

Item 1 – Cover Page

KATONAH DEBT ADVISORS, LLC
CLO FUND BROCHURE
(FORM ADV, PART 2A)

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This brochure provides information about the qualifications and business practices of Katonah Debt Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at info@katonahdebtadvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Katonah Debt Advisors, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser's skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

Item 2 – Material Changes

None. This is the initial filing of Form ADV Part 2.

Item 3- Table of Contents

Item 1 – Cover Page.....	1
Item 2 – Material Changes	2
Item 3- Table of Contents.....	3
Item 4 Advisory Business	4
Item 5 Fees and Compensation.....	4
Item 6 Performance-Based Fees and Side-By-Side Management.....	5
Item 7 Types of Clients	6
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	6
Item 9 Disciplinary Information	10
Item 10 Other Financial Industry Activities and Affiliations.....	10
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Item 12 Brokerage Practices	13
Item 13 Review of Accounts.....	14
Item 14 Client Referrals and Other Compensation.....	14
Item 15 Custody	14
Item 16 Investment Discretion.....	14
Item 17 Voting Client Securities.....	15
Item 18 Financial Information	15

Item 4 Advisory Business

Katonah Debt Advisors, LLC (“KDA” or the “Firm”) is a Delaware limited liability company founded in 2005. KDA’s principal place of business is in the state of New York. Its principal owner is Kohlberg Capital Corporation (“KCAP”). KCAP is a business development company, a form of registered investment company under the Investment Company Act of 1940. KCAP is publicly held, and its shares are listed on the NASDAQ stock exchange.

KDA provides investment advisory services to unregistered, private investment funds. Each fund is a “Collateralized Loan Obligation” fund comprising a portfolio of loans and other securities. KDA acts directly as the “Collateral Manager” (investment adviser) of certain of the funds. KDA also acts as sub-investment adviser to other funds under agreements with the fund’s Collateral Managers, special purpose entities who are also wholly owned by KCAP.

KDA at this time does not offer any other investment advisory services. KDA does not provide financial planning services. KDA does not participate in “wrap fee programs”.

KDA complies with investment restrictions and guidelines that are included in the governing documents and/or in the offering documents of its private fund clients. These guidelines identify the types of permitted investments

As of December 31, 2011 KDA managed total assets of \$1,943,630,000 on a discretionary basis.

KDA’s primary focus for its investment management services is on senior secured corporate loans.

Item 5 Fees and Compensation

KDA receives fees as compensation for its investment advisory services. There are two types of fees, management fees and incentive fees.

Funds that retain KDA directly as Collateral Manager pay fees based on the total principal amounts of their portfolio investments in debt securities. The funds pay their investors and their service providers, including KDA, according to established priorities. The source of payments is investment

returns from portfolio investments. KDA's management fee is paid at two different priorities, one prior to payment of amounts payable to senior investors and one subsequent. Generally, the Senior Collateral Management Fee rate is 0.15% annually, and the Subordinated Collateral Management Fee rate is 0.35% annually. Fees are paid by the fund quarterly in arrears. Upon termination of the Collateral Management agreement for any reason both the Senior and Subordinated Collateral Management Fees will be prorated for any partial period between quarterly payment dates.

Funds that retain KDA directly as Collateral Manager also pay KDA Incentive Collateral Management Fees. Payment of this fee depends on whether the fund has met all senior payment obligations and whether the fund has met certain minimum standards of investment return with respect to one or more junior classes of securities. Generally, the Incentive Collateral Management Fee is 0.20% of the amount available for distribution by the fund once all prior payment obligations are satisfied. Incentive Collateral Management Fees are paid in arrears.

When KDA serves as a sub-investment manager on behalf of Collateral Managers to other funds the Collateral Manager pays KDA a management fee calculated by multiplying the number of hours spent by KDA in performing services for the Collateral manager by an agreed hourly rate. KDA submits invoices to the Collateral Managers for payment.

KDA may also waive (not charge) fees for certain private fund clients under certain circumstances.

KDA does not receive compensation for the sale of securities or investment products.

The funds reimburse KDA for expenses incurred by KDA in the performance of its services. These include brokerage fees, administration fees, professional fees, custody fees

Item 6 Performance-Based Fees and Side-By-Side Management

KDA is eligible to receive performance-based fees from the private funds that it serves as Collateral Manager. These are the Incentive Collateral Management Fees described in Item 5. KDA receives no performance-based fees from the private funds that it serves as sub-investment manager to the Collateral Managers for those funds. The fact that KDA receives incentive compensation from some but not all of its private fund clients presents a potential conflict of interest: KDA could generate more revenue for itself if it favors the private funds from which it receives incentive compensation over the other sub-advised private funds. The greatest potential source of favoring one over another is the selection of investments for the fund portfolios. For example, if KDA chooses better investment opportunities for the private funds it serves as Collateral Manager in order to increase the likelihood

of receiving incentive compensation, the performance of the private funds it serves as sub-investment manager may suffer.

KDA addresses this potential conflict of interest through an Investment Allocation Policy and Procedure designed to allocate investment opportunities in a manner that is fair and equitable. The basic principle is allocation of opportunities according to “optimum investment amounts” for each client based on criteria such as investment objectives, diversification, cash flow, liquidity requirements and asset allocation targets specific to each directly advised and sub-advised private fund. If the desired total investment for all clients is unavailable the lesser amount generally is allocated among clients pro rata based on the optimum investment amount for each. Exceptions to the above pro rata allocation are made in certain instances for good cause, but in all cases the allocation must be fair and equitable. Exceptions are specifically approved on a case-by-case basis. It should also be noted that although KDA acts as a sub-advisor to other private funds, these funds like KDA, are also solely owned by KCAP, and thus the financial performance of KDA and its affiliate manager/advisor entities are to the benefit of one direct owner.

Item 7 Types of Clients

KDA provides investment management services for private investment funds known as Collateralized Loan Obligation funds.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

KDA generally manages portfolios of senior secured corporate loan investments and other fixed income securities for private funds. The private funds, known as Collateralized Loan Obligation funds, issue securities that are “collateralized” by the funds’ portfolios. Generally KDA’s investments are limited to dollar-denominated loans, high yield fixed income securities, finance leases, synthetic securities (derivative financial instruments with respect to debt instruments, e.g., swap transactions), and structured finance securities (investments in pools of loans, receivables or other types of securities). Overall investments are subject to concentration limits based on such things as the type of loan or investment, industry, the identity of the obligor, quality rating, and the domicile of the borrower.

The objective of KDA’s methods of analysis and investment strategies is to achieve the objectives of its private fund clients within those limits. Any investing in securities involves a risk of loss that clients should be prepared to bear.

Investment Strategy

KDA's investment strategy is to identify industries and market segments in which attractive senior loan opportunities exist and then to evaluate specific potential investments based on credit risk with the goal of balancing risk and return and minimizing payment default experience. KDA's investment philosophy and investment process

Investment Objective

- Maximize portfolio credit quality, excess spread, and preserve principal, while at the same time performing within the confines of the respective investment structure

Investment Philosophy

- Pro-active portfolio management, which combines rigorous credit analysis, market analysis, and relative value analysis, will lead to superior investment selections and superior returns over time

Process is CREDIT DRIVEN and revolves around “**MAXIMUM REASONABLE ADVERSITY**” modeling:

Focus on companies with improving credit profiles and clear deleveraging capability

Select investments with portfolio-appropriate risk-reward profiles

Frequent updates of financial, qualitative, and situational forecasts to determine if investment rationale has changed, and take action if necessary

Combined credit analysis, trading, and portfolio management skill sets lead to portfolios optimized for credit quality and yield

Emphasize portfolio diversification as an important element of risk management process

- **Qualitative Analysis includes:**

Strong industry fundamentals

Quality and experience of management / equity sponsor

Alternative source of capital and strength of banking relationships

Past ability to work through historical down-cycles

Diversity of customer base and product line

Acquisition / integration history

- **Quantitative Analysis includes:**

Financial statement analysis

Financial ratio and market share standing among comparable companies

Event specific credit “MRA” modeling

Credit profile – improving, declining, status quo

Future capital expenditure needs / asset sale plans

Downside protection to limit losses in an event of default

Risk adjusted returns and relative value analysis

Asset valuations

Katonah Ongoing Credit Surveillance - an ongoing functions and process that includes:

- Assets reviewed promptly upon:
 - Rating downgrade
 - Anticipated ratings downgrade
 - Sudden price declines
 - Amendments
- Rating actions
- Trading desk market intelligence
- Loan, bond, equity and credit protection prices and market trends
- Investment Committee meetings
- Industry / company specific events
- Portfolio compliance
- Industry review
- Formal watch list / impaired asset review
- Management Committee meetings
- Fund performance review
- Industry review
- Formal review of all assets including updating financial models

Methods of Analysis

KDA uses a “top down, bottom up” approach to selecting investments. The “top down” involves the determination of what industries and market segments offer attractive loan opportunities. The

“bottom up” is the extensive review of specific proposed investments. KDA employs industry research to identify prospective investments that both meet its credit standards and offer attractive total returns. The principal method of analysis for specific investments is evaluation of credit risk through the use of fundamental financial analysis of the borrower or issuer. KDA senior investment staff also use their extensive loan syndication and market contacts to seek out “relative value” purchases.

Investment Strategy Risks

KDA’s investment strategy involves several distinct types of risk. These risks include some or all of the following:

Non-Investment Grade Investments: A substantial portion of client investments will be in loans and other fixed income securities that are rated below investment grade. These investments involve a degree of speculation, and consequently a higher exposure to credit, liquidity and interest rate risk.

Interest Rate Risk: Generally as interest rates rise the price of fixed interest investments fall. Longer-term securities generally experience greater price movements from interest rate changes than shorter-term securities. Typically KDA invests in investments whose interest rates “float”. To that extent interest rate risk is reduced or eliminated.

Credit Risk: The borrower or issuer of a loan or debt security may fail to make required payments of interest or principal. Investors may not receive the full amount of expected payments and may incur legal fees and other expenses in attempting to recover the amounts due.

Liquidity Risk: Many or most of the senior loans in the portfolio do not or have active trading markets. Moreover, in distress situations, that is, when repayment of obligations in full is not assured, even limited markets may not provide appropriate opportunities to sell portfolio securities.

Prepayment Risk: The borrower or issuer of a loan or debt may pay the principal amount of the obligation before its due date. Similarly, KDA’s strategy makes certain assumptions about “duration”, the length of time an obligation remains outstanding. KDA cannot control actual prepayment experience and it may not be able to purchase the securities it chooses to achieve duration goals. Investor returns can be impaired as a result.

Non-US Investments: KDA may invest in securities issued by issuers and borrowers located outside the United States. Such investments involve higher risk than equivalent investments in securities of United States’ issuers and borrowers. For example, there may be less publicly available information about the issuers and borrowers. Regulation of foreign industries may be less stringent than in the United States. Legal systems to enforce rights may not provide the level of protection available within the United States. Accounting standards may differ from those in use in the United States,

and the lowering of investment ratings of the country where the issuer or borrower is located can by that fact alone lower the investment rating of the privately issued loan or fixed income investment.

Structured finance security risk: Structured finance securities are participations in pools of other investments. KDA may invest in such securities that are interests in pools of fixed income securities. Many or all of the risks, such as interest rate, liquidity, credit, etc. described in this Item apply at two levels for such securities: at the pool participation level and at the level of the individual investments within the pool. This two-stage risk may heighten the overall risk character of these securities. The indirect investment itself may mean the KDA has little or no control over the management of defaults of the borrowers and issuers of the portfolio securities.

Synthetic Security Risk: Synthetic securities, which are investments in derivatives of other securities and not the securities themselves, involve special risks. KDA, on behalf of investors, has no authority or ability to deal with the issuers of the securities upon which the synthetic security is based. As in the case in structured finance securities, KDA has no control over management of any defaults by those issuers. Second, synthetic securities are basically the contractual promise of their issuers to fulfill their promises. The financial condition of the issuer may make it difficult or impossible for it to fulfill its promise.

Item 9 Disciplinary Information

KDA must disclose all material facts regarding any legal or disciplinary events that would be material to its clients' or prospective clients' evaluation of our advisory business or the integrity of KDA's management.

Neither KDA nor any of its management persons is involved in any legal or disciplinary events.

Item 10 Other Financial Industry Activities and Affiliations

Neither KDA nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither KDA nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of any of them

KDA does not recommend or select other investment advisers for its clients.

Material Relationships and Arrangements and Arrangements

KDA is a wholly owned subsidiary of Kohlberg Capital Corporation ("Kohlberg"), which is a business development company, a type of closed-end investment company. KDA also provides investment

management services to two Collateral Managers owned by Kohlberg, Katonah X Management LLC and Katonah 2007-1 Management LLC

Potential Conflicts of Interest: Kohlberg

Certain individuals are officers or employees of both Kohlberg and KDA. Some have Kohlberg stock or compensation based on Kohlberg stock that could theoretically give them an incentive to favor Kohlberg at the expense of KDA. In practice, however, there is no incentive, for the following reasons:

KDA is a significant part of Kohlberg's balance sheet and contributor to net investment income in the form of dividends that KDA pays to Kohlberg from time-to-time;

The investment profiles of Kohlberg and KDA are completely different and rarely present a conflict:

- KDA generally invests in highly liquid, broadly syndicated senior secured corporate debt
- Kohlberg generally invests in highly illiquid mezzanine and senior or junior secured middle market debt.

Awards of Kohlberg stock to such employees are based on their performance at *both* entities on the duties that they perform for those respective entities.

Awards are in the form of restricted stock, not options, which vest ratably over a three, four or five year period. The longer term vesting periods of three years or greater aligns the employees interests with the performance of *both* KDA and Kohlberg, not just one or the other.

Kohlberg may from time to time invest in the same or similar securities that KDA selects for its clients. If one consistently takes the more favorable investment opportunities it would tend to have better investment performance, to the detriment of the other. The more typical situation is that when Kohlberg and KDA invest in securities of the same issuer their investments are not in the same security: KDA usually invests in the highly liquid senior securities of the issues and Kohlberg invests in much less liquid junior, "mezzanine" or equity securities of that issuer. In the rare event that each may wish to invest in the same securities, Kohlberg and KDA address this potential conflict through Investment Allocation Policies and Procedures. These policies and procedures establish reasonably objective standards to determine how opportunities are shared between Kohlberg and KDA. These policies and procedures are described in greater detail under Item 6.

Kohlberg for itself and KDA on behalf of its investment advisory clients have the authority to purchase and sell investments directly between them (principal transactions). All purchases and sales must be on an arms' length basis, and the investment advisory client must approve each. If Kohlberg is the client Kohlberg has the potential capacity to approve transactions that favor its own direct interest. If and when it does, Kohlberg and KDA address this conflict by using a third party (typically an active dealer in such a position) to determine the appropriate buy and sell price and execute the trade. In practice, the occurrence of such sales is rare – Kohlberg typically focuses on illiquid, middle market senior investments, and to a greater extent, junior or mezzanine lien investments. Such issues are generally inappropriate for inclusion in the CLOs that KDA manages, whose investments are generally highly liquid, broadly syndicated loans to major corporate issuers.

Kohlberg owns classes of junior securities in the Collateralized Loan Obligation private funds to which KDA provides services as Collateral Manager or as a service provider for the private fund's Collateral Manager. Payments with respect to junior securities can be made only when all senior payments have been made. However, this risk is substantially mitigated by the fact that the potential negative effects of such a higher degree of risk, if realized, will first and more heavily impact the junior securities owned by Kohlberg, as they would realize the "first loss." As such, these junior tranches would be wiped out prior to those tranches in a more senior position. If KDA takes a greater degree of risk in order to increase the likelihood that payments are made to junior securities holders the senior securities holders incur more uncertainty that their payments will be made. This risk is also addressed through the investment requirements and guidelines that govern investment of the assets of the Collateralized Loan Obligation private funds.

Potential Conflicts of Interest: Katonah X Management LLC and Katonah 2007-1 Management LLC

Collateral Managers of the Collateralized Loan Obligation private funds are eligible for incentive management fees that depend upon the investment performance of the funds. KDA is Collateral Manager for three of those funds. Katonah X Management LLC and Katonah 2007-1 Management LLC each serve as Collateral Manager for two other funds. KDA provides investment management services to each of these Collateral Managers on a flat hourly rate basis, without the potential for incentive management fees. KDA has the potential to increase its revenues if it favors the private funds for which it is Collateral Manager over the others. KDA and each other Collateral Manager address this potential conflict through Investment Allocation Policies and Procedures. These policies and procedures establish reasonably objective standards to determine how opportunities are shared. These policies and procedures are described in greater detail under Item 6.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics and Personal Trading

KDA has adopted and maintains a Code of Ethics. The identical Code of Ethics has been adopted by Kohlberg Capital Corporation, a business development company and advisory affiliate that is the sole owner of KDA ("KCAP"), and by the special purpose affiliates, Katonah X Management LLC and Katonah 2007-1 Management LLC, to which KDA provides sub-investment management services. The Code contains provisions designed to prevent improper personal trading by covered employees, to identify potential conflicts of interest and to provide a mechanism to resolve such conflicts for the protection of KDA's clients. KDA and KCAP also have adopted a separate insider trading policy and procedure.

The Code applies to "Access Persons" - all KDA and KCAP officers, members, and employees, and any other individual who either makes, participates of has information relating to KDA's purchases and sales of securities. The Code addresses and restricts trading by Access Persons for their personal accounts. Access Persons must disclose their beneficial ownership of any security they recommend that KDA purchase for clients, any interest they have in acquiring an account that holds such security, and any other interest or relationship they have with the issuer of the security. Access Persons also must obtain approval of their purchases and sales of securities. The Code also addresses and

restricts Access Persons' receipt or making of gifts. The Code includes reporting requirements and certification requirements to help to ensure compliance. KDA's Chief Compliance Officer administers the Code.

KDA will provide a copy of its Code of Ethics to any client or prospective client upon request. The request can be sent to info@katonahdebtadvisors.com.

Participation or Interest in Client Transactions

KDA's Collateral Management Agreements (investment management agreements) and sub-investment management agreements with affiliated Collateral Managers authorize it to buy securities from and to sell securities to its clients. Those agreements also authorize KDA to arrange for buying and selling of securities between clients, on the one hand, and a KDA affiliate, Kohlberg Capital Corporation, that controls KDA. Transactions such as these present a conflict of interest because KDA's and/or Kohlberg's interests may be directly contrary to client interests. However, the agreements authorizing these transactions require both that the transactions be at "arm's length" and that the client approve transaction. KDA does not make a practice of engaging in principal transactions

KDA and its related persons may invest their personal funds in the private funds KDA manages. In addition, certain employees of KDA may own securities in their personal accounts that KDA may wish to acquire for its clients. This presents a potential conflict of interest because the employee's interests and the clients' interests may differ and may be directly contrary to client interests. KDA's Code of Ethics regulates Access Person purchases and sales of these securities. The Code requires Access Persons to disclose their ownership of securities if they recommend that KDA purchase those securities for clients. The Code also prohibits personal trading when it would conflict with KDA's trading on behalf of its clients, requires that employees gain preapproval of all such trades, and requires periodic reporting of all personal investments.

Item 12 Brokerage Practices

KDA has discretion to select the broker-dealers and counterparties to transact trades on behalf of its clients.

KDA chooses approved brokers, dealers and counterparties on the basis of reputation, creditworthiness, expertise and historical performance.

KDA does not receive services other than execution from its brokers and dealers.

KDA does not consider client referrals as a factor in selecting brokers and dealers.

KDA does not require, request, or recommend that a client specify the brokers, dealers or counterparties that KDA uses in its trading activities, nor does it permit clients to direct which brokers, dealers or counterparties it uses in its trading activities.

KDA may aggregate sales and purchase orders of securities placed with respect to two or more client accounts if in its judgment such aggregation shall result in an overall economic benefit to such client accounts taking into consideration the selling or purchase price, brokerage commission and other

expenses. In accounting for such aggregated order price, commission and other expenses are averaged on a per position basis.

Item 13 Review of Accounts

KDA maintains a portfolio monitoring protocol that provides for various reviews on different periodic schedules. Some reviews are daily, some weekly, some monthly, some quarterly, and some are event-driven, such as upon changes in the rating of a security, loan documentation, and price declines.

The unaffiliated trustee (who handles all security transactions, cash, documentation and custody) for each private fund produces and posts to their password-protected website monthly reports for each fund. KDA will often produce a management letter in conjunction with quarterly distribution dates that will be posted by the trustee on the web site as well.

Item 14 Client Referrals and Other Compensation

KDA does not engage third parties to solicit clients for the funds it manages. KDA does not compensate any persons for referring

Item 15 Custody

KDA does not have custody of client funds or securities.

Item 16 Investment Discretion

KDA has discretionary authority to manage securities accounts on behalf of its clients. KDA's clients are private Collateralized Loan Obligation funds offered to sophisticated investors. KDA enters into "Collateral Management" (investment management) agreements with the funds that grant KDA this discretionary authority. A confidential explanatory memorandum, which is delivered to each prospective investor, describes the types of investments and limitations on KDA's investment discretion in the form of risk management targets.

Client limitations include both limitations on the types of securities and instruments that may be purchased and sold and risk management standards to be applied in managing the investments. Generally KDA's investments are limited to dollar-denominated loans, high yield fixed income securities, finance leases, synthetic securities (derivative financial instruments with respect to debt instruments, e.g., swap transactions), and structured finance securities (investments in pools of loans, receivables or other types of securities). Overall investments are subject to concentration

limits based on such things as the type of loan or investment, industry, the identity of the obligor, quality rating, and the domicile of the borrower.

Item 17 Voting Client Securities

KDA has no authority to vote client securities. KDA will not accept authority to vote client securities unless and until it has implemented policies and procedures to carry out such authority consistent with its obligations under applicable law and its status as a fiduciary.

Item 18 Financial Information

KDA does not require or solicit prepayment of fees six months or more in advance. KDA has discretionary authority over the securities held by its clients. KDA has no financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. KDA has never been the subject of any bankruptcy petition.