



Valuation Committee Charter

Adopted by the Board of Directors on:
December 11, 2006

Last Revision and Adoption by the Board of Directors on:
December 14, 2016

Organization and Governance of the Valuation Committee.

There shall be a committee of the Board of Directors (the “Board”) of the KCAP Financial, Inc. (the “Company”) to be known as the Valuation Committee (the “Committee”). The Committee shall consist of not less than three members of the Board of Directors (the “Board”), and be composed of at least two independent directors¹. Members of the Committee may be removed at the Board’s discretion. 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;
- 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;
- 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 48 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 its authority or responsibilities to a subcommittee.

Statement of Purpose.

The purpose of the Committee is to act pursuant to delegated authority by the Board to satisfy the pricing obligation of the Board under the Investment Company Act of 1940, as amended, as follows:

- to determine whether market quotations are readily available for securities or other investments held by the Company; and
- to determine the fair value of securities or other investments held by the Company for which market quotations are not readily available; and
- to assist the Board of Directors’ compliance with legal and regulatory requirements, as well as risk management, related to valuation.

Notwithstanding the authority delegated to the Valuation Committee pursuant to this Charter or the duties and responsibilities assigned herein to the Valuation Committee, the Board

¹ Independent directors are members of the board who (1) are not “interested persons” (as defined in the Investment Company Act of 1940, as amended) and (2) are “independent directors” (as defined in Nasdaq Marketplace Rule 4200(a)(15)).

shall retain the ultimate authority and responsibility for determination of the value of the Company's assets under the 1940 Act.

Meetings and Responsibilities of the Committee.

The Valuation Committee shall meet as often as it determines, but not less frequently than quarterly, and is empowered to hold special meetings as circumstances require. The Chairman of the Valuation or any two members of the Valuation Committee may fix the time and place of the Valuation Committee's meetings unless the Board shall provide otherwise. The responsibilities of the Committee include the following:

- determine whether market quotations are readily available for securities or other investments held by the Company,
- make valuation determinations regarding (1) the Company's portfolio securities for which market quotations are not readily available (e.g., securities which are not publicly traded) and (2) other investments,
- examine the nature and realizable value of any collateral, the portfolio company's ability to make payments, the portfolio company's earnings, the markets in which the portfolio company does business, discounted cash flow and other factors that the Committee deems appropriate in making valuation recommendations to the Board,
- make such recommendations in accordance with the valuation procedures adopted by the Board, as amended from time to time,
- report its actions and any recommendations to the Board on a periodic basis, and
- review such other matters as the Board or the Committee shall deem appropriate.

Resources and Authority of the Committee.

The Committee shall have the resources and the authority to discharge its duties and responsibilities, including the authority to retain internal and external advisors (including independent valuation firms or experts), as it deems appropriate, without seeking approval of the Board or management. The Committee shall have sole authority to approve related fees and retention terms associated with the retention of any such advisor or consultant, which fees shall be paid by the Company.

Powers of the Committee.

In order to fulfill its role, the Committee may, but shall not be required to, retain one or more independent valuation firms to assist in arriving at a fair value of the Company's securities and other investments.

