



***KCAP Financial, Inc.
Nominating and Corporate
Governance Committee Charter***

Adopted By the Board of Directors on
September 14, 2011

Latest Modification by the Board of Directors: December 14, 2016

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The following shall constitute the Charter of the Nominating and Corporate Governance Committee (the “Charter”) of the board of directors of KCAP Financial, Inc. (the “Company”):

ORGANIZATION

The Board of Directors (the “Board”) of KCAP Financial, Inc. (the “Company”) has constituted a standing committee of the board of directors of the Company (the “Board”) to be known as the nominating and corporate governance committee (the “Committee”) and hereby sets forth the authority and responsibilities of the Committee as described below, subject to amendment by the Board from time to time.

COMPOSITION AND SELECTION

The Committee will be comprised of three or more directors as determined by the Board and each such committee member will (i) satisfy the listing requirements of The NASDAQ Stock Market and (ii) shall be persons who are not “interested persons” of the Company as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (“Independent Directors”). The Committee may form and delegate authority to subcommittees. In particular, the Committee may delegate the approval of certain transactions to a subcommittee consisting solely of the members of the Committee who are (a) “non-employee directors” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, or (b) “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Board may remove members of the Committee from such Committee, with or without cause. One or more members of the Committee may be designated by the Board as the Committee’s chairman or co-chairman, as the case may be.

In order to fulfill its role, the Committee shall be organized and governed in the following manner:

- Committee members will be appointed and removed by the Board;
- The members of the Committee shall serve for one year or until their successors are duly elected and qualified;
- Unless a chairperson is elected by the full Board, the members of the Committee shall designate a chairperson by majority vote of the full Committee membership. The chairperson shall be responsible for leadership of the Committee, including preparing the agenda, presiding over meetings and reporting to the Board;
- Action may be taken by the Committee upon the affirmative vote of a majority of the members; provided, however, that at any time during which the Committee consists of two members, if one member recuses himself due to an actual or potential conflict of interest, action may be taken by the other member;

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- Any two members or the Chairman of the Committee may call a meeting of the Committee upon due notice to each other member at least forty-eight hours prior to the meeting (provided that participation in any meeting shall be deemed to constitute waiver of any deficiency in such notice);
- Action may be taken by the Committee without a meeting if all of the members of the Committee indicate their approval thereof in writing; and
- The Committee may delegate any of its authority or responsibilities to a subcommittee.

The duties and responsibilities of Committee members contained herein shall be in addition to those duties otherwise required for members of the Board.

STATEMENT OF PURPOSE

The Committee is appointed by the Board:

- (1) to assist the Board by identifying individuals qualified to become Board members;
- (2) serve as the Company's nominating committee to recommend a slate of director nominees to be proposed by the Board to the stockholders (and recommend any director nominees to be elected by the Board to fill interim vacancies);
- (3) to oversee the governance of the Company including reviewing and recommending to the Board Corporate Governance Guidelines for the Company;
- (4) to assist the Board of Directors' compliance with legal and regulatory requirements as well as risk management related to nomination and governance;
- (5) to lead the Board in its annual review of the Board's performance; and
- (6) to recommend to the Board director nominees for each committee.

If a director believes that a significant issue exists that involves corporate governance at the Company, that director should promptly bring such issue directly to the attention of the Committee. Absent unusual circumstances, discussion with the Committee should occur prior to raising the matter with other directors or members of management.

COMMITTEE OBJECTIVES

The Committee's objectives shall include serving as an independent and objective party to identify and nominate qualified candidates for director and board committee placement; nominating members for each of the Board's Committee; taking a leadership role in shaping the Company's corporate governance; and overseeing the evaluation of the Board and management.

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COMMITTEE AUTHORITY AND RESPONSIBILITIES

The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director candidates and shall have sole authority to approve the search firm's fees and other retention terms. The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the Committee. The Committee shall have the authority to retain and compensate such advisors without seeking further approval and shall receive appropriate funding, as determined by the Committee, from the Company to compensate such advisors. The Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities and shall have the authority to retain outside advisors to assist the Committee in the conduct of any investigation.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; provided, however, that no subcommittee shall consist of fewer than two members; and provided further that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee is authorized, without further action by the Board, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. The Committee is empowered, without further action by the Board, to cause the Company to pay the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall maintain minutes of its meetings and records relating to those meetings and, where appropriate, provide copies of such minutes to the Board.

DUTIES AND RESPONSIBILITIES

The following functions shall be the recurring activities of the Committee in carrying out its responsibilities. The functions are set forth as a guide and may be varied from time to time as appropriate under the circumstances.

- 1) Review the composition of the Board, taking into account the Corporate Governance Guidelines;
- 2) Make recommendations to the Board regarding board size and composition, committee composition and structure and proceedings affecting directors;
- 3) Except to the extent the Company is otherwise legally obligated, identify individuals qualified to become Board members, consistent with criteria approved by the Board, receive nominations for such qualified individuals, select, or

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- recommend that the Board select, the director nominees for the next annual meeting of shareholders, taking into account each candidate's ability, judgment and experience and the overall diversity and composition of the Board;
- 4) Consider candidates recommended by stockholders, other members of the Board, officers and employees of the Company and other sources that the Committee deems appropriate.
 - 5) Establish policies under which stockholders may recommend a candidate to the Committee for consideration for nomination as a director. Unless otherwise provided in the applicable policy, the Committee will consider and evaluate nominee candidates properly submitted by shareholders on the same basis as it considers and evaluates candidates recommended by other sources, so long as such recommendations are submitted in accordance with the Company's bylaws and other applicable laws, rules or regulations regarding director nominations
 - 6) Recommend to the Board nominees for election as directors;
 - 7) Present all nominees in a timely fashion to minimize disruption in the Company's business and at such a time to allow for the full consideration of the nominees by the Board and the timely submission of any filings required by the Securities and Exchange Commission;
 - 8) Review the functions, duties, term and composition of the committees of the Board and make recommendations to the Board with respect thereto;
 - 9) Recommend to the Board qualified individuals to serve as committee members on the various Board committees. The Committee shall review and recommend committee slates annually and shall recommend additional committee members to fill vacancies as needed;
 - 10) Clearly articulate to each director what is expected, including reference to the Company's corporate governance principles and directors' basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials;
 - 11) Recommend criteria for assessment of the performance of the Board as a whole, for each Board committee, and for individual directors.
 - 12) Receive comments from all directors and report annually to the Board with an assessment of the Board's performance, operations, size and composition of the Board to be discussed with the full Board following the end of each fiscal year; consider, discuss and recommend ways to improve the Board's effectiveness;

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- 13) Review and assess any director who: (a) retires, (b) changes from the principal occupation or principal background association held when such director was originally invited to join the Board, (c) joins any new board of directors of a public company or private company or (d) joins a governmental agency or similar organization, and in each case shall determine whether it believes that such director's change in circumstances represents a conflict of interest or otherwise inhibits such director's ability to serve the best interest of the Company and its stockholders;
- 14) Develop and recommend to the full Board a set of Corporate Governance Guidelines applicable to the Company. Such principles shall address the following subjects: (i) director qualification standards, (ii) director responsibilities, (iii) director access to management and, as necessary and appropriate, independent advisors, (iv) director compensation, (v) director orientation and continuing education, (vi) management succession and (vii) annual performance evaluation of the Board;
- 15) Annually review and reassess the adequacy of the Corporate Governance Guidelines of the Company and recommend any proposed changes to the Board for approval; consider other corporate governance and related issues;
- 16) Review the Company's practices and policies with respect to directors, including retirement policies and compensation for non-employee directors, the size of the Board, the ratio of employee directors to non-employee directors, the meeting frequency of the Board and the structure of Board meetings and make recommendations to the Board with respect thereto;
- 17) Review periodically and reevaluate the adequacy of the Company's human resource practices and the Company's fulfillment of the Company's obligations of fairness in internal and external matters;
- 18) Review periodically and reassess the adequacy of the Company's Code of Business Conduct and Ethics;
- 19) Consider with management public policy issues that may affect the Company;
- 20) In concert with the Board, review the Company policies with respect to significant issues of corporate public responsibility, including contributions;
- 21) Recommend to the Board or to the appropriate committee thereof processes for annual evaluations of the performance of the Board, the Chairman of the Board and the Chief Executive Officer of the Company, and its standing Audit Committee, Compensation Committee and Valuation Committee;

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- 22) Make regular reports to the Board;
- 23) Consider and report to the Board any questions of possible conflicts of interest of Board members;
- 24) Oversee the maintenance and presentation to the Board of management's plans for succession to senior management positions in the Company;
- 25) Annually evaluate the Company's Code of Ethics and, if appropriate, recommend changes to that code;
- 26) Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval;
- 27) Annually review its own performance; and
- 28) Perform such other functions as the Board may request.

MEETINGS

The business of the Committee shall be conducted at its regular meetings, at special meetings or by unanimous written consent. Special meetings may be called by any Committee member, by the chairman of the Board or at the request of senior management of the Company. Adequate notice of the place, date, and time of each special meeting of the Committee shall be given to each member of the Committee. The Committee shall meet as often as may be deemed necessary or appropriate in its judgment and that of the Board. The chairperson or a majority of the members of the Committee may call meetings of the Committee upon reasonable notice to all members of the Committee. The Committee shall meet at such a time and place to allow for the timely presentment of any nominees to the Board for consideration. Following each meeting, the Committee shall report to the Board at the next regularly scheduled Board meeting, or sooner, as circumstances may dictate.

A majority of regular members then serving on the Committee shall constitute a quorum. Action may be taken by the Committee (or any subcommittee of the Committee) upon the affirmative vote of a majority of the members of the Committee (or subcommittee). Action may be taken by the Committee (or any subcommittees) without a meeting if all of the members of the Committee (or any subcommittees) indicate their approval thereof in writing.

Any member of the Committee may call a meeting of the Committee upon due notice to each other member at least twenty-four hours prior to the meeting (provided that participation in any meeting shall be deemed to constitute waiver of any deficiency in such notice).

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CONSISTENCY WITH ARTICLES OF INCORPORATION

To the extent that any provision or section of this Charter may be inconsistent with any article, provision or section of the Articles of Incorporation or the Bylaws of the Company, the Articles of Incorporation or the Bylaws, as appropriate, shall fully control.