position and such other duties as may reasonably be assigned to you from time to time including, but not limited to: implementation and maintenance of financial control, budgeting and reporting systems; supervision of treasury, tax, insurance, investor relations, human resources, compliance, and internal audit functions; and participation in investment decision-making and strategic planning processes, as directed by the Chief Executive Officer and the Board. You also agree that you will devote your full business time and your best efforts, business judgment, skill and knowledge exclusively to the advancement of the business and interests of the Company.

2. Compensation and Benefits. During your employment, as compensation for all services performed by you for the Company and its Affiliates, the Company will provide you the following pay and benefits:

(a) Base Salary. The Company will pay you a base salary at the rate of Three Hundred Thousand Dollars ($300,000) per year, payable in accordance with the regular payroll practices of the Company and subject to increase from time to time by the Committee in its discretion.

(b) Bonus Compensation. During employment, you will be considered for a discretionary bonus of not less than Three Hundred Thousand Dollars ($300,000) for each calendar year (with such bonus guaranteed at this amount for calendar year 2007). Bonus awards will be determined by the Committee, based on your performance and that of the Company against goals established annually by the Board after consultation with you and will be paid on or about March 31 of each succeeding calendar year. In addition to your annual bonus, the Company will pay to you a special bonus of One Hundred Fifty Thousand Dollars ($150,000) on or about March 31, 2007.

(c) Common Stock Options. You will receive an option to purchase 150,000 shares of common stock of the Company, immediately following the pricing of the initial public offering (on the day immediately preceding the date of the initial public offering). The option grant will be made substantially in the form attached as Exhibit A to this letter, ("Option Agreement") and will be pursuant to, and subject to the terms and conditions of, the "Katonah Capital 2006 Equity Incentive Plan". The option will vest in four equal annual installments, measured from the date of grant. You will also be eligible for a grant of restricted stock to the extent the Company receives the required regulatory approvals to implement a restricted stock program.

(d) Participation in Employee Benefit Plans. You will be entitled to participate in all employee benefit plans from time to time in effect for employees of the Company generally, except to the extent such plans are duplicative of benefits otherwise provided you under this agreement. Your participation will be subject to the terms of the applicable plan documents and generally applicable Company policies. You will be entitled to four (4) weeks paid vacation each calendar year.

3. Confidential Information and Restricted Activities.

(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. 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 understand 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 or at such earlier time or times as the Committee or its designee may specify, all Documents then in your possession or control.

(c) Non-Competition. You acknowledge that in your employment with the Company you will have access to Confidential Information which, if disclosed, would assist in competition against the Company and its Affiliates and that you will also generate goodwill for the Company and its Affiliates in the course of your employment. Therefore, you agree that the following restrictions on your activities during and after your employment are necessary to protect the goodwill, Confidential Information and other legitimate interests of the Company and its Affiliates:

(i) While you are employed by the Company and for the greater of (x) the remaining term of this agreement or (y) six (6) months after your employment terminates (in the aggregate, the Non-Competition Period), you agree that you will not, without the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, finance, or participate in the ownership, marketing, management, operation, control, fundraising or financing of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant, or otherwise use or permit your name to be used in connection with any business or enterprise engaged in the United States in the business of structuring middle market lending vehicles, analyzing and acquiring loans and other assets to be held by such vehicles, arranging for the issuance of debt and preferred securities by such vehicles, acting as collateral managers for such securitizations, or performing similar functions.

(ii) You agree that during the Non-Competition Period, you will not, directly or through any other Person, (i) hire any employee of the Company or any of its Affiliates or seek to persuade any employee of the Company or any of its Affiliates to discontinue employment, (ii) solicit or encourage any customer or investor of the Company or any of its Affiliates or independent contractor providing services to the Company or any of its Affiliates to terminate or diminish its relationship with them or (iii) seek to persuade any customer or investor or prospective customer or investor of the Company or any of its Affiliates to conduct with anyone else any business or activity that such customer or investor or prospective customer or investor conducts or could conduct with the Company or any of its Affiliates.

(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 agree without reservation that these restraints are necessary for the reasonable and proper protection of the Company and its Affiliates and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. 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 preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants, without having to post bond. You and the Company further agree that, in the event that any provision of this Section 3 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. 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.

4. Termination of Employment. Your employment under this agreement may be terminated prior to the expiration of the term hereof pursuant to this Section 4.

(a) The Company may terminate your employment for cause upon notice to you setting forth in reasonable detail the nature of the cause. The following, as determined by the Company in its reasonable judgment, shall constitute cause for termination: (i) your material failure to perform (other than by reason of disability), or material negligence in the performance of, your duties and responsibilities to the Company or any of its Affiliates; (ii) your material breach of this agreement or any other agreement between you and the Company or any of its Affiliates; or (iii) other conduct by you that could be reasonably anticipated to be harmful to the business, interests or reputation of the Company or any of its Affiliates. The Company also may terminate your employment at any time without cause upon notice to you.

(b) This agreement shall automatically terminate in the event of your death during employment. In the event of your death, any amounts owed to you under this agreement will be paid to your estate, or designated successor or assigns. 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, the Company will continue to pay you your base salary and to provide you benefits in accordance with Section 2(a) above, to the extent permitted by plan terms, 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 the 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. Severance Payments and Other Matters Related to Termination.

(a) In the event of termination of your employment by the Company without cause, for the remaining term of this agreement, the Company will continue to pay you your base salary ("severance payments") and will continue to contribute to the premium cost of your health insurance on the same terms and conditions as it contributes for active employees provided that you make a timely election under the federal law known as "COBRA". The Company may, in its sole discretion, elect to cease the continuation of base salary and contributions toward health insurance premiums at any point after you have received six (6) months of base salary continuation and health insurance contributions provided that it also releases you from your remaining obligation under Section 3(c)(i) above. The Company will also pay you on the date of termination any base salary earned but not paid through the date of termination and pay for any vacation time accrued but not used to that date. In addition, the Company will pay you any bonus compensation and profit sharing payment to which you are entitled in accordance with Sections 2(c) and 2(d) above, prorated to the date of termination and payable at the time such monies are payable to Company executives generally. Any obligation of the Company to provide you severance payments or other payments or benefits under this Section 5(a) is conditioned, however, upon your signing a release of claims in the form provided by the Company (the "Employee Release") substantially in the form of the attached Exhibit A and upon your not revoking the Employee Release thereafter. All severance payments will be in the form of salary continuation, payable in accordance with the normal payroll practices of the Company, and will begin at the Company's next regular payroll period following the effective date of the Employee Release, but shall be retroactive to the date of termination. Notwithstanding anything else contained in this agreement, no bonus or severance payments or other payments or benefits will be due and payable under any provision of this Section 5(a) until the next regular Company payday following the effective date of the Employee Release.

(b) In the event of termination of your employment by the Company for cause or by you for any reason, the Company will pay you any base salary earned but not paid through the date of termination and pay for any vacation time accrued but not used to that

date. The Company shall have no obligation to you for any bonus or other incentive compensation, benefits continuation or severance payments.

(c) In the event of termination of your employment by expiration of the term hereof or non-renewal of this agreement, by death, or by disability, the Company will pay you (or your estate) any base salary earned but not paid through the date of termination, pay for any vacation time accrued but not used to that date, and any bonus or other compensation to which you are entitled in accordance with Sections 2(c) and 2(d) above, prorated to the date of termination and payable at the time such bonuses are payable to Company executives generally. The Company shall have no obligation to you (or your estate) for any severance payments or benefits continuation.

(d) In the event of a change of control or sale of the Company, you will also be eligible to receive a "sale bonus" of up to the amount of your annual discretionary bonus referred to in section 2 (b) above.

(e) Except for any rights you may have under Section 5(a) above or under the federal law known as "COBRA" to continue participation in the Company's group health and dental plans at your cost, benefits shall terminate in accordance with the terms of the applicable benefit plans based on the date of termination of your employment, without regard to any continuation of base salary or other payment to you following termination. Your Option Agreement will govern your exercise, if any, of your option following termination of employment.

(f) Provisions of this agreement shall survive any termination 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 of this agreement. The obligation of the Company to make payments to you under this Section 5 is expressly conditioned upon your continued full performance of obligations under Section 3 hereof. Upon termination by either you or the Company, all rights, duties and obligations of you and the Company to each other shall cease, except as otherwise expressly provided in this agreement.

6. Definitions. For purposes of this agreement, the following definitions apply:

"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.

"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.

"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 proprietary information of a third party without that party's consent.

8. 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.

9. 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, that the Company may assign its rights and obligations under this agreement without your consent to one of its Affiliates or to any Person with whom the Company shall hereafter affect a reorganization, consolidate with, or merge into or to whom it transfers 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.

10. 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.

11. 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 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 Delaware contract and shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof.

12. Notices. Any notices provided for in this agreement shall be in writing and shall be effective when delivered in person or deposited in the United States mail, postage prepaid, and addressed to you at your last known address on the books of the Company or, in the case of the Company, to it at its principal place of business, attention of the Committee, or to such other address as either party may specify by notice to the other actually received.

If the foregoing is acceptable to you, please sign this letter in the space provided and return it to me at your earliest convenience. We will provide a countersigned copy for your records.

Sincerely yours,

Christopher Lacovara
Chairman

Accepted and Agreed:

_____
Michael Wirth

_____
Date

cc: Dayl Pearson
James A. Kohlberg
Samuel P. Frieder
Shant Mardirossian

KOHLBERG
CAPITAL CORPORATION

, 2006

Mr. R. Jon Corless
P.O. Box 580
5 Court Road
Bedford, NY 10506

Dear Jon:

This letter will confirm our offer to you of employment with Kohlberg Capital Corporation (the "Company"), under the terms and conditions that follow. This letter supercedes the letter agreement dated February 16, 2006 between you and Katonah Debt Advisors, LLC ("KDA") in its entirety effective as of the date hereof.

1. Term, Position and Duties.

(a) Subject to earlier termination as hereafter provided, your employment shall continue through December 31, 2008, and will be automatically extended for one year on January 1, 2009 and on each succeeding January 1 unless previously terminated in writing by you or an expressly authorized representative of the Company. The term of this Agreement, as from time to time extended is hereafter referred to as "the term of this agreement" or "the term hereof". You will be employed by the Company as its Vice President and Chief Investment Officer. You will report to the Company's Chief Executive Officer, under the supervision of the Board of Directors (the "Board").

(b) You agree to perform the duties of your position and such other duties as may reasonably be assigned to you from time to time including, but not limited to: sourcing, analyzing investments and investing in debt securities as directed by the Board; implementing and investing "warehouse" lines; negotiating, documenting, and purchasing and trading non-investment grade loans, high yield bonds, and other permitted securities on behalf of Funds. You also agree that you will devote your full business time and your best efforts, business judgment, skill and knowledge exclusively to the advancement of the business and interests of the Company.

2. Compensation and Benefits. During your employment, as compensation for all services performed by you for the Company and its Affiliates, the Company will provide you the following pay and benefits:

(a) Base Salary. The Company will pay you a base salary at the rate of Two Hundred Thousand Dollars ($200,000) per year, payable in accordance with the regular payroll practices of the Company and subject to increase from time to time by the Committee in its discretion.

(b) Bonus Compensation. During employment, you will be considered for a discretionary bonus of up to Two Hundred Thousand Dollars ($200,000) for the 2006 calendar year and up to $250,000 for each subsequent calendar year. You will be considered for an increase in the annual bonus amount, solely at the discretion of the Committee, based on the future growth and performance of the Company. Bonus awards will be determined by the Committee, based on your performance and that of the Company against goals, relating to the credit quality and performance of debt securities in funds for which you are responsible, established annually by the Committee after consultation with you. The bonus will be paid on or about March 31 of each succeeding calendar year.

(c) Common Stock Options. You will receive an option to purchase 100,000 shares of common stock of the Company, immediately following the pricing of the initial public offering (on the day immediately preceding the date of the initial public offering). The option grant will be made substantially in the form attached as Exhibit A to this letter, ("Option Agreement") and will be pursuant to, and subject to the terms and conditions of, the "Katonah Capital 2006 Equity Incentive Plan". The option will vest in four equal annual installments, measured from the date of grant.

(d) Participation in Employee Benefit Plans. You will be entitled to participate in all employee benefit plans from time to time in effect for employees of the Company generally, except to the extent such plans are duplicative of benefits otherwise provided you under this agreement. Your participation will be subject to the terms of the applicable plan documents and generally applicable Company policies.

3. Confidential Information and Restricted Activities.

(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. 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 understand 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 or at such earlier time or times as the Committee or its designee may specify, all Documents then in your possession or control.

(c) Non-Competition. You acknowledge that in your employment with the Company you will have access to Confidential Information which, if disclosed, would assist in competition against the Company and its Affiliates and that you will also generate goodwill for the Company and its Affiliates in the course of your employment. Therefore, you agree that the following restrictions on your activities during and after your employment are necessary to protect the goodwill, Confidential Information and other legitimate interests of the Company and its Affiliates:

(i) While you are employed by the Company and for the greater of (x) the remaining term of this agreement or (y) six (6) months after your employment terminates (in the aggregate, the Non-Competition Period), you agree that you will not, without the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, finance, or participate in the ownership, marketing, management, operation, control, fundraising or financing of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant, or otherwise use or permit your name to be used in connection with any business or enterprise engaged in the United States in the business of structuring middle market lending vehicles, analyzing and acquiring loans and other assets to be held by such vehicles, arranging for the issuance of debt and preferred securities by such vehicles, acting as collateral managers for such securitizations, or performing similar functions.

(ii) You agree that during the Non-Competition Period, you will not, directly or through any other Person, (i) hire any employee of the Company or any of its Affiliates or seek to persuade any employee of the Company or any of its Affiliates to discontinue employment, (ii) solicit or encourage any customer or investor of the Company or any of its Affiliates or independent contractor providing services to the Company or any of its Affiliates to terminate or diminish its relationship with them or (iii) seek to persuade any customer or investor or prospective customer or investor of the Company or any of its Affiliates to conduct with anyone else any business or activity that such customer or investor or prospective customer or investor conducts or could conduct with the Company or any of its Affiliates.

(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 agree without reservation that these restraints are necessary for the reasonable and proper protection of the Company and its Affiliates and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. 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 preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants, without having to post bond. You and the Company further agree that, in the event that any provision of this Section 3 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. 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.

4. Termination of Employment. Your employment under this agreement may be terminated prior to the expiration of the term hereof pursuant to this Section 4.

(a) The Company may terminate your employment for cause upon notice to you setting forth in reasonable detail the nature of the cause. The following, as determined by the Company in its reasonable judgment, shall constitute cause for termination: (i) your material failure to perform (other than by reason of disability), or material negligence in the performance of, your duties and responsibilities to the Company or any of its Affiliates; (ii) your material breach of this agreement or any other agreement between you and the Company or any of its Affiliates; or (iii) other conduct by you that could be reasonably anticipated to be harmful to the business, interests or reputation of the Company or any of its Affiliates. The Company also may terminate your employment at any time without cause upon notice to you.

(b) This agreement shall automatically terminate in the event of your death during employment. In the event of your death, any amounts owed to you under this agreement will be paid to your estate, or designated successor or assigns. 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, the Company will continue to pay you your base salary and to provide you benefits in accordance with Section 2(a) above, to the extent permitted by plan terms, 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 the 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. Severance Payments and Other Matters Related to Termination.

(a) In the event of termination of your employment by the Company without cause, for the remaining term of this agreement, the Company will continue to pay you your base salary ("severance payments") and will continue to contribute to the premium cost of your health insurance on the same terms and conditions as it contributes for active employees provided that you make a timely election under the federal law known as "COBRA". The Company may, in its sole discretion, elect to cease the continuation of base salary and contributions toward health insurance premiums at any point after you have received six (6) months of base salary continuation and health insurance contributions provided that it also releases you from your remaining obligation under Section 3(c)(i) above. The Company will also pay you on the date of termination any base salary earned but not paid through the date of termination and pay for any vacation time accrued but not used to that date. In addition, the Company will pay you any bonus compensation and profit sharing payment to which you are entitled in accordance with Sections 2(c) and 2(d) above, prorated to the date of termination and payable at the time such monies are payable to Company executives generally. Any obligation of the Company to provide you severance payments or other payments or benefits under this Section 5(a) is conditioned, however, upon your signing a release of claims in the form provided by the Company (the "Employee Release") substantially in the form of the attached Exhibit A and upon your not revoking the Employee Release thereafter. All severance payments will be in the form of salary continuation, payable in accordance with the normal payroll practices of the Company, and will begin at the Company's next regular payroll period following the effective date of the Employee Release, but shall be retroactive to the date of termination. Notwithstanding anything else contained in this agreement, no bonus or severance payments or other payments or benefits will be due and payable under any provision of this Section 5(a) until the next regular Company payday following the effective date of the Employee Release.

(b) In the event of termination of your employment by the Company for cause or by you for any reason, the Company will pay you any base salary earned but not paid through the date of termination and pay for any vacation time accrued but not used to that date. The Company shall have no obligation to you for any bonus or other incentive compensation, benefits continuation or severance payments.

(c) In the event of termination of your employment by expiration of the term hereof or non-renewal of this agreement, by death, or by disability, the Company will pay you (or your estate) any base salary earned but not paid through the date of termination, pay for any vacation time accrued but not used to that date, and any bonus or other incentive compensation to which you are entitled in accordance with Sections 2(c) and 2(d) above, prorated to the date of termination and payable at the time such bonuses are payable to Company executives generally. The Company shall have no obligation to you (or your estate) for any severance payments or benefits continuation.

(d) Except for any rights you may have under Section 5(a) above or under the federal law known as "COBRA" to continue participation in the Company's group health and dental plans at your cost, benefits shall terminate in accordance with the terms of the applicable benefit plans based on the date of termination of your employment, without regard to any continuation of base salary or other payment to you following termination. Your Option Agreement will govern your exercise, if any, of your option following termination of employment.

(e) Provisions of this agreement shall survive any termination 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 of this agreement. The obligation of the Company to make payments to you under this Section 5 is expressly conditioned upon your continued full performance of obligations under Section 3 hereof. Upon termination by either you or the Company, all rights, duties and obligations of you and the Company to each other shall cease, except as otherwise expressly provided in this agreement.

6. Definitions. For purposes of this agreement, the following definitions apply:

"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.

"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.

"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 proprietary information of a third party without that party's consent.

8. 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.

9. 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, that the Company may assign its rights and obligations under this agreement without your consent to one of its Affiliates or to any Person with whom the Company shall hereafter affect a reorganization, consolidate with, or merge into or to whom it transfers 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.

10. 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.

11. 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 Committee. 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 Delaware contract and shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof.

12. Notices. Any notices provided for in this agreement shall be in writing and shall be effective when delivered in person or deposited in the United States mail,

postage prepaid, and addressed to you at your last known address on the books of the Company or, in the case of the Company, to it at its principal place of business, attention of the Committee, or to such other address as either party may specify by notice to the other actually received.

If the foregoing is acceptable to you, please sign this letter in the space provided and return it to me no later than _____. We will provide a countersigned copy for your records.

Sincerely yours,

Christopher Lacovara
Vice President

Accepted and Agreed:

_____
Jon Corless

_____
Date

cc: James A. Kohlberg
Samuel P. Frieder
Shant Mardirossian

Exhibit K.9

KOHLBERG
CAPITAL CORPORATION

, 2006

Mr. E.A. Kratzman, III
544 North Street
Greenwich, CT 06830

Dear Mr. Kratzman:

This letter agreement will confirm your appointment as an officer of Kohlberg Capital LLC (the "Company") under the following terms and conditions, effective as of the date hereof. It is reasonably expected that Kohlberg Capital, LLC will convert, pursuant to the provisions of Delaware law, to a corporation to be named Kohlberg Capital Corporation ("KCAP"). Accordingly, references to the Company in this agreement also refer to KCAP.

1. Term, Position and Duties. Your title will be "Vice President" and you will serve at the pleasure of the Board of Managers or Board of Directors, as applicable (the "Board"). This agreement will terminate in accordance with the provisions of Section 5 herein. You agree to the perform the duties as may be reasonably assigned to you from time to time including, but not limited to, advising the Company on its investment in various collateralized loan obligation funds, synthetic debt obligation funds and other credit based funds (together, the "Funds"), as directed by the Board or the Chief Executive Officer of the Company.

2. Compensation. In consideration of your services as an officer of the Company, you will receive an option to purchase 150,000 shares of common stock of KCAP, immediately following the pricing of the initial public offering (on the day immediately preceding the date of the initial public offering). The option grant will be made substantially in the form attached as Exhibit A to this letter, ("Option Agreement") and will be pursuant to, and subject to the terms and conditions of, the "Kohlberg Capital 2006 Equity Incentive Plan". The option will vest in three equal annual installments, measured from the date of KCAP's initial public offering. Except as explicitly provided by the Board, you will not be entitled to receive other compensation, including without limitation salary or bonuses, by reason of your service as an officer of KCAP. You acknowledge that your receipt of this option satisfies any prior obligation of the Company or any of its affiliates to issue to you any equity securities.

3. Other Benefits. You will not be entitled to participate in any benefits or benefit plans sponsored by the Company by reason of your appointment as an officer of the Company (though you may be entitled to participate in such plans by reason of your employment with an Affiliate (as hereinafter defined) of the Company).

4. Confidential Information and Restricted Activities. You are already subject to a confidentiality and non-competition agreement with Katonah Debt Advisors ("KDA"), an Affiliate of the Company, that refers to and includes KDA's Affiliates, as part of your letter agreement with KDA dated November __, 2006 (as amended from time to time) ("KDA Agreement"). Accordingly, the confidentiality and non-competition provisions in that agreement already apply to your service with the Company. In the event that KDA and the Company become unaffiliated, you agree that you will be subject to a confidentiality and non-competition provision with respect to the Company that is substantially the same as the confidentiality and non-competition provisions of the KDA Agreement. For purposes of this agreement, "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.

5. Termination of Service. Your service as an officer with the Company will terminate upon the earliest to occur of (1) your voluntary resignation upon written notice to the Company, (2) your involuntary termination of service by the Company without "cause" upon written notice to you, (3) your death, or (4) your immediate involuntary termination by the Company for "cause". For this purpose, "cause" has the same meaning as set forth in the KDA Agreement. Upon such termination, this agreement will terminate. Your Option Agreement will govern your exercise, if any, of your option following termination of employment.

6. 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.

7. Applicability of Section 409A. If at the time of your separation from service, you are a "specified employee," as hereinafter defined, any and all amounts payable under this agreement in connection with such separation from service that constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), as determined by the Company in its sole discretion, and that would (but for this sentence) be payable within six months following such separation from service, shall instead be paid on the date that follows the date of such separation from service by six (6) months. For purposes of the preceding sentence, "separation from service" shall be determined in a manner consistent with subsection (a)(2)(A)(i) of Section 409A and the term "specified employee" shall mean an individual determined by the Company to be a specified employee as defined in subsection (a)(2)(B)(i) of Section 409A. The parties intend for payments and benefits, if any, under this agreement to comply with Section 409A.

8. Assignment. Neither your nor the Company may make any assignment of this letter agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; provided, however, that the Company may assign its rights and obligations under this agreement without your consent to one of its Affiliates or to any person (including any individual, corporation, limited liability company,

association, partnership, or any entity or organization, other than the Company or its Affiliates) with whom the Company shall hereafter affect a reorganization, consolidate with, or merge into or to whom it transfers 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 your and its respective successors, executors, administrators, heirs and permitted assigns.

9. 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.

10. 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 service as an officer of the Company. 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 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 Delaware contract and shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof.

11. Notices. Any notices provided for in this agreement shall be in writing and shall be effective when delivered in person or deposited in the United States mail, postage prepaid, and addressed to you at your last known address on the books of the Company or, in the case of the Company, to it at its principal place of business, attention of the Committee, or to such other address as either party may specify by notice to the other actually received.

If the foregoing is acceptable to you, please sign this letter in the space provided and return it to me. We will provide a countersigned copy for your records.

Sincerely yours,

Christopher Lacovara
Chairman

Accepted and Agreed:

_____
E.A. Kratzman

_____
Date

cc: James A. Kohlberg
Samuel P. Frieder
Shant Mardirossian

KATONAH
Debt Advisors

, 2006

Mr. E.A. Kratzman, III
544 North Street
Greenwich, CT 06830

Dear Mr. Kratzman:

This letter will confirm the terms of your continuing employment with Katonah Debt Advisors, LLC (the "Company"), under the terms and conditions that follow. This letter supercedes the letter agreement dated June 30, 2005 in its entirety and is effective as of the date hereof.

1. Term, Position and Duties.

(a) Subject to earlier termination as hereafter provided, your employment shall continue through December 31, 2009, and will be automatically extended for one year on January 1, 2010 and on each succeeding January 1 unless previously terminated in writing by you or an expressly authorized representative of the Company. The term of this Agreement, as from time to time extended is hereafter referred to as "the term of this agreement" or "the term hereof". You will be employed by the Company as its Managing Director. You will report to the Management Committee of the Company (the "Committee").

(b) You agree to perform the duties of your position and such other duties as may reasonably be assigned to you from time to time including, but not limited to: structuring various types of collateralized loan obligation ("CLO") funds, synthetic collateralized debt obligation ("CDO") funds, and other credit-based funds (collectively "Funds") as directed by the Committee; implementing and investing "warehouse" lines; negotiating, documenting, and selling debt and equity securities of Funds; and purchasing and trading non-investment grade loans, high yield bonds, and other permitted securities on behalf of Funds. You also agree that you will devote your full business time and your best efforts, business judgment, skill and knowledge exclusively to the advancement of the business and interests of the Company and its Affiliates.

(c) From time to time, you may be employed by one or more Affiliates of the Company in a similar capacity to your employment with the Company. The terms and conditions of your employment by such Affiliates will be the same as the terms and conditions of your employment with the Company, except that your aggregate compensation and benefits will not exceed the amounts set forth in Section 2 of this agreement. In that regard, that portion of the compensation and benefits that are allocable to your services to an Affiliate shall be the responsibility of the Affiliate, though we note

the Company intends to provide benefits provided to employees generally on a centralized basis among its Affiliates. To the extent that you are employed by an Affiliate, references in this agreement to the Company shall mean the Affiliate, where appropriate. To effectuate such employment with any Affiliate, the Affiliate will provide to you a letter confirming your employment status. The allocation of your working time between duties for the Company and any of the Affiliates may be adjusted from time to time by the Company as its determines appropriate. As a condition to your employment with the Company and the Affiliates, it is required that you keep complete and accurate records of the time you spend performing your duties under this agreement and the nature thereof.

2. Compensation and Benefits. During your employment, as compensation for all services performed by you for the Company and its Affiliates, the Company will provide you the following pay and benefits:

(a) Base Salary. The Company will pay you a base salary at the rate of Three Hundred Thousand Dollars ($300,000) per year, payable in accordance with the regular payroll practices of the Company and subject to increase from time to time by the Committee in its discretion.

(b) Bonus Compensation. During employment, you will be considered for a discretionary bonus of not less than Five Hundred Thousand Dollars ($500,000) each calendar year. Bonus awards will be determined by the Committee, based on your performance and that of the Company against goals established annually by the Board after consultation with you and will be paid on or about March 31 of each succeeding calendar year. Your bonus for the 2006 fiscal year will be Five Hundred Thousand Dollars ($500,000), to be paid not later than March 31, 2007.

(c) Profit-Sharing. Beginning in 2008 (for the 2007 fiscal year), upon the completion of the preparation of the Company's financial statements for the prior fiscal year, the Company will pay to you a profit-sharing payment in cash equal to 20% of CDO Operating Income for such year not to exceed Five Hundred Thousand Dollars ($500,000) for any single year. CDO Operating Income is defined as (i) revenue of all Funds for which you are responsible minus (ii) compensation expenses of all Company employees responsible for such Funds (including you); minus (iii) an allocation of Company's overhead expenses (rent, utilities, etc.) based on the amount which Funds for which you are responsible represents as a percentage of total Company funds under management (it being understood that such allocation will not exceed 50% of the Company's overhead expenses). Such profit sharing payment shall be paid to you on or about March 31 of the year following the year with respect to which the profit sharing is earned.

(d) Purchased Equity. Subject to all policies (including any policies implement by the Company which restrict the ability of officers, directors and other Affiliates to invest in the Funds), agreements, plans and conditions that are generally applicable to such investments, as determined by the Company, you will have the right,

but not the obligation, to purchase equity of Funds on terms equivalent to those received by other investors.

(f) Participation in Employee Benefit Plans. You will be entitled to participate in all employee benefit plans from time to time in effect for employees of the Company generally, except to the extent such plans are duplicative of benefits otherwise provided you under this agreement. Your participation will be subject to the terms of the applicable plan documents and generally applicable Company policies.

3. Confidential Information and Restricted Activities.

(a) Confidential Information. During the course of your employment with the Company or its Affiliates, you will learn of Confidential Information, as defined below, and you may develop Confidential Information on behalf of the Company or 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 understand 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 or at such earlier time or times as the Committee or its designee may specify, all Documents then in your possession or control.

(c) Non-Competition. You acknowledge that in your employment with the Company you will have access to Confidential Information which, if disclosed, would assist in competition against the Company and its Affiliates and that you will also generate goodwill for the Company and its Affiliates in the course of your employment. Therefore, you agree that the following restrictions on your activities during and after your employment are necessary to protect the goodwill, Confidential Information and other legitimate interests of the Company and its Affiliates:

(i) While you are employed by the Company or its Affiliates and for the greater of (x) the remaining term of this agreement or (y) six (6) months after your employment (or service with an Affiliate, if later) terminates (in the aggregate, the Non-Competition Period), you agree that you will not, without the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, finance, or participate in the ownership, marketing, management, operation, control, fundraising or financing of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant, or otherwise use or permit your name to be used in connection with any business or enterprise engaged in the United States in the business of structuring

CDO or CLO securitization vehicles, analyzing and acquiring loans and other assets to be held by CDO or CLO vehicles, arranging for the issuance of debt and preferred securities by CDO or CLO vehicles, acting as collateral managers for such securitizations, or performing similar functions.

(ii) You agree that during the Non-Competition Period, you will not, directly or through any other Person, (i) hire any employee of the Company or any of its Affiliates or seek to persuade any employee of the Company or any of its Affiliates to discontinue employment, (ii) solicit or encourage any customer or investor of the Company or any of its Affiliates or independent contractor providing services to the Company or any of its Affiliates to terminate or diminish its relationship with them or (iii) seek to persuade any customer or investor or prospective customer or investor of the Company or any of its Affiliates to conduct with anyone else any business or activity that such customer or investor or prospective customer or investor conducts or could conduct with the Company or any of its Affiliates.

(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 agree without reservation that these restraints are necessary for the reasonable and proper protection of the Company and its Affiliates and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. 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 preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants, without having to post bond. You and the Company further agree that, in the event that any provision of this Section 3 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. 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.

4. Termination of Employment. Your employment under this agreement may be terminated prior to the expiration of the term hereof pursuant to this Section 4.

(a) The Company may terminate your employment for cause upon notice to you setting forth in reasonable detail the nature of the cause. The following, as determined by the Company in its reasonable judgment, shall constitute cause for termination: (i) your material failure to perform (other than by reason of disability), or material negligence in the performance of, your duties and responsibilities to the Company or any of its Affiliates; (ii) your material breach of this agreement or any other agreement between you and the Company or any of its Affiliates; or (iii) other conduct by you that could be reasonably anticipated to be harmful to the business, interests or

reputation of the Company or any of its Affiliates. The Company also may terminate your employment at any time without cause upon notice to you.

(b) This agreement shall automatically terminate in the event of your death during employment. In the event of your death, any amounts owed to you under this agreement will be paid to your estate, or designated successor or assigns. 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, the Company will continue to pay you your base salary and to provide you benefits in accordance with Section 2(a) above, to the extent permitted by plan terms, 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 the 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. Severance Payments and Other Matters Related to Termination.

(a) In the event of termination of your employment by the Company without cause, for the remaining term of this agreement, the Company will continue to pay you your base salary ("severance payments") and will continue to contribute to the premium cost of your health insurance on the same terms and conditions as it contributes for active employees provided that you make a timely election under the federal law known as "COBRA". The Company may, in its sole discretion, elect to cease the continuation of base salary and contributions toward health insurance premiums at any point after you have received six (6) months of base salary continuation and health insurance contributions provided that it also releases you from your remaining obligation under Section 3(c)(i) above. The Company will also pay you on the date of termination any base salary earned but not paid through the date of termination and pay for any vacation time accrued but not used to that date. In addition, the Company will pay you any bonus compensation and profit sharing payment to which you are entitled in accordance with Sections 2(c) and 2(d) above, prorated to the date of termination and payable at the time such monies are payable to Company executives generally. Any obligation of the Company to provide you severance payments or other payments or benefits under this Section 5(a) is conditioned, however, upon your signing a release of claims in the form provided by the Company (the "Employee Release") and upon your not revoking the Employee Release thereafter. All severance payments will be in the form of salary continuation, payable in accordance with the normal payroll practices of the Company, and will begin at the Company's next regular payroll period following the effective date of the Employee Release, but shall be retroactive to the date of termination.

Notwithstanding anything else contained in this agreement, no bonus or severance payments or other payments or benefits will be due and payable under any provision of this Section 5(a) until the next regular Company payday following the effective date of the Employee Release.

(b) In the event of termination of your employment by the Company for cause or by you for any reason, the Company will pay you any base salary earned but not paid through the date of termination and pay for any vacation time accrued but not used to that date. The Company shall have no obligation to you for any bonus compensation, profit sharing payment, benefits continuation or severance payments.

(c) In the event of termination of your employment by expiration of the term hereof or non-renewal of this agreement, by death, or by disability, the Company will pay you (or your estate) any base salary earned but not paid through the date of termination, pay for any vacation time accrued but not used to that date, and any bonus compensation or profit sharing payment to which you are entitled in accordance with Sections 2(c) and 2(d) above, prorated to the date of termination and payable at the time such bonuses are payable to Company executives generally. The Company shall have no obligation to you (or your estate) for any severance payments or benefits continuation.

(d) Except for any rights you may have under Section 5(a) above or under the federal law known as "COBRA" to continue participation in the Company's group health and dental plans at your cost, benefits shall terminate in accordance with the terms of the applicable benefit plans based on the date of termination of your employment, without regard to any continuation of base salary or other payment to you following termination.

(e) Provisions of this agreement shall survive any termination 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 of this agreement. The obligation of the Company to make payments to you under this Section 5 is expressly conditioned upon your continued full performance of obligations under Section 3 hereof. Upon termination by either you or the Company, all rights, duties and obligations of you and the Company to each other shall cease, except as otherwise expressly provided in this agreement.

6. Definitions. For purposes of this agreement, the following definitions apply:

"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.

"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.

"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 proprietary information of a third party without that party's consent.

8. 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.

9. Applicability of Section 409A. If at the time of your separation from service, you are a "specified employee," as hereinafter defined, any and all amounts payable under this agreement in connection with such separation from service that constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), as determined by the Company in its sole discretion, and that would (but for this sentence) be payable within six months following such separation from service, shall instead be paid on the date that follows the date of such separation from service by six (6) months. For purposes of the preceding sentence, "separation from service" shall be determined in a manner consistent with subsection (a)(2)(A)(i) of Section 409A and the term "specified employee" shall mean an individual determined by the Company to be a specified employee as defined in subsection (a)(2)(B)(i) of Section 409A. The parties intend for payments and benefits under this agreement to comply with Section 409A.

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, that the Company may assign its rights and obligations under this agreement without your consent to one of its Affiliates or to any Person with whom the Company shall hereafter affect a reorganization, consolidate with, or merge into or to whom it transfers 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 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 Delaware contract and shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof.

13. Notices. Any notices provided for in this agreement shall be in writing and shall be effective when delivered in person or deposited in the United States mail, postage prepaid, and addressed to you at your last known address on the books of the Company or, in the case of the Company, to it at its principal place of business, attention of the Committee, or to such other address as either party may specify by notice to the other actually received.

If the foregoing is acceptable to you, please sign this letter in the space provided and return it to me. We will provide a countersigned copy for your records.

Sincerely yours,

Christopher Lacovara
Vice President

Accepted and Agreed:

_____
E.A. Kratzman

_____
Date

cc: James A. Kohlberg
Samuel P. Frieder
Shant Mardirossian

Exhibit L

ROPES & GRAY LLP
ONE INTERNATIONAL PLACE BOSTON, MA 02110-2624 617-951-7000 F 617-951-7050
BOSTON NEW YORK SAN FRANCISCO WASHINGTON, DC

November 20, 2006

Kohlberg Capital, LLC
295 Madison Avenue, 6th Floor
New York, New York 10017

Re: Kohlberg Capital Corporation

Ladies and Gentlemen:

This opinion is furnished to you in connection with a registration statement on Form N-2 (the "Registration Statement"), filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, for the registration of 15,525,000 shares (the "Shares") of Common Stock, $.01 par value (the "Common Stock"), including 2,025,000 shares of Common Stock to cover over-allotments, if any, of Kohlberg Capital Corporation, a Delaware corporation that will result from the conversion (the "Conversion"), in accordance with Section 265 of the Delaware General Corporation Law and Section 216 of the Delaware Limited Liability Company Act, of Kohlberg Capital, LLC, a Delaware limited liability company (collectively with Kohlberg Capital Corporation, the "Company"), such Conversion to be effected prior to the issuance of the Shares as described in the Registration Statement. The Shares are to be sold pursuant to an underwriting agreement (the "Underwriting Agreement") to be entered into among the Company and underwriters named in the Underwriting Agreement.

We have acted as counsel for the Company in connection with the proposed issuance and sale of the Shares. For purposes of this opinion, we have examined and relied upon such documents, records, certificates and other instruments as we have deemed necessary.

The opinions expressed below are limited to the Delaware General Corporation Law, including the applicable provisions of the Delaware Constitution and the reported cases interpreting those laws.

Based upon and subject to the foregoing, we are of the opinion that, upon the Conversion, the Shares will be duly authorized and, when issued and delivered by the Company pursuant to the Underwriting Agreement against payment of the consideration set forth therein, will be validly issued, fully paid and non-assessable.

Kohlberg Capital, LLC November 20, 2006

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the caption "Legal Matters" in the prospectus included therein. In giving such consent we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder. This opinion may be used only in connection with the offer and sale of the Shares while the Registration Statement is in effect.

Very truly yours,

/s/ Ropes & Gray

Ropes & Gray LLP

Exhibit N.7

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents, in accordance with Rule 438 under the Securities Act of 1933, as amended, to being named as a prospective director in the registration statement on Form N-2, and any amendments thereto, to be filed by Kohlberg Capital, LLC.

/s/ Gary Cademartori

Name: Gary Cademartori

Dated: October 24, 2006

Exhibit N.8

We consent to the use in this Pre-Effective Amendment 2 to Registration Statement No. 333-136714 on Form N-2 of our report dated November 17, 2006 relating to the financial statements of Kohlberg Capital, LLC and to the reference to us under the heading "Independent Registered Public Accounting Firm" both appearing in such Registration Statement.

/s/ Deloitte & Touche LLP

New York, New York
November 17, 2006

CODE OF ETHICS
OF
KOHLBERG CAPITAL CORPORATION

SECTION I. STATEMENT OF PURPOSE AND APPLICABILITY

Kohlberg Capital Corporation (the "Company") is regulated as a business development company under the Investment Company Act of 1940 (the "Act") and subject to Rule 17j-1 under the Act ("Rule 17j-1"). Rule 17j-1 makes it unlawful for any Affiliated Person of the Company, in connection the purchase or sale, directly or indirectly, by such Affiliated Person of any Security Held or to be Acquired by the Company:

(1) To employ any device, scheme or artifice to defraud the Company;

(2) To make any untrue statement of a material fact to the Company or omit to state a material fact necessary in order to make the statements made to the Company, in light of the circumstances under which they are made, not misleading;

(3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit on the Company; or

(4) To engage in any manipulative practice with respect to the Company.

In accordance with the Rule, the Company has adopted this Code of Ethics containing provisions it deems reasonably necessary to prevent those of its Affiliated Persons who are Access Persons from engaging in any of such prohibited acts.

SECTION II. DEFINITIONS

(A) "*Access Person*" means any director, officer, partner, member or Advisory Person of the Company.

(B) "*Advisory Person of the Company*" means:

(i) any director, officer, member or employee of the Company (or of any company in a Control relationship to the Company), who in connection with his or her regular functions or duties makes, participates in, or obtains information regarding the purchase or sale of Covered Securities by the Company, or whose functions relate to the making of any recommendation with respect to such purchases or sales; and

(ii) any natural person in a Control relationship to the Company who obtains information concerning recommendations made to the Company with regard to the purchase or sale of any Covered Security by the Company.

(C) "*Affiliated Person*" of another person means:

(i) any person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other person;

(ii) any person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other person;

(iii) any person directly or indirectly controlling, controlled by, or under common control with, such other person;

(iv) any officer, director, partner, copartner, or employee of such other person;

(v) if such other person is an investment company, any investment adviser thereof or any member of an advisory board thereof; and

(vi) if such other person is an unincorporated investment company not having a board of directors, the depositor thereof.

(D) "*Beneficial Ownership*" means beneficial ownership determined pursuant to Rule 16a–1(a)(2) under the Securities Exchange Act of 1934 (the "1934 Act").

(E) "*Control*" means the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company. Any person who owns beneficially, either directly or through one or more controlled companies, more than 25% of the voting securities of a company shall be presumed to control such company. Any person who does not so own more than 25% of the voting securities of any company shall be presumed not to control such company. A natural person shall be presumed not to be a controlled person. Any such presumption may be rebutted by evidence in accordance with Section 2(a)(9) of the Act.

(F) "*Covered Security*" means a Security, except that such term does not include:

(i) direct obligations of the Government of the United States;

(ii) bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements; or

(iii) shares issued by open-end investment companies registered under the Act.

(G) "*Designated Officer*" means the person designated from time to time by the Company to be its Chief Compliance Officer; *provided*, that the Company may from time to time designate another person to act on behalf of the Designated Officer during periods when the Designated Officer is absent or disabled, and during such periods the term "Designated Officer" shall mean such other officer.

(H) "*Disinterested Director*" means a director of the Company who is not an "interested person" of the Company within the meaning of Section 2(a)(19) of the Act.

(I) "*employee of the Company*" means any employee of the Company.

(J) "*Federal Securities Laws*" means, in addition to the Act, the Investment Advisers Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, Title V of the Gramm-Leach-Bliley Act, all rules adopted by the Securities and Exchange Commission (the "SEC") under the foregoing statutes, those provisions of the Bank Secrecy Act that apply to investment companies and investment advisers, and any rules adopted under such provisions by the SEC or the Department of the Treasury.

(K) "*Initial Public Offering*" means an offering of securities registered under the Securities Act of 1933 (the "1933 Act"), the issuer of which, immediately before the registration, was not subject to the reporting requirements of Sections 13 or 15(d) of the 1934 Act.

(L) "*Investment Personnel*" means:

(i) any employee of the Company (or of any company in a Control relationship to the Company), who in connection with his or her regular functions or duties makes or participates in making recommendations regarding the purchase or sale of securities by the Company; and

(ii) any natural person who Controls the Company and obtains information concerning recommendations made to the Company with regard to the purchase or sale of securities by the Company.

(M) "*Limited Offering*" means an offering that is exempt from registration under the 1933 Act pursuant to Section 4(2) or Section 4(6) thereof or pursuant to Rule 504, Rule 505, or Rule 506 thereunder.

(N) "*purchase or sale of a Covered Security*" includes, among other things, the writing of an option to purchase or sell a Covered Security.

(O) "*Security*" means any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

(P) "*Security Held or to be Acquired by the Company*" means:

(i) any Covered Security which, within the most recent 15 days: (A) is or has been held by the Company; or (B) is being or has been considered by the Company for purchase by the Company; and

(ii) any option to purchase or sell, and any security convertible into or exchangeable for, a Covered Security described in clause (i) above.

(Q) "*Third Party Account*" means an account in which a Covered Security is held for the benefit of any individual or entity other than the Company with respect to which an Access Person exercises investment discretion or provides investment advice.

SECTION III. STANDARDS OF CONDUCT

(A) *General Standards.*

(1) No Access Person shall, in breach of any fiduciary duty he or she owes to the Company and its stockholders:

(a) engage, directly or indirectly, in any business investment in a manner detrimental to the Company; or

(b) use confidential information gained by reason of his or her employment by or affiliation with the Company in a manner detrimental to the Company.

(2) At the time that an Access Person recommends or authorizes the purchase or sale of a Covered Security by the Company, he or she shall disclose to the Designated Officer:

(a) any Beneficial Ownership in such Covered Security that he or she has or proposes to acquire;

(b) any interest he or she has or proposes to acquire in any Third Party Account in which such Covered Security is held; and

(c) any interest in or relationship with the issuer of such Covered Security that he or she has or proposes to acquire.

(3) Each Access Person must conduct his or her personal securities transactions in a manner that is consistent with this Code of Ethics and that will avoid an abuse of the his or her position of trust and responsibility within the Company.

(4) No Access Person shall engage in any act, practice, or course of business that is in breach of the fiduciary duty of care, loyalty, honesty and good faith that he or she owes to the Company.

(5) No Access Person shall, in connection with the purchase or sale, directly or indirectly, of any Security Held or to be Acquired by the Company, engage in any act, practice or course of business in violation of the Federal Securities Laws.

(B) *Prohibited Transactions*.

(1) *General Prohibition*. Unless an Access Person shall have obtained prior approval from the Designated Officer, no Access Person shall purchase or sell (or otherwise acquire or dispose of) direct or indirect Beneficial Ownership of any Covered Security if, at the time of such transaction, such Access Person knows or should have known such Covered Security is a Security Held or to be Acquired by the Company.

If an Access Person becomes aware that the Company is considering the purchase or sale of a Covered Security, the Access Person must promptly notify the Designated Officer of:

(a) any interest that he or she has in any outstanding Covered Security of the same issuer; and

(b) any other interest in or relationship with the issuer that he or she has or proposes to acquire.

(2) *Gifts*. No Access Person may accept any gift, favor, or service from any person with whom he or she transacts business on behalf of the Company, if to do so would conflict with the Company's best interests or would impair the ability of such person to be completely disinterested when required, in the course of business, to make judgments and/or recommendations on behalf of the Company.

(3) *Initial Public Offerings and Limited Offerings*. Access Persons and Investment Personnel must obtain approval from the Designated Officer before directly or indirectly acquiring Beneficial Ownership in any Securities in an Initial Public Offering or Limited Offering. If the Designated Officer is the person whose acquisition requires such approval, he or she may obtain such approval from the [President] of the Company.

SECTION IV. PROCEDURES TO IMPLEMENT CODE OF ETHICS

The following reporting, review and record keeping procedures have been established to assist in the avoidance of a violation of this Code of Ethics and to assist the Company in preventing, detecting, and imposing sanctions for violations of this Code of Ethics. Questions regarding these procedures should be directed to the Designated Officer.

(A) *Reports to be Filed by Access Persons*.

(1) Except as set forth in Section IV(B) below, each Access Person of the Company must complete, sign and file with the Designated Officer:

(a) *Initial Holdings Report*. Not later than 10 days after he or she becomes an Access Person of the Company: an Initial Report of Covered Security Holdings in the form of Schedule I hereto, the information in which must be current as of a date no more than 45 days prior to the date on which he or she becomes an Access Person.

(b) *Quarterly Transaction Reports*. Not later than 30 days after the end of each calendar quarter: a Quarterly Report of Covered Security Transactions in the form of Schedule II hereto.

(c) *Annual Holdings Reports*. Not later than 30 days after the end of each fiscal year of the Company: an Annual Report of Covered Security Holdings in the form of Schedule III hereto, the information in which must be current as of a date no more than 45 days prior to the date on which the report is submitted.

(2) *Account Statements*. Each Access Person (other than Disinterested Directors) must direct each broker, dealer, or bank at which he or she maintains an account in which securities are or were held for the direct or indirect benefit of such Access Person, to provide to the Designated Officer duplicate account statements for each such account.

(3) *Disclaimer of Beneficial Ownership*. Any Access Person may at any time or from time to time deliver to the Designated Officer a statement that his or her filing of any report hereunder or the delivery on his or her behalf of any duplicate account statement required hereunder shall not be construed as an admission by such Access Person that he or she has any direct or indirect Beneficial Ownership in the Covered Security to which such report or such duplicate account statement relates.

(4) *Review of Reports*. The Designated Officer shall review the reports filed, and account statements delivered, under this Code of Ethics to determine whether any transactions disclosed therein constitute a violation of this Code of Ethics. Before making any determination that a violation has been committed by any Access Person, the Designated Officer shall afford the Access Person an opportunity to supply additional explanatory material.

(B) *Exceptions From Reporting Requirements*.

(1) A person need not make a report under Section IV(A) with respect to a Covered Security held in, or transactions effected for, any account over which the Access Person has no direct or indirect influence or control.

(2) A Disinterested Director who would be required to make a report solely by reason of being a director of the Company need not make:

(a) an initial holding report pursuant to Section IV(A)(1)(a) or any annual holdings reports pursuant to Section IV(A)(1)(c); and

(b) a quarterly transaction report pursuant to Section IV(A)(1)(b) unless he or she knew or, in the ordinary course of fulfilling his or her duties as a director, should have known that during the 15-day period immediately before or after the director's transaction in a Covered Security, the Company purchased or sold, or the Company considered purchasing or selling, the Covered Security.

(3) An Access Person need not make a quarterly transaction report if the report would duplicate information contained in account statements (or broker trade confirmations) received by the Designated Officer in the time period required, if all of the information required is contained in the broker trade confirmations or account statements, or in the records of the Company.

(4) An Access Person need not make a quarterly transaction report with respect to transactions effected pursuant to a program (such as a dividend reinvestment plan) in which periodic purchases (or sales) are made automatically in (or from) investment accounts in accordance with a predetermined schedule and allocation.

(C) *Obligation to Report Violations*. Every Access Person who becomes aware of a violation of this Code of Ethics must report it to the Designated Officer, who shall report it to appropriate management personnel of the Company. The Designated Officer and the management personnel to whom a violation is reported shall treat the report confidentially to the extent permitted by law, promptly investigate the matter, and take such disciplinary action as they consider appropriate under the circumstances. Any form of retaliation against a person who reports a violation is prohibited and constitutes a violation of this Code of Ethics. The Board of Directors of the Company must be notified, in a timely manner, of remedial action taken with respect to violations of the Code of Ethics.

(D) *Company Reports*. No less often than annually, the Company must furnish to the Company's Board of Directors, and the Board of Directors must consider, a written report that:

(1) describes any issues arising under this Code of Ethics or the related procedures since the last report to the Board of Directors, including but not limited to, information about material violations of this Code of Ethics or related procedures and sanctions imposed in response to the material violations; and

(2) certifies that the Company has adopted procedures reasonably necessary to prevent Access Persons from violating this Code of Ethics.

(E) *Records*. The Company shall maintain records with respect to this Code of Ethics in the manner and to the extent set forth below, which records may be maintained on microfilm under the conditions described in Rule 31a–2(f)(1) under the Act, and shall be available for examination by the SEC or any representative of the SEC at any time and from time to time for reasonable periodic, special, or other examination:

(1) A copy of this Code of Ethics and any other code of ethics of the Company that is, or at any time within the past five years has been, in effect shall be maintained in an easily accessible place;

(2) A record of any violation of this Code of Ethics, and of any action taken as a result of such violation shall be preserved in an easily accessible place for at least five years after the end of the fiscal year in which the violation occurs;

(3) A copy of each report made by an Access Person as required by the Rule or pursuant to this Code of Ethics, including any information provided in lieu of the reports under paragraph (d)(2)(v) of the Rule, shall be maintained for at least five years after the end of the fiscal year in which it is made or the information is provided, the first two years in an easily accessible place;

(4) A record of all persons within the past five years who are or were required to make reports pursuant to paragraph (d) of the Rule or this Code of Ethics, or who are or were responsible for reviewing those reports, shall be maintained in an easily accessible place; and

(5) A record of any decision, and the reasons supporting the decision, to approve the acquisition by investment personnel of securities in an Initial Public Offering or in a Limited Offering shall be maintained for at least five years after the end of the fiscal year in which such acquisition is approved.

(F) *Confidentiality*. All reports, duplicate account statements and other information filed or delivered to the Designated Officer or furnished to any other person pursuant to this Code of Ethics shall be treated as confidential, but are subject to review as provided herein and by representatives of the SEC.

SECTION V. SANCTIONS

Upon determination that a violation of this Code of Ethics has occurred, the appropriate management personnel of the Company may impose such sanctions as they deem appropriate, including, among other things, a letter of censure or suspension or termination of the employment of the violator. Violations of this Code of Ethics and any sanctions imposed with respect thereto shall be reported in a timely manner to the Board of Directors of the Company.

SECTION VI. ACKNOWLEDGEMENT OF RECEIPT AND ANNUAL CERTIFICATION OF COMPLIANCE

Upon becoming an Access Person, annually thereafter, and whenever this Code of Ethics is amended, each Access Person shall sign and deliver to the Designated Officer an acknowledgement of receipt and certification of compliance with this Code of Ethics and any amendments thereto in the form attached hereto as Exhibit A.

EXHIBIT A

ACKNOWLEDGMENT AND CERTIFICATION

I acknowledge receipt of the Code of Ethics of Kohlberg Capital Corporation dated . I have read and understand the Code of Ethics and agree to be governed by it at all times. Further, if I have been subject to the Code of Ethics during the preceding year, I certify that I have complied with the requirements of the Code of Ethics and have disclosed or reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of the Code of Ethics.

_____
(signature)

_____
(please print name)

_____
(date)

SCHEDULE I

INITIAL REPORT OF COVERED SECURITY HOLDINGS

This report is to be filed with the Designated Officer *no later than the 10th day after I first became an Access Person*. All capitalized terms used in this report have the meanings assigned to them in the Code.

In accordance with Section IV(A)(1) of the Code of Ethics of Kohlberg Capital Corporation (the "Code"), I hereby certify that the following reports each Covered Security in which I have direct or indirect Beneficial Ownership at the date of this report (which is no more than 45 days prior to the date I became an Access Person), including the name of any broker, dealer or bank with whom I maintain an account in which any securities were held for my direct or indirect benefit as of the date I first became an Access Person. Use reverse side if additional space is needed.

I further certify that, unless I am a Disinterested Director, I have requested each such broker, dealer or bank to send duplicate account statements to the Designated Officer.

Title of Covered Security	Number of Shares	Principal Amount	Name of Broker, Dealer or Bank	Account ID Number

Date of Report: _____ Print Name: _____

Date Submitted: _____ Signature: _____

SCHEDULE II

QUARTERLY REPORT OF COVERED SECURITY TRANSACTIONS

For the Calendar Quarter Ended ,

This report is to be filed with the Designated Officer *no later than 30 days after the end of the calendar quarter*. The capitalized terms used in this report have the meanings assigned to them in the Code.

In accordance with Section IV(A)(2) of the Code of Ethics of Kohlberg Capital Corporation (the "Code"), I hereby certify that:

(i) Part I below reports any transaction during the quarter in a Covered Security in which I had or acquired any direct or indirect Beneficial Ownership; and

(ii) Part II below reports any account established in which any Securities were held during the quarter for my direct or indirect benefit.

If no such transaction took place or no such account was established during the quarter write "NONE". Use reverse side if additional space is needed.

PART I: TRANSACTIONS IN A COVERED SECURITY

Trade Date	Title of Covered Security	Interest Rate and Maturity Date (if applicable)	Number of Shares or Principal Amount	Nature of Transaction (purchase, sale, other type of acquisition or disposition)	Unit Price of Covered Security	Total Price	Name of Broker, Dealer, or Bank

PART II: ACCOUNTS ESTABLISHED DURING THE QUARTER

Name of Broker, Dealer or Bank	Date Account Established	Account ID Number

I further certify that, unless I am a Disinterested Director, I have requested each such broker, dealer or bank to send duplicate account statements to the Designated Officer.

Name (please print): _____

Date Submitted: _____ Signature: _____

SCHEDULE III

ANNUAL REPORT OF COVERED SECURITY HOLDINGS

For the Calendar Year Ended December 31,

This report is to be filed with the Designated Officer *no later than 30 days after the end of the calendar year specified above*. All capitalized terms used in this report have the meanings assigned to them in the Code.

In accordance with Section IV(A)(3) of the Code of Ethics of Kohlberg Capital Corporation (the "Code"), I hereby certify that the following reports any Covered Security in which I have direct or indirect Beneficial Ownership at the date of this report (which is no more than 45 days prior to the date on which the report is submitted), including the name of any broker, dealer, or bank with whom I maintain an account in which any securities are held for my direct or indirect benefit. I further certify that, unless I am a disinterested Director, I have requested each such broker, dealer or bank to send duplicate account statements to the Designated Officer. Use reverse side if additional space is needed.

Title of Covered Security	Number of Shares	Principal Amount	Name of Broker, Dealer or Bank	Account ID Number

Date of Report: _____ Print Name: _____

Date Submitted: _____ Signature: _____

ROPES & GRAY LLP
ONE INTERNATIONAL PLACE BOSTON, MA 02110-2624 617-951-7000 F 617-951-7050
BOSTON NEW YORK SAN FRANCISCO WASHINGTON, DC

November 20, 2006

Justin Plouffe
(617) 951-7751
justin.plouffe@ropesgray.com

VIA EDGAR

Securities and Exchange Commission
Division of Investment Management
450 Fifth Street, N.W.
Washington, D.C. 20549-0405

Attention: Mary A. Cole, Esq.-Legal
Jim Campbell-Accounting

Re: Kohlberg Capital, LLC
Form N-2 filed August 18, 2006, as amended October 6, 2006
File Nos. 333-136714; 814-00727

Ladies and Gentlemen:

On behalf of Kohlberg Capital, LLC, a Delaware limited liability company (the "Company"), and pursuant to the applicable provisions of the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder, please find attached for filing with the Securities and Exchange Commission (the "Commission") via EDGAR a complete copy (including certain exhibits) of Amendment No. 2 to the above-referenced Registration Statement on Form N-2 (the "Registration Statement"). A copy of Amendment No. 2 to the Registration Statement has been manually signed in accordance with Rule 302 of Regulation S-T and the signature pages thereto will be retained by the Company for a period of five years.

This amendment reflects certain revisions to Amendment No. 1 to the Registration Statement, as filed with the Commission on October 6, 2006, in response to comments provided by Eric Purple, Mary Cole and Jim Campbell of the Staff of the Commission (the "Staff") during various telephone conversations. This amendment also updates certain other information and includes additional information previously omitted.

For your convenience, the Company is supplementally providing to the Staff two typeset copies of Amendment No. 2 to the Registration Statement, which has been marked to indicate the changes from Amendment No. 1 to the Registration Statement, as filed with the Commission on October 6, 2006.

We hope that the foregoing has been responsive to the Staff's comments. If you should have any questions about this letter or require any further information, please call the undersigned at (617) 951-7751 or Craig E. Marcus of our offices at (617) 951-7802.

Very truly yours,

/s/ Justin Plouffe
Justin Plouffe