



Compensation Committee Charter

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

Last Revision: December 14, 2016

KCAP Financial, Inc.
Compensation Committee Charter

PAGE 1 OF 4

Composition of the Compensation Committee.

There shall be a committee of the Board of Directors (the “Board”) of KCAP Financial, Inc. (“the Company”) to be known as the compensation committee (the “Committee”). The Committee shall be composed of at least three (3) directors, each of whom shall satisfy the independence requirements of The NASDAQ Stock Market, Inc. (“NASDAQ”), each of whom shall not be “interested persons” of the Company as defined in [Section 2\(a\)\(19\) of the Investment Company Act of 1940](#) and who shall be appointed by the Nominating Committee of the Board. Members of the Committee may be removed at the Board’s discretion. In addition, each member of the Committee shall qualify as an “outside director” within the meaning of [Section 162\(m\) of the Internal Revenue Code of 1986](#), as amended, and shall be a “non-employee director” within the meaning of [Rule 16b-3 under the Securities Exchange Act of 1934](#), as amended.

Organization and Governance of the Committee.

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

- Action may be taken by the Committee upon the affirmative vote of a majority of the members;
- Any member of the Committee may call a meeting of the Committee upon due notice to each other member at least 24 hours prior to the meeting;
- 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 to a subcommittee.

Statement of Purpose and Responsibilities.

The Committee has direct responsibility to perform the following duties:

- Review and approve corporate goals and objectives relevant to Chief Executive Officer and other executive officer compensation, evaluate the Chief Executive Officer's and other executive officers' performance in light of those goals and objectives and, either as a committee or together with the other independent directors (as directed by the Board), determine and approve the Chief Executive Officer's and other executive officers' compensation level based on this evaluation (and the Chief Executive Officer or other executive officers, may not be present during voting or deliberations relating to his/her compensation);
- Make recommendations to the Board regarding the adoption of new employee incentive compensation plans and equity-based plans and administer the Company's existing incentive compensation plans and equity-based plans;
- Review and assess the adequacy of this charter and submit any changes to the

KCAP Financial, Inc.
Compensation Committee Charter

PAGE 2 OF 4

Board for approval;

- Report its actions and any recommendations to the Board on a periodic basis;
- Annually perform, or participate in, an evaluation of the performance of the Committee, the results of which shall be presented to the Board; and
- Review such other matters as the Board or the Committee shall deem appropriate.

Powers of the Compensation Committee.

In order to fulfill its role, the Committee shall have the power to:

- Adopt, administer, amend or terminate compensation plans applicable to any class of employees of the Company; provided that no adoption, amendment or termination of any compensation plan under which stock may be issued, or in which a member of the Board may be a participant shall be effective unless the same shall be approved by the Board and, to the extent required by law (including NASDAQ requirements and the Investment Company Act), by the stockholders; provided, further, that no adoption, amendment or termination of any compensation plan may be made that violates this or any other committee charter of the Company or applicable law.
- In its sole discretion, retain or obtain advice from, compensate, and supervise compensation consultants, independent legal counsel, or other advisers, at the Company's expense.

The Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the compensation committee, other than in-house legal counsel, only after taking into consideration the following factors:

- (i) the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
- (ii) the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- (iii) the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- (iv) any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
- (v) any stock of the Company owned by the compensation consultant, legal

KCAP Financial, Inc.
Compensation Committee Charter

PAGE 3 OF 4

- counsel or other adviser; and
- (vi) any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an Executive Officer of the Company.