

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@kcapfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) 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.

From time to time Katonah Debt Advisors, LLC may refer to itself as a “registered investment adviser.” 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

On February 29, 2012 the sole owner of Katonah Debt Advisors, L.L.C. (“KDA”), KCAP Financial Inc. (“KCAP”), acquired Trimaran Advisors, L.L.C. (“Trimaran”) a registered investment adviser that also manages private Collateralized Loan Obligation funds as well as a private Collateralized Debt Obligation fund. At the time of acquisition different persons managed KDA’s and Trimaran’s funds. Subsequently the management of the funds of both advisers was consolidated such that the same persons now manage all funds.

In November 2012 KCAP reached a final settlement with the SEC on a proceeding against it and certain of its current and former employees, resolving the SEC investigation into the 2008 and 2009 valuations of certain of KCAP’s investments and the valuation methodology and procedures used by KCAP to value its investments prior to 2010. KDA was not the subject of the SEC investigation that gave rise to the SEC order. One of the KDA’s employees and Vice-Presidents is one of the current officers of KCAP mentioned above. Additional information is provided in Item 9, Disciplinary Information.

Item 3- Table of Contents

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	11
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	13
Item 12 Brokerage Practices	14
Item 13 Review of Accounts	14
Item 14 Client Referrals and Other Compensation	15
Item 15 Custody	15
Item 16 Investment Discretion	15
Item 17 Voting Client Securities	15
Item 18 Financial Information	16

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 KCAP Financial, Inc. (“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, 2012 KDA managed total assets of \$1,855,387,000 on a discretionary basis.

KDA’s primary focus for its investment management services is interest-bearing corporate debt instruments and other similar investments.

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 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.

Neither KDA nor any of its supervised persons accepts compensation for the sale of securities or other 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. This compensation may create an incentive for the KDA to make riskier or more speculative investments than Trimaran would make in the absence of such compensation. KDA has strict investment guidelines that limit the types of assets it can acquire for client accounts, including the perceived creditworthiness of such assets.

In addition, 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

The Firm performs a thorough credit analysis on issuers whose debt (or other securities) it considers for an investment. This will include consideration of the cyclical nature of the credit markets and the issuer's position and access to credit.

The Firm will also perform a thorough credit analysis of the issuer, including analysis of the debt structure of the company and the priority of the Firm's investment. This analysis will include detailed review of creditworthiness of the borrower and of the collateral, if any, securing the loan. The Firm will analyze the issuer's expected cash flow together with a top-down review of the issuer's credit structure. The Firm expects that this analysis will inform its decision whether to invest on behalf of its clients.

The Firm will generally recommend investments in United States dollar denominated commercial loans, including participation and assignment interests therein, or high yield corporate and other debt obligations, including synthetic securities and asset-backed securities. The Firm expects to invest heavily in interest-bearing loans and other instruments, which are expected to provide sufficient income to pay the interest to creditors, pay the Management Fee and expenses and potentially provide additional returns to investors. The types of instruments in which the Firm may invest are generally limited to primarily interest-bearing instruments. The instruments that the Firm recommends must also generally meet certain standards for creditworthiness, including having received certain ratings from third party ratings agencies.

Investors and creditors should be aware of certain special risk factors relating to the Firm's investment strategies and securities recommended. The following explanation of certain risks is not necessarily exhaustive, but rather highlights some of the more significant risks involved in the Firm's investment strategies. Investors should carefully review their offering circulars and the other governing documents of the Funds, which may contain additional explanations of risks not discussed below.

Risks of the Firm's Investment Program

Dependence on Key Personnel.

The Firm's investment program is highly dependent on the financial and managerial experience of its personnel. The loss of one or more of the individuals managing the Firm could have a significant material adverse effect on clients' performance.

Default Rates of Commercial Loans and High Yield Securities.

There are varying sources of statistical default rate data for commercial loans and high yield securities and numerous methods for measuring default rates. The historical performance of the loan market or high yield market is not necessarily indicative of its future performance. Should increases in default rates occur with respect to the type of investments comprising the Portfolio Collateral, the actual default rates of the Portfolio Collateral may exceed the rates anticipated by the Firm.

The Firm and Investors Will Have Limited Control of the Administration and Amendment of Portfolio Loans.

The Firm will exercise or enforce, or refrain from exercising or enforcing, any or all of its rights in connection with any loan held in the Portfolio Collateral (each, a "Portfolio Loan") or any related documents or will refuse or accept amendments or waivers of the terms of any Portfolio Loan and related documents in accordance with its customary business practices as if the Firm were administering the Portfolio Loans for its own account. The authority of the Firm to change the terms of the Portfolio Loans will generally not be restricted by the Fund's governing documents. The holders of the Notes will not have any right to compel the Firm to take or refrain from taking any actions other than in accordance with its customary business practices.

The terms and conditions of the loan agreements and related assignments may be amended, modified or waived only by the agreement of the lenders. Generally, any such agreement must include a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligation arising from loan agreements could be modified, amended or waived in a manner contrary to the preferences of the Firm, as the case may be, if a sufficient number of the other lenders concurred with such modification, amendment or waiver. There can be no assurance that any obligations arising from a loan agreement will maintain the terms and conditions to which the Firm originally agreed.

The exercise of remedies may also be subject to the vote of a specified percentage of the lenders thereunder. The Firm will have the authority to consent to certain amendments, waivers or modifications to the Portfolio Loans requested by obligors or the lead agents for loan syndication agreements. The Firm may, in accordance with its investment management standards and subject to the transaction documents, extend or defer the maturity, adjust the outstanding balance of any Portfolio Loan, reduce or forgive interest or fees, release material collateral or guarantees, or otherwise amend, modify or waive the terms of any related loan agreement, including the payment terms thereunder. The Firm will make such determinations in accordance with its customary investment management standards. Any amendment, waiver or modification of a Portfolio Loan could postpone the expected maturity of the Notes and/or reduce the likelihood of timely and complete payment of interest or principal under the Notes, as well as the timing and amount of payments to holders of the Notes.

Sale of Portfolio Collateral by the Firm under Certain Circumstances.

The Firm may only direct the disposition of Portfolio Collateral under certain limited circumstances. More specifically, the Firm may direct the disposition of Portfolio Collateral that is equity, has defaulted (as defined in the Notes' offering circulars) or based on certain other conditions. Furthermore, the Firm's ability to dispose of Portfolio Collateral may be subject to greater restrictions if the rating of any series of Notes is downgraded. Notwithstanding such restrictions and satisfaction of the conditions set forth in the Funds' governing documents and Notes' offering circular, sales and purchases by the Firm of Portfolio Collateral could result in losses by the Firm, which losses may result in the reduction or withdrawal of the rating of any or all of the Notes. On the other hand, circumstances may exist under which the Firm may believe that it is in the best interests of the Firm to dispose of Portfolio Collateral, but the Firm will not be permitted to do so under the restrictions and conditions of the Indenture.

Sale of Collateral upon Default of the Notes.

The market value of the Portfolio Collateral will generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular industry, the conditions of financial markets and the financial condition of the Firms of the Portfolio Collateral. In addition, a small amount of corporate debt instruments included in the Portfolio Collateral may have interest rates that remain constant until their maturity. Accordingly, their market value will generally fluctuate with changes in market rates of interest.

Interest Rate Risk.

The Notes generally will bear interest at a rate based on LIBOR, as described in the Notes' offering circulars. While most of the Portfolio Collateral will bear interest at floating rates, some of the Portfolio Collateral may bear interest at fixed rates. Further, the obligors under the Portfolio Loans which are floating rate collateral may choose different interest indices than the London interbank offered rate for three-month U.S. dollar deposits or the interest rates on the floating rate collateral may be determined or adjustments may take effect on different dates than is the case for the Notes.

Risks of Securities Recommended by the Firm

The Firm, on behalf of the Funds, may invest in unsecured loans, second lien loans, debtor-in-possession financings, delayed drawdown loans and revolving bank loans. Loans are not generally traded on organized exchange markets but rather would typically be traded by banks and other institutional investors engaged in loan syndications. The liquidity of such instruments will therefore depend on the liquidity of this market. Trading in loans is subject to delays as the transfers may require extensive and customized documentation, the payment of significant fees and the consent of the agent bank or underlying obligor.

The Firm, on behalf of the Funds, may purchase participation interests ("Participations") in loans in certain circumstances. Participations are loan-based agreements that provide exposure to loans held by a third party (the "Seller"). Participations held by the Firm in a Seller's portion of a loan typically result in a contractual relationship only with such Seller, not with the obligor of the loan. The Firm has a right to receive payments of principal, interest and any fees to which it is entitled only from the Seller selling the Participation and only upon receipt by the Seller of such payments from the obligor. In connection with purchasing Participations, the Firm generally will have no right to enforce compliance by the obligor with the terms of the related loan agreement, nor any rights of set-off against the obligor, and the Firm may not directly benefit from the collateral supporting such loan in which it has purchased a Participation. As a result, the Firm, on behalf of the Funds, will assume the credit risk of both the obligor and the Seller. In the event of insolvency of such Seller, the Firm, on behalf of the Funds, may be treated as a general creditor of the Seller, and may not benefit from any set-off between such Seller and the obligor. When the Firm holds a Participation in a loan it may not

have the right to vote to waive enforcement of any restrictive covenant breached by an obligor or, if the Firm does not vote as requested by the Seller, it may be subject to repurchase of the Participation at par. Sellers voting in connection with a potential waiver of a restrictive covenant may have interests different with those of the Firm, and such Seller may not consider the interests of the Firm in connection with their votes.

The Firm may also purchase loans initially made by other parties ("Assignments"). The purchaser of an Assignment typically succeeds to all the rights and obligations of the assignor of the loan and becomes a lender under the loan agreement and other operative agreements relating to the loan. Assignments are, however, arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an Assignment may differ from, and be more limited than, those held by the assignor of the loan. In contrast to the rights of the Firm as an owner of a Participation, the Firm, on behalf of the Funds, as an assignee, will generally have the right to receive directly from the obligor all payments of principal, interest and any fees to which it is entitled. In some Assignments, the obligor may have the right to continue to make payments to the assignor with respect to the assigned portion of the loan. In such a case, the assignor would be obligated to receive such payments as agent for the Firm, on behalf of the Funds, and to promptly pay over to the Firm, on behalf of the Funds, such amounts as are received. As a purchaser of an Assignment, the Firm typically will have the same voting rights as other lenders under the applicable loan agreement and will have the right to vote to waive enforcement of breaches of covenants. The Firm will also have the same rights as other lenders to enforce compliance by the obligor with the terms of the loan agreement, to set-off claims against the obligor and to have recourse to collateral supplying the loan. As a result, the Firm may not bear the credit risk of the assignor and the insolvency of an assignor of a loan should have little effect on the ability of the Firm to continue to receive payments of principal, interest or fees from the obligor. The Firm will, however, assume the credit risk of the obligor. Non-performing loans may require substantial workout negotiations or restructuring that may entail, among other things, substantial costs and a substantial reduction in the interest rate, a substantial write-down of the principal and/or a substantial extension of the amortization and/or maturity date of the loan. Any such reduction, write-down or extension will likely cause a significant decrease in the interest collections on the loan and any such write-down or extension will likely also cause a significant decrease in the principal collections on the loans.

The Firm may invest in asset-backed securities that are subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In addition, the underlying documents for certain of such asset-backed securities provide for the diversion of payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool of assets underlying such asset-backed securities exceeds certain levels or applicable overcollateralization or interest coverage tests are not satisfied. In certain circumstances, payments of interest on such securities may be reduced or eliminated for one or more payment dates, which may adversely affect the ability of the Firm to pay principal and interest in respect of the Notes. As a result of the foregoing, such subordinated asset-backed securities have a higher risk of loss than more senior classes of such securities. Additionally, as a result of the diversion of cash flow to more senior classes, the average life of such subordinated asset-backed securities may lengthen. Subordinated asset-backed securities generally do not have the right to trigger an event of default or vote on or direct remedies following a default until the more senior securities are paid in full. Finally, because subordinated asset-backed securities may represent a relatively small percentage of the size of the asset pool being securitized, the impact of a relatively small loss on the overall pool may be substantial on the individual asset-backed security.

The corporate and other debt obligations invested in by the Funds may be unsecured, may have been issued in connection with highly leveraged transactions and/or may be subordinate to certain other obligations of the Firm. A lower rating of such obligations reflects a greater possibility that adverse

changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the Firm to make payments of principal and interest. To the extent that a default occurs with respect to any security the Firm recommends, it is highly unlikely that the proceeds will be equal to the unpaid principal and interest thereof. In addition, future periods of uncertainty in the United States economy and the economies of other countries in which issuers are domiciled and the possibility of increased volatility and default rates in the high yield sector may also adversely affect the price and liquidity of high yield bonds in this market.

In addition, the Firm may recommend certain synthetic securities for the Funds insofar as such synthetic securities are suitable investments, as defined in the Funds' governing documents. Investments in such types of assets through the purchase of synthetic securities present risks in addition to those resulting from direct purchases of such synthetic securities' reference obligations. With respect to synthetic securities, the Firm will usually have a contractual relationship only with the counterparty of such synthetic security, and not the reference obligor on the reference obligation. The Firm generally will have neither right directly to enforce compliance by the reference obligor with the terms of the reference obligation nor any rights of set-off against the reference obligor, nor have any voting or other consensual rights of ownership with respect to the reference obligation. The Firm will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of the insolvency of the counterparty, the Firm will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the reference obligation. Consequently, the Firm will be subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of synthetic securities entered into with anyone counterparty will subject the Notes to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor.

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.

KDA is a wholly owned portfolio company of KCAP Financial, Inc. ("KCAP")

In November 2012 KCAP reached a final settlement with the SEC on a proceeding against it and certain of its current and former employees, resolving the SEC investigation into the 2008 and 2009 valuations of certain of KCAP's investments and the valuation methodology and procedures used by KCAP to value its investments prior to 2010. The SEC determined that KCAP violated certain reporting, books and records, and internal controls provisions of the federal securities laws. Under the terms of the settlement, KCAP did not admit or deny any finding by the SEC and will not pay any penalty or other monetary amounts. The SEC also reached settlements with two current and one former executive officers of KCAP, who each agreed to pay certain civil monetary penalties.

The Firm was not the subject of the SEC investigation that gave rise to the SEC order. One of the Firm's employees and Vice-Presidents is one of the two current executive officers of KCAP mentioned above.

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 KCAP Financial, Inc. ("KCAP"), 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 KCAP, Katonah X Management LLC and Katonah 2007-1 Management LLC. KCAP also is the sole owner of another subsidiary, Trimaran Advisors, L.L.C. that also provides investment management services to Collateralized Loan Obligation and Collateralized Debt Obligation private funds. The same portfolio management team manages the portfolios of all private funds managed by KCAP subsidiaries.

Potential Conflicts of Interest: KCAP

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

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

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

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

Awards of KCAP 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 KCAP, not just one or the other.

KCAP 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 KCAP

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 KCAP 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, KCAP 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 KCAP and KDA. These policies and procedures are described in greater detail under Item 6.

KCAP 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 KCAP is the client KCAP has the potential capacity to approve transactions that favor its own direct interest. If and when it does, KCAP 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 – KCAP 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.

KCAP 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 KCAP, 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.

Potential Conflicts of Interest: Trimaran Advisors, L.L.C.

KDA and Trimaran, through a common portfolio management team, manage private funds. The compensation structures of the various funds are identical or virtually identical, thus there is no financial incentive to favor one fund or set of funds over any other. At least theoretically one such

fund or set of funds conceivably could be consistently favored in terms of investment opportunities, however, all collateral managers, including Trimaran and KDA, adhere to written 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 KCAP Financial, Inc., a business development company and advisory affiliate that is the sole owner of KDA ("KCAP"), by the special purpose affiliates, Katonah X Management LLC and Katonah 2007-1 Management LLC, to which KDA provides sub-investment management services, and by Trimaran Advisors, L.L.C., which like KDA provides investment management services to private funds organized as Collateralized Loan Obligation funds or Collateralized Debt Obligation funds. 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@kcapfinancial.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

The Firm considers a variety of factors in selecting broker-dealers for client transactions and determining the reasonableness of their compensation. As discussed in detail in the Firm's best execution policy contained in the Firm's compliance manual, the Firm considers factors such as quality of execution; ability to effect the transaction; the broker or dealer's facilities, reputation and stability; willingness to commit capital; overall costs of a trade including commissions, mark-ups and mark-downs; and other factors. If the Firm determines in good faith that any commissions charged by a broker or the prices charged by a dealer are reasonable in relation to the value of services rendered, the Funds may pay commissions to such broker or prices to such dealer that are greater than those another might charge.

Currently, the Firm does not enter into formal "soft dollar" arrangements, consider client referrals when selecting brokers or dealers, or enter or have any "directed brokerage" arrangements with clients.

The Firm may aggregate the purchase or sale of securities subject to best execution. Securities will generally be allocated among the Funds based on a number of factors, including suitability, capacity and the indenture for each Fund, except as may be otherwise advisable due to legal, tax, regulatory or other constraints, or after taking into account other considerations such as relative amounts of capital available for investments and the relative exposure to individual positions or market sectors. In the event that any allocation is made on a different basis, it shall be documented according to the Firm's written procedures.

Item 13 Review of Accounts

On a regular basis, the President, who is primarily responsible for the investment recommendations made to clients, reviews the holdings of the Funds. Senior investment professionals also review the Firm's holdings on a daily basis against various risk parameters. The results of this review are communicated daily to key investment and trading personnel, including the President.

While the Firm has no formal parameters that trigger reviews on any other basis, investments are reviewed constantly by the investment team and may be subject to immediate review if a member of the investment team deems that any substantial event effecting such investment has occurred.

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. Trimaran 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 clients.

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.