



***Whistleblower Policy:
Reporting of Illegal or Unethical
Behavior***

Policy Created: November 27, 2006
Last Revision: December 14, 2016

WHISTLEBLOWER POLICY - REPORTING OF ANY ILLEGAL OR UNETHICAL BEHAVIOR

It is the policy of the Company to encourage personnel to report any instances of wrongdoing. If you are aware of any illegal or unethical behavior or if you believe that an applicable law, rule, regulation or policy of the Company has been violated, the matter must be promptly reported to your supervisor, the Audit Committee of the Board of Directors, the Chief Compliance Officer, or the Company's independent public accountants. In addition, if you have a concern about the Company's accounting practices, internal controls or auditing matters, you should report your concerns to these same persons or entities.

If you wish to make a report with respect to any of these matters, you may:

- **submit a report on the KCAP Compliance Hotline Committee at 866-569-1855**
- **submit a secure web message at www.openboard.info/kcap/index.cfm**
- **send an email to: kcapcompliance@openboard.info**
- **contact the Chief Compliance Officer.**

Your direct supervisor is normally the first person you should contact if you have questions about anything in this or any other Company policy, or if you believe the Company or an associate is violating the law or Company policy or engaging in conduct that appears unethical. Under some circumstances, it may be impractical or you may feel uncomfortable raising a matter with your supervisor. In those instances, you may contact the head of your department, the Chief Compliance Officer or the Chairman of the Audit Committee. Furthermore, you should take care to report violations to a person who you believe is not involved in the alleged violation. All reports of alleged violations will be promptly investigated and, if appropriate, remedied, and if legally required, immediately reported to the proper governmental authority.

You will be expected to cooperate in assuring that violations of this and all other Company policies are promptly addressed. The Company has a policy of protecting the confidentiality of those making reports of possible misconduct to the maximum extent permitted by law. **In no event will there be any retaliation against someone for reporting an activity that he or she in good faith believes to be a violation of any law, rule, regulation or internal policy.** Any supervisor intimidating or imposing sanctions on someone for reporting a matter will be subject to discipline up to and including termination.

You should know that it is unlawful to retaliate against a person, including with respect to their employment, for providing truthful information to a federal regulatory or law enforcement agency, Congress or a person with supervisory authority over an employee regarding conduct that the employee reasonably believes violates U.S. securities or antifraud rules. Employees who allege that they have been retaliated against for providing information to a federal agency,

KCAP Financial, Inc.
Policies and Procedures Manual

Congress or a person with supervisory authority over the employee about suspected fraud may file a complaint with the Department of Labor, or in federal court if the Department of Labor does not take action.

RESPONDING TO IMPROPER CONDUCT

All Company policies will be enforced on a uniform basis for everyone without regard to his or her position. Violators of any Company policy will be subject to disciplinary action. Supervisors and managers of a disciplined employee or an employee reporting a violation may also be subject to disciplinary action for failure to properly oversee an employee's conduct, or for retaliation against an employee who reports a violation.

The response will depend upon a number of factors including whether the improper behavior involved illegal conduct. Disciplinary action may include, but is not limited to, reprimands and warnings, probation, suspension, demotion, reassignment, reduction in compensation or termination. In any disciplinary action arising from violations of a Company policy, prior truthful disclosure, or the failure to fully disclose the issue and all pertinent information with respect to the issue, will weigh heavily in the disposition of the matter. Certain actions and omissions prohibited by the policy might also be unlawful and could lead to individual criminal prosecution and, upon conviction, to fines and imprisonment.

Waivers of or exceptions to this or any other Company policy will be granted only under exceptional circumstances. A waiver of this or any other Company policy for any executive officer may be made only by the Board of Directors or a committee of the Board and will be promptly disclosed to shareholders in accordance with applicable law and regulatory requirements.

RESPONSIBILITY FOR ADMINISTRATION

The Chairman of the Audit Committee, Al Pastino, and the Chief Compliance Officer, Jill Simeone, (as well as Daniel Gilligan, appointed by the CCO as backup) shall be responsible for the monitoring of the Whistleblower Hotline, as well as for responding to and investigating any allegations of misconduct. Complaints on the Hotline (and otherwise) shall be reviewed and acted upon or cleared jointly.

REVIEW PROCEDURE

Each year the Chief Compliance Officer will review all policies and procedures for compliance with industry rules and regulations. Any required changes to the policies and procedures will be made promptly and will be reported to the Board of Directors at the next quarterly meeting.

DOCUMENTATION MAINTAINED

All underlying documents are maintained by the Chief Compliance Officer.

KCAP Financial, Inc.
Policies and Procedures Manual

OTHER REPORTING

Officers and employees should understand that nothing contained in the Whistleblower Policy limits or impedes an officer or employee's ability to report concerns or lodge a complaint directly with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the SEC or any other federal, state or local governmental agency or commission ("*Government Agencies*"). Officer and employees further understand that the Whistleblower Policy does not limit an officer or employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies or other authority, including providing documents or other information, without notice to the Company. The Whistleblower Policy does not limit employees' right to receive an award for information provided to any Government Agencies or other authority.