

AUDIT COMMITTEE CHARTER

COMMITTEE MEMBERSHIP

The Audit Committee (the “*Committee*”) is appointed by the Board of Directors (the “*Board*”) of StoneCastle Financial Corp. (the “*Company*”).

COMMITTEE FUNCTIONS

The Committee shall:

- (1) oversee the accounting and financial reporting processes of the Company and its internal controls and, as the Audit Committee deems appropriate, to inquire into the internal controls of certain third-party service providers;
- (2) oversee the quality and integrity of the Company’s financial statements and the independent audit thereof;
- (3) oversee, or, as appropriate, assist Board oversight of, compliance with legal and regulatory requirements that relate to the Company’s accounting and financial reporting, internal controls and independent audits; and
- (4) approve, prior to the appointment, the engagement of the Company’s independent auditor and, in connection therewith, to review and evaluate the qualifications, independence and performance of the Company’s independent auditor.

COMMITTEE ORGANIZATION AND COMPOSITION

A. Size and Membership Requirements.

(1) The Committee shall be composed of at least three members, all of whom shall be directors of the Company. Each member of the Committee, and a committee chairperson, shall be appointed by the Board. The Board shall have the power at any time to change the membership of the Audit Committee, to fill all vacancies and to designate alternate members to replace any absent or disqualified members, so long as the Audit Committee shall at all times have at least three members and otherwise meet the qualifications set forth in this Section A.

(2) Each member of the Committee shall be independent of the Company and must be free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member. Each member must meet the independence and experience requirements of the NASDAQ Global Market, and Section 10A of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), and Rule 10A-3 thereunder, and other applicable rules and regulations of the Securities and Exchange Commission (“*SEC*”). Included in the foregoing is the requirement that no member of the Committee be an “interested person” of the Company within the meaning of Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “*1940 Act*”), nor shall any Committee member accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company (except in the capacity as a Board or committee member).

(3) At least one member of the Committee shall have been determined by the Board, exercising its business judgment, to qualify as an “audit committee financial expert” as defined by the SEC.

(4) Each member of the Committee shall be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement. In addition, at least one member of the Committee shall have been determined by the Board, exercising its business judgment, to be “financially sophisticated,” as required by the NASDAQ Global Market, which includes a person that has past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background that results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. A member whom the Board determines to be the Company’s “audit committee financial expert” shall be presumed to qualify as financially sophisticated.

(5) If a member of the Committee ceases to meet the requirements set forth in clause (2) above for reasons outside the reasonable control of such member, the member may remain on the Committee until the earlier of the next annual meeting of the stockholders of the Company or one year from the occurrence of the event that caused the failure of such member to meet such qualifications, provided that the Company provides notice to The NASDAQ Stock Market LLC immediately upon learning of the event or circumstance that caused the noncompliance pursuant to Rule 5605(c)(4) of the NASDAQ listing rules (or any successor thereto).

B. Frequency of Meetings.

The Committee will ordinarily meet once for every regular meeting of the Board. The Committee may meet more or less frequently as appropriate, but no less than twice per year.

C. Term of Office.

Committee members shall serve until they resign or are removed or replaced by the Board.

RESPONSIBILITIES

A. With respect to Independent Auditors:

(1) The Committee shall be responsible for the appointment or replacement (subject, if applicable, to Board and/or shareholder ratification), compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (“*External Auditors*”). The External Auditors shall report directly to the Committee.

(2) The Committee shall meet with the External Auditors and the Advisor to review the scope, fees, audit plans and staffing of the proposed audits for each fiscal year. At the conclusion of the audit, the Committee shall review such audit results, including the External Auditor’s evaluation of the Company’s financial and internal controls, any comments or recommendations of the External Auditors, any audit problems or difficulties and the Advisor’s response, including any restrictions on the scope of the External Auditor’s activities or on access

to requested information, any significant disagreements with the Advisor, any accounting adjustments noted or proposed by the External Auditors but not made by the Company, any communications between the audit team and the audit firm's national office regarding auditing or accounting issues presented by the engagement, any significant changes required from the originally planned audit programs and any adjustments to the financial statements recommended by the External Auditors.

(3) The Committee shall meet with the External Auditors in the absence of representatives of the Advisor, as necessary.

(4) The Committee shall pre-approve all audit services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its External Auditors in accordance with the Audit and Non-Audit Services Pre-Approval Policy attached hereto as Schedule 1. The Chairman of the Committee is authorized to give such pre-approvals on behalf of the Committee where the fee for such engagement does not exceed the amount specified in the Audit and Non-Audit Services Pre-Approval Policy, and shall report any such pre-approval to the full Committee.

(5) The Committee shall pre-approve the External Auditor's engagements for non-audit services to the Advisor and any entity controlling, controlled by or under common control with the Advisor that provides ongoing services to the Company, if the engagement relates directly to the operations and financial reporting of the Company, subject to the de minimis exceptions for non-audit services described in Rule 2-01 of Regulation S-X. The Chairman of the Committee is authorized to give such pre-approvals on behalf of the Committee, and shall report any such pre-approval to the full Committee.

(6) If the External Auditors have provided non-audit services to the Advisor and any entity controlling, controlled by or under common control with the Advisor that provides ongoing services to the Company that were not pre-approved pursuant to the de minimis exception, the Committee shall consider whether the provision of such non-audit services is compatible with the External Auditor's independence.

(7) The Committee shall obtain and review a report from the External Auditors at least annually (including a formal written statement delineating all relationships between the auditors and the Company consistent with PCAOB Ethics and Independence Rule 3526) regarding (a) the External Auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by an inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the firm; (c) any steps taken to deal with any such issues; and (d) the External Auditor's independence, including all relationships between the External Auditors and the Company and its affiliates; and evaluating the qualifications, performance and independence of the External Auditors, and their compliance with all applicable requirements for independence and peer review, and a review and evaluation of the lead partner, taking into account the opinions of management and discussing such reports with the External Auditors. The Committee shall present its conclusions with respect to the External Auditors to the Board.

(8) The Committee shall review reports and other information provided to it by the External Auditors regarding any illegal acts or fraud that the External Auditors should discover

(whether or not perceived to have a material effect on the Company's financial statements), in accordance with and as required by Section 10A(b) of the Exchange Act.

(9) The Committee shall ensure the rotation of the lead (or concurring) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law, and further considering the rotation of the independent auditor firm itself.

(10) The Committee shall establish and recommend to the Board for ratification a policy of the Company with respect to the hiring of employees or former employees of the External Auditors who participated in the audits of the Company's financial statements.

(11) The Committee shall take (and, where appropriate, recommend that the Board take) appropriate action to oversee the independence of the External Auditors.

(12) The Committee shall report regularly to the Board on the results of the activities of the Committee, including any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's External Auditors, or the performance of the internal audit function, if any.

B. With respect to Company Financial Statements:

(1) The Committee shall meet to review and discuss with the Advisor and the External Auditors the annual audited financial statements of the Company, major issues regarding accounting and auditing principles and practices, and the Company's disclosures under "Management's Discussion and Analysis," and shall meet to review and discuss with the Advisor the semi-annual financial statements of the Company and the Company's disclosures under "Management's Discussion and Analysis."

(2) The Committee shall review and discuss reports, both written and oral, from the External Auditors or the Advisor regarding (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") for policies and practices that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the External Auditors; (c) other material written communications between the External Auditors and management, such as any management letter or schedule of unadjusted differences; and (d) all non-audit services provided to any entity in the investment company complex (as defined in Rule 2-01 of Regulation S-X) that were not pre-approved by the Committee.

(3) The Committee shall review disclosures made to the Committee by the Company's principal executive officer and principal financial officer during their certification process for the Company's periodic reports about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

(4) The Committee shall discuss with the External Auditors the matters required to be discussed by the applicable PCAOB Auditing Standard that arise during the External Auditor's review of the Company's financial statements.

(5) The Committee shall review and discuss with management and the External Auditors (a) significant financial reporting issues and judgments made in connection with the preparation and presentation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles and any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies, and (b) analyses prepared by the Advisor or the External Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

(6) The Committee shall review and discuss with management and the External Auditors the effect of regulatory and accounting initiatives on the Company's financial statements.

(7) The Committee shall discuss with the Advisor the Company's press releases regarding financial results and dividends, as well as financial information and earnings guidance provided to analysts and rating agencies. This discussion may be done generally, consisting of discussing the types of information to be disclosed and the types of presentations to be made. The Chairman of the Committee shall be authorized to have these discussions with the Advisor on behalf of the Committee, and shall report to the Committee regarding any such discussions.

(8) The Committee shall discuss with the Advisor the Company's major financial risk exposures and the steps the Advisor has taken to monitor and control these exposures, including the Company's risk assessment and risk management policies and guidelines. In fulfilling its obligations under this paragraph, the Committee may, as applicable, review in a general manner the processes other Board committees have in place with respect to risk assessment and risk management.

C. Other Responsibilities:

(1) The Committee shall receive, retain and handle complaints received by the Company regarding accounting, internal accounting controls, or auditing matters from any person, whether or not an employee of the Company or the Advisor, and shall receive submissions of concerns regarding questionable accounting or auditing matters by employees of the Company and the Advisor, administrator, principal underwriter, or any other provider of accounting-related services for the Company. All such complaints and concerns shall inform the Chief Compliance Officer and determine the whether an investigation is necessary. After considering any such matter the Committee may notify the full Board, retain such expert personnel and counsel as needed, recommend that the Company implement an appropriate response to the investigation and notify the Chief Compliance Officer and the Board of the Committee's decision.

(2) The Committee shall review, with fund counsel and independent legal counsel, any legal matters that could have significant impact on the Company's financial statements or compliance policies and the findings of any examination by a regulatory agency as they relate to financial statement matters.

(3) The Committee shall review and reassess the adequacy of this charter on an annual basis and provide a recommendation to the Board for approval of any proposed changes deemed necessary or advisable by the Committee.

(4) The Committee shall evaluate on an annual basis the performance of the Committee.

(5) The Committee shall review with the External Auditors and with the Advisor the adequacy and effectiveness of the Company's internal accounting and financial controls.

(6) The Committee shall discuss with the Advisor and the External Auditors any correspondence with regulators or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies.

(7) The Committee shall obtain any reports from the Advisor with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations. The Committee shall perform other special reviews, investigations or oversight functions as requested by the Board and shall receive and review periodic or special reports issued on exposure/controls, irregularities and control failures related to the Company.

(8) The Committee shall prepare any report of the Committee required to be included in a proxy statement for the Company.

(9) The Committee may request any officer or employee of the Company or the Advisor, independent legal counsel, fund counsel and the External Auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

(10) The Committee shall maintain minutes of its meetings.

(11) The Committee shall perform such other functions and have such powers as may be necessary or appropriate in the efficient and lawful discharge of its responsibilities.

AUTHORITY TO ENGAGE ADVISERS

The Committee may engage independent counsel and other advisers, as it determines necessary to carry out its duties. The Company's External Auditors shall have unrestricted accessibility at any time to Committee members.

FUNDING PROVISIONS

A. The Committee shall determine the:

(1) Compensation to any independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and

(2) Compensation to any advisers employed by the Committee.

B. The expenses enumerated in this Article and all necessary and appropriate administrative expenses of the Committee shall be paid by the Company or the Advisor.

MANAGEMENT AND EXTERNAL AUDITOR'S RESPONSIBILITIES

A. The Advisor has the primary responsibility for establishing and maintaining systems for accounting, reporting, disclosure and internal controls. The External Auditors have the primary

responsibility to plan and implement an audit, with proper consideration given to the accounting, reporting and internal controls. All External Auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company shall report directly to the Committee. The External Auditors' ultimate accountability is to the Board and the Committee, as representatives of shareholders.

B. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with GAAP, nor is it the duty of the Committee to assure compliance with laws and regulations and/or the Company's Code of Ethics.

C. In discharging its responsibilities, the Committee and its members are entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by: (1) one or more officers of the Company; (2) legal counsel, public accountants, or other persons as to matters the Committee member reasonably believes are within the person's professional or expert competence; or (3) a Board committee of which the Committee member is not a member.

Adopted: September 4, 2013

Schedule 1

Audit/Non-Audit Services Pre-Approval Policy

I. Purpose of Policy

The Audit Committee of the Company's Board of Directors (the "Audit Committee") is responsible for the appointment, compensation and oversight of the work of the independent auditor. The authority and responsibility for the appointment, compensation and oversight of the auditor should be with directors who are independent of management. Any non-audit work performed by the auditor should be reviewed and approved by these independent directors to ensure that any non-audit services performed by the auditor do not impair the independence of the independent auditor. The Audit Committee is required to pre-approve the audit and non-audit services performed by the Company's independent auditor in order to assure that they do not impair the auditor's independence. Accordingly, the Audit Committee is adopting this Audit and Non-Audit Services Pre-Approval Policy (the "Policy"), which sets forth the procedures and the conditions pursuant to which services to be performed by the independent auditor are to be pre-approved.

II. Statement of Principles

A. Prohibited Services

The Audit Committee will not approve nor will the Company's independent auditor perform for the Company any services that constitute Prohibited Activities. These prohibited activities include:

1. bookkeeping or other services related to the accounting records or financial statements of the audit client;
2. financial information systems design and implementation;
3. appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
4. actuarial services;
5. internal audit outsourcing services;
6. management functions or human resources;
7. broker or dealer, investment adviser, or investment banking services;
8. legal services and expert services unrelated to the audit; and
9. any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

B. Non-Prohibited Services

Proposed non-prohibited services may be pre-approved either by the Audit Committee agreeing to a general framework with descriptions of allowable services ("general pre-approval") or by the Audit Committee pre-approving specific services ("specific pre-approval").

The Company's Audit Committee believes that the combination of these two approaches will result in an effective and efficient procedure to pre-approve services that may be performed by the independent auditor. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent auditor.

III. Services Subject to General Pre-approval

A. Audit Services

The annual audit services engagement scope and terms will be subject to the general pre-approval of the Audit Committee. Audit services include the annual financial statement audit and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. Audit services also include the attestation engagement for the

independent auditor's report on management's assertion on internal controls for financial reporting. The Audit Committee will monitor the audit services engagement throughout the year and will also approve, if necessary, any changes in terms and conditions resulting from changes in audit scope, Company structure or other items. The Audit Committee will request that the audit engagement letter with the independent auditor be addressed to the Chairman of the Audit Committee and that the Chairman of the Audit Committee execute the engagement letter on behalf of the Company.

B. Audit-Related Services

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements (e.g., research and consultation regarding accounting and financial reporting transactions). Because the Audit Committee believes that the provision of audit-related services does not impair the independence of the auditor, the Audit Committee will grant general pre-approval to audit-related services.

C. Pension and Benefit Plan Consulting and Compliance Services

The independent auditor can provide pension and benefit plan consulting and compliance services to the Company without impairing the auditor's independence. Hence, the Audit Committee will grant general pre-approval to the pension and benefit plan consulting and compliance services that have been historically provided by the auditor, which the Audit Committee has reviewed and believes, will not impair the independence of the auditor.

IV. Services Subject to Specific Pre-approval

A. Preparation of Statutory Accounts and Tax Planning Services

The Audit Committee believes that there exists the potential for impairment of auditor independence or for an overlap with prohibited services for certain tax planning services and for the preparation of non-U.S. statutory accounts. Accordingly, specific pre-approval will be required for these services in order for the Audit Committee to have an opportunity to review the scope of work to be provided by the auditor in connection with these services.

B. All Other Services

All other services not described in III above are subject to specific pre-approval and engagement by the Audit Committee.

V. Procedures

The procedures the Audit Committee will employ in implementing this policy are as follows:

1. Annually, the Chief Financial Officer shall submit to the Audit Committee a schedule of audit, audit-related, tax and other non-audit services that are subject to general pre-approval.
2. The Audit Committee will review and approve the types of services and review the projected fees for each fiscal year. The fee amounts on the schedule will be updated as necessary at any subsequent Audit Committee meetings. Additional pre-approval will be required if actual fees for a service are expected to exceed 10% of the originally pre-approved amount. This additional pre-approval should be obtained in the same manner as a specific pre-approval described below.
3. If, subsequent to the general pre-approval of scheduled services by the Audit Committee, the Company would like to engage the independent auditor to perform a service not included on the general pre-approval schedule, a request should be submitted to the Chairman of the Audit Committee and the Internal Auditor. If they determine that the service can be performed without impairing the independence of the auditor, then a discussion and approval of the service will be included on the agenda for the next regularly scheduled Audit Committee meeting. If the timing

for the service needs to commence before the next Audit Committee meeting, any other member of the Audit Committee can provide specific pre-approval without a scheduled meeting.

4. Approval by the Audit Committee for the auditor to perform any non-audit service does not require that management engage the Company's independent auditor to perform those services. Company's management may engage other third parties to perform non-audit services for which the Audit Committee has given pre-approval to be performed by the independent auditor.
5. Once the Audit Committee has given pre-approval for services to be performed by the independent auditor, the appropriate Company management may engage the auditor and execute any necessary document for the performance of non-audit services within the scope of the pre-approval.

VI. Delegation

The Audit Committee may delegate either type of pre-approval authority to its chairperson or any other Audit Committee member or members. The member to whom such authority is delegated should report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next meeting. The Audit Committee will not delegate to management the Audit Committee's responsibilities to pre-approve services performed by the independent auditor.