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Investment Company Act File No. 811-22853

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

x REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

o Pre-Effective Amendment No.

o Post-Effective Amendment No.

and

x REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

x Amendment No. 6

STONECASTLE FINANCIAL CORP.

(Exact Name of Registrant as Specified in Charter)

152 West 57th Street, 35th Floor, New York, New York 10019
(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: **(212) 354-6500**

Joshua S. Siegel
StoneCastle Financial Corp.
152 West 57th Street, 35th Floor
New York, New York 10019
(Name and Address of Agent for Service)

Copies of communications to:

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Approximate date of proposed public offering: **As soon as practicable after the effective date of this Registration Statement.**

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, as amended, other than securities offered in connection with a dividend reinvestment plan, check the following box. o

It is proposed that this filing will become effective (check the appropriate box) o when declared effective pursuant to Section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Aggregate Offering Price (1) (2)	Amount of Registration Fee
Shares of Common Stock $0.001 par value per share	$ 50,000,000	$ 50,000,000	$ 6,440

(1) Estimated solely for the purpose of calculating the registration fee, pursuant to Rule 457(o) under the Securities Act of 1933.

(2) Includes the shares that may be offered to the Underwriters pursuant to an option to cover over-allotments.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated [, 2014]

PROSPECTUS

StoneCastle Financial Corp.

[ ] Shares
Common Stock
$ per share

Investment Company. StoneCastle Financial Corp. ("we," "us" or "our") is a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"). We have [elected to be treated], and intend to comply with the requirements to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986 (the "Code"). We are managed by StoneCastle Asset Management LLC (the "Advisor"), a subsidiary of Stone Castle Partners, LLC ("StoneCastle Partners"), a leading asset management firm that invests in community banks and related financial assets throughout the United States. StoneCastle Partners and its subsidiaries managed over $5 billion of assets focused on community banks, including approximately $1.7 billion of capital invested in more than 220 banking institutions and over $3.3 billion of institutional cash in over 500 banks as of March 31, 2014.

Investment Objectives. Our primary investment objective is to provide stockholders with current income, and to a lesser extent capital appreciation. There can be no assurance that we will achieve our investment objectives.

Investment Strategy. We attempt to achieve our investment objectives through investments in preferred equity, subordinated debt, convertible securities and, to a lesser extent, common equity primarily in the U.S. community bank sector. See "Community Banking Sector Focus." We may also invest in similar securities of larger U.S. domiciled banks and companies that provide goods and/or services to banking companies. Together with banks, we refer to these types of companies as banking-related and intend, under normal circumstances, to invest at least 80% of the value of our net assets plus the amount of any borrowings for investment purposes in such businesses.

We expect to keep our portfolio of securities and investments focused on the bank sector, with an emphasis on community banks. We expect to continue to direct investments to numerous issuers differentiated by asset sizes, business models and geographies. In addition, we may indirectly invest in securities issued by banks through structured securities and credit derivatives. We expect that these indirect investments would provide exposure to and focus on the same types of investments that we make in community banking companies and accordingly would be complementary to our overall strategy and enhance the diversity of our holdings. With the

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proceeds of this equity offering and future equity offerings, we will seek to extend our existing portfolio. We may also incur leverage to the extent permitted by the Investment Company Act. See "Leverage."

Our common stock has traded at a premium to its net asset value ("NAV"). We cannot predict whether our common stock will trade at a premium or discount to NAV in the future. The provisions of the Investment Company Act generally require that the public offering price of common shares (less any underwriting commissions and discounts) must equal or exceed the NAV per share of a company's common stock (calculated within 48 hours of pricing). Our issuance of common stock may have an adverse effect on prices for our common stock in the secondary market by increasing the number of common shares available, which may put downward pressure on the market price for our common stock**. Shares of closed-end management investment companies frequently trade at prices lower than their NAV (often referred to as a "discount"), which may increase investor risk of loss.** The risk of loss due to this discount may be greater for investors expecting to sell their shares in a relatively short period after completion of this or any future offering of our common stock.

Investing in our common stock involves risks. See "Risk Factors" beginning on page of this prospectus.

	Per Share	Total(1)
Public Offering Price	$ []	$ []
Sales Load(2)	$ []	$ []
Estimated offering expenses	$ []	$ []
Proceeds, after expenses, to us	$ []	$ []

(1) The Underwriters named in this prospectus have the option to purchase up to additional shares of common stock at the public offering price, less the sales load, within 45 days from the date of this prospectus to cover over-allotments, if any. If the over-allotment option is exercised in full, the total public offering price, sales load and proceeds, after expenses, to us will be , and], respectively.

(2) The sales load, which is a one-time fee, represents the underwriting discounts and commissions for the common stock sold in this offering. We refer you to "Underwriting" on page for additional information regarding total underwriter compensation.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Underwriters expect to deliver the common stock to purchasers on or about , 2014.

Keefe, Bruyette & Woods **Baird**
A Stifel Company

The date of this prospectus is , 2014.

Exchange Listing. Our common stock is listed on the NASDAQ Global Select Market under the symbol "BANX".

Leverage. We currently incur leverage and expect to continue to do so to the extent permitted by the Investment Company Act. As a result, we currently limit (i) leverage from debt securities to one-third of our total assets, including the proceeds of such borrowings, at the time such borrowings are calculated and (ii) the total aggregate liquidation value and outstanding principal amount of any preferred stock and debt securities to 50% or less of the amount of our total assets (including the proceeds of debt securities and preferred stock) less liabilities and indebtedness not represented by our debt securities and preferred stock, each in accordance with the requirements of the Investment Company Act. We currently operate with recourse leverage and may operate with non-recourse collateralized financings, private or public offerings of debt, warehouse facilities, secured and unsecured bank credit facilities, repurchase agreements and other borrowings. We may also issue preferred stock.

Leverage is a speculative technique that may adversely affect our earnings or book value. If the return on assets acquired with borrowed funds or other leveraged proceeds does not exceed the cost of the leverage and our cost of operations, then the incurrence of such leverage could cause us to lose money. Because our Advisor's fee is based on total assets (including any assets acquired with the proceeds of leverage), our Advisor's fee will be higher when we utilize leverage. The use of such leverage involves significant risks. See "Risk Factors—Risks Related to Our Operations." We may utilize derivatives in order to hedge against interest rate changes associated with our use of leverage. See "Derivative Transactions."

This prospectus sets forth information about us that a prospective investor should know before investing. You should read this prospectus and retain it for future reference. We have filed a Statement of Additional Information, dated , 2014, containing additional information about us with the Securities and Exchange Commission (the "SEC") which is incorporated by reference in its entirety into this prospectus. You may request a free copy of the Statement of Additional Information or our annual and semi-annual reports or make shareholder inquiries or request other information about us by calling us collect at (212) 354-6500 or by writing to us at 152 West 57th Street, 35th Floor, New York, New York 10019. You can also obtain a copy of our Statement of Additional Information and our annual and semi-annual reports to stockholders on our website at www.stonecastle-financial.com. Information included on our website is not incorporated into this prospectus. You can review and copy documents we have filed at the SEC's Public Reference Room in Washington, D.C. Call 1-800-SEC-0330 for information. The SEC charges a fee for copies. You can obtain the same information free from the SEC's website (http://www.sec.gov), on which you may view our Statement of Additional Information, and other materials incorporated by reference in this prospectus and other information about us. You may also e-mail requests for these documents to publicinfo@sec.gov or make a request in writing to the SEC's Public Reference Section, 100 F Street N.E., Room 1580, Washington, D.C. 20549.

Our common stock does not represent a deposit or obligation of, and is not guaranteed or endorsed by, any bank or other insured depository institution and is not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the Underwriters have not, authorized any other person to provide you with any different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the Underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date of this prospectus. Our business, financial condition and prospects may have changed since that date. We will amend or supplement this prospectus to reflect material changes to the information contained in this prospectus to the extent required by applicable law.

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus, including "Risk Factors," before making a decision to invest in our common stock. This summary may not contain all of the information that you should consider before investing in shares of common stock of StoneCastle Financial Corp. In the prospectus, unless the context suggests otherwise, references to "we," "us," "Company," "our company" or "our" refer to StoneCastle Financial Corp., a Delaware corporation and its subsidiaries; references to "Advisor" mean StoneCastle Asset Management LLC, a Delaware limited liability company; references to "StoneCastle Partners" mean Stone Castle Partners, LLC, the parent of StoneCastle Asset Management LLC, our Advisor; and references to "common stock" or "shares" mean the common stock of StoneCastle Financial Corp.

The Company

StoneCastle Financial Corp. was organized on February 7, 2013 as a Delaware corporation established to continue and expand the business of StoneCastle Partners, which commenced operations in 2003, making investments in the community banking sector throughout the United States. Our primary investment objective is to provide stockholders with current income and, to a lesser extent, capital appreciation. We expect to continue to focus our investments on preferred equity, subordinated debt, convertible securities and, to a lesser extent, common equity that will generally be expected to pay us dividends and interest on a current basis and generate capital gains over time. We may seek to enhance our returns through the use of warrants, options and other equity conversion features.

We have [elected to be treated], and intend to comply with the requirements to qualify annually, as a RIC under Subchapter M of the Code.

Investment Objectives

Our primary investment objective is to provide stockholders with current income, and to a lesser extent, capital appreciation. There can be no assurance that we will achieve our investment objectives.

We attempt to achieve our investment objectives through investment in preferred equity, subordinated debt, convertible securities and common equity in the U.S. community bank sector. See "Community Banking Sector Focus." To a lesser extent, we also invest in similar securities of larger U.S. domiciled banks and companies that provide goods and/or services to banking companies. Together with banks, we refer to these types of companies as banking-related businesses and intend, under normal circumstances, to invest at least 80% of the value of our net assets plus the amount of any borrowings for investment purposes in such businesses.

We expect to continue to focus our portfolio of securities and investments on the bank sector, with an emphasis on community banks. We intend to continue to direct investments in numerous issuers differentiated by asset size, business models and geographies. In addition, we may indirectly invest in securities issued by banks through structured securities and credit derivatives. We expect that these indirect investments will provide exposure to and focus on the

same types of investments that we make in banking companies, and accordingly, will be complementary to our overall strategy and enhance the diversity of our holdings. With the proceeds of this equity offering and future equity offerings we will seek to grow and further diversify our portfolio of investments. We may also incur additional leverage to the extent permitted by the Investment Company Act. See "Leverage." Although we normally seek to invest substantially all of our assets in banking-related securities, we reserve the ability to invest up to 20% of our assets in other types of securities and instruments.

Additionally, we may take temporary defensive positions that are inconsistent with our investment strategy in attempting to respond to adverse market, economic, political or other conditions. If we do so, we may not achieve our investment objective. We may also choose not to take defensive positions.

Our Advisor

StoneCastle Asset Management LLC, an SEC-registered investment adviser dedicated to the community banking sector that was formed on November 14, 2012, manages our assets. Our Advisor is registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"). Our Advisor is staffed with investment professionals from its affiliates, which collectively manage one of the largest portfolios of assets dedicated to the U.S. community bank sector, with over a ten-year history of investing in trust preferred capital securities issued by, or, other obligations of, community, regional and money center banks. As of March 31, 2014, StoneCastle Partners and its subsidiaries managed over $5 billion of assets focused on community banks, including approximately $1.7 billion of capital invested in more than 220 banking institutions and over $3.3 billion of institutional cash in over 500 banks. Our Advisor's investment philosophy is grounded in disciplined, fundamental, bottom-up credit and investment analysis. We intend to continue to use our Advisor's existing community banking infrastructure to identify attractive investment opportunities and to underwrite and monitor our investment portfolio.

Our Advisor is wholly-owned by StoneCastle Partners. StoneCastle Partners is managed by its two managing partners: Joshua S. Siegel (founder & CEO) and George Shilowitz (each, a "Managing Partner" and, together, the "Managing Partners"). Charlesbank Capital Partners, LLC, a leading private equity investment manager, and CIBC Capital Corporation ("CIBC Capital"), a subsidiary of Canadian Imperial Bank of Commerce, own minority interests in StoneCastle Partners.

Each of our Advisor's investment decisions is reviewed and approved for us by our Advisor's investment committee, the members of which may also act as the investment committee for other investment vehicles managed by our Advisor or its affiliates. Our Advisor's two senior officers, Messrs. Siegel and Shilowitz, each have 19 years of experience advising and investing in financial institutions, investing in financial assets and building financial services companies.

Our Advisor has entered into a staffing agreement with StoneCastle Partners and several of its affiliates. Under the staffing agreement, these companies make experienced investment professionals available to our Advisor and provide our Advisor access to the senior investment

personnel of StoneCastle Partners and its affiliates. Our Advisor intends to capitalize on the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of StoneCastle Partners' investment professionals. Biographical information for key members of our Advisor's investment team is set forth below under "Management—Biographical Information." As our investment adviser, our Advisor is obligated to allocate investment opportunities among us and its other clients in accordance with its allocation policy; however, there can be no assurance that our Advisor will allocate such opportunities to us fairly or equitably in the short-term or over time.

Community Banking Sector Focus

We intend to pursue our investment objective by continuing to invest principally in public and privately-held community banks located throughout the United States. For the purpose of our investment objectives and this prospectus, we define "community bank" to mean banks, savings associations and their holding companies with less than $10 billion in consolidated assets that serve local markets. As of March 31, 2014, the community banking sector is a highly fragmented $2.9 trillion industry, comprised of over 6,600 banks located throughout the United States, including underserved rural, semi-rural, suburban and other niche markets. Community banks generally have simple, straightforward business models and geographically concentrated credit exposure. Community banks typically do not have exposure to non-U.S. credit and are focused on lending to borrowers in their distinct communities. As a result, we believe that community banks frequently have a better understanding of the local businesses they finance than larger banking organizations. Many of these community banks are well established, having been in business on average for more than 75 years, and having survived many economic cycles, including the most recent financial crisis. We expect to continue to focus our investments in the bank sector with an emphasis on community banks. We intend to continue to direct investments in numerous issuers differentiated by asset sizes, business models and geographies. To a lesser extent, we may also invest in similar securities of larger U.S. domiciled banks and companies that provide goods and/or services to banking companies.

Market Opportunity

We believe that the community banking sector is attractive due to the strong long-term performance of community banks and the general lack of investment competition from institutional investors. The Company was formed to invest in the ongoing capital needs of community banks. We believe that the environment for investing in community banks is attractive for the following reasons:

- *Long-Term Resiliency of Community Banks.* The community banking industry has a long history of resiliency and historically has exhibited a low rate of failure. According to data from the Federal Deposit Insurance Company ("FDIC"), since 1934, FDIC insured banks and thrifts have failed at an annual rate of 0.37%, with peak cycle one-year failure rates of 3.22% in 1989 (S&L

crisis), 1.96% in 2010 (Great Recession) and 0.54% in 1938 (Great Depression). We believe that these figures are comparable with Baa and Ba Moody's rated corporate bond default rates, which experienced an average annual default rate since 1920 of approximately

0.27% for Moody's Baa-rated corporate bonds and 1.07% for Ba-rated bonds, with the highest one year default rates of 1.99% and 11.69%, for Baa-rated and Ba-rated corporate bonds, respectively, as reported in Annual Default Study: Corporate Default and Recovery Rates, 1920-2013 released on February 28, 2014.

- *Greater Equity Cushions.* While community banks are generally subject to the same regulations as their larger competitors, community banks have historically maintained significantly larger amounts of equity capital. Given that community banks do not typically have access to different forms of capital from the public markets, most equity in community banks is comprised of common equity, a form considered of the highest quality by federal and state banking regulators. As of March 31, 2014, banks with less than $10 billion of assets maintained Tier 1 risk-based capital ratios 21% higher than banks with more than $10 billion of assets. Given that banks over $10 billion have 39% higher non-current loans to loans (2.62% vs. 1.88%), community banks generally have significantly better equity cushions than their larger competitors.
- *Large Fragmented Market.* Community banks collectively controlled nearly $2.9 trillion of financial assets as of March 31, 2014. Despite significant industry consolidation since 1980, as of March 31, 2014 there were still more than 6,600 FDIC-insured banks in the United States. As of such date, more than 98% of these banks had less than $10 billion of assets and many only service their local communities. The highly fragmented nature of the industry poses significant challenges for potential investors seeking to implement a diversified investment strategy.
- *Robust Demand for Capital.* Regulatory changes are requiring all banks to hold increased levels of capital. This requirement creates what we believe to be strong demand for capital in the form of preferred equity, subordinated debt, convertible securities and common equity. Further, capital is needed to facilitate ongoing consolidation within the banking industry, including acquisitions of failed banks from the FDIC. Lastly, organic growth of well-positioned institutions also supports demand. Our Advisor estimates that the community banking sector will require more than $50 billion of capital over the next several years to facilitate (i) compliance with heightened regulatory capital ratios, (ii) acquisition of competitors and failed banks and (iii) organic asset growth. This estimate is in part based on the size of the trust preferred CDO market and the phase out of trust preferred securities from the definition of Tier 1 capital.
- *Constrained Supply of Capital.* We believe that the supply of new capital available to community banks is extremely constrained and will remain so for many years. We also believe that there are many community banks with well-established franchises and cash flow characteristics that are not attracting capital from private equity or other institutional investors because: (i) they are perceived by such investors as risky due to their size; (ii) the companies are located in rural or niche markets that are unfamiliar to institutional investors; or (iii) the investments in these companies are

too small given (a) the size of the target companies and (b) limitations on majority ownership dictated by certain banking regulations. We believe that these companies represent attractive investment candidates for us. We believe that this lack of institutional investor interest and the inability of most community banks to access the capital markets will enable us to invest at attractive pricing levels.

- *Sector Overlooked by Institutional Capital Providers.* We believe that many investors historically have avoided investing in community banks due to the small size of these banks, their heavy regulation, the Bank Holding Company Act of 1956, as amended (the "Bank Holding Company Act") which imposes ownership restrictions and the perception that community banks are riskier than larger financial institutions. In addition, many capital providers lack the necessary technical expertise to evaluate the quality of the small- and mid-sized privately- held community banks and lack a network of relationships to identify attractive opportunities.
- *Favorable Market Conditions.* We believe that the substantial re-pricing of risk resulting from the recent financial crisis along with significantly improved bank balance sheets since the worst period of the crisis has created an ideal environment for us to continue our investment activities. Bank failures and unprecedented losses by large money-center banks and investment banks related to sub-prime mortgages and other higher risk financial products have negatively affected the view of all banks, including smaller banks not engaged in such activities. As a consequence, valuations of financial institutions have declined substantially, allowing potential investors to dictate favorable terms.

Competitive Advantages

We believe that our significant focus on the community banking sector provides us with a strong competitive advantage relative to non-specialized investors. We believe that we are well-suited to meet the capital needs of the community banking sector for the following reasons:

- *Experience in the Community Banking Sector.* The current investment platform of our Advisor's affiliate, StoneCastle Partners, provides us with significant advantages in sourcing, evaluating, executing and managing investments. StoneCastle Partners and its subsidiaries currently manage over $5 billion of assets focused on community banks, including approximately $1.7 billion of capital invested in more than 220 banking institutions and over $3.3 billion of institutional cash in over 500 banks.
- *Substantial Access to Deal Flow.* In order to execute our business strategy, we currently rely on what we believe to be our Advisor's and its affiliates' strong reputations and deep relationships with issuers, underwriters, financial intermediaries and sponsors, as well as our exclusive investment referral and endorsement relationships with CAB Marketing, LLC and CAB, L.L.C. (collectively referred to as "CAB"), subsidiaries of the American Bankers Association ("ABA"). Pursuant to the agreements governing these relationships, CAB assists us with the

promotion and identification of potential investment opportunities through marketing campaigns, placements at ABA events and introductions to banks seeking capital. In addition, CAB has granted to us a license to use the CAB name, "Corporation for American Banking," in connection with our investment program. We may use this name in connection with the promotion and identification activities, including emails, press releases, events and due diligence questionnaires targeting ABA members. Most capital raising activities by community banks are conducted through privately-negotiated transactions that occur outside of traditional institutional investment channels, including the capital markets. We believe that StoneCastle Partners' and CAB's large network of relationships will help us to identify attractive investment opportunities and will provide us with a competitive advantage. The ABA and its subsidiaries have not endorsed this offering, and you should not construe references to them in this prospectus as such an endorsement.

- *Experienced Management Team.* StoneCastle Partners and its affiliates are led by StoneCastle Partners' two Managing Partners, Joshua S. Siegel and George Shilowitz, and as of March 31, 2014, had approximately 50 employees. Our investment team is comprised of professionals who have substantial expertise investing in community banks, and includes former senior bankers, credit officers, private equity investors, rating agency analysts, bank examiners, fixed income specialists and attorneys.
- *Specialized / Proprietary Systems.* During the past decade, StoneCastle Partners has invested substantial funds and resources into the development of its proprietary analytic systems/database that is dedicated to analyzing banks (the "RAMPART" systems). RAMPART currently tracks and analyzes every bank in the United States and provides our investment professionals with significant operational leverage, allowing our team to sort through vast amounts of data to screen for potential investments. We believe that few institutional investors have developed infrastructure comparable to that of StoneCastle Partners and its affiliates.
- *Disciplined Investment Philosophy and Risk Management.* Our Advisor's senior investment professionals have substantial experience structuring investments that balance the needs of community banks with appropriate levels of risk control. Our Advisor's investment approach for us emphasizes current income and, to a lesser extent, capital appreciation through common equity, warrants, options and conversion features. Given that a significant portion of our investments are fixed income-like (including preferred stock), preservation of capital is our priority and we seek to minimize downside risk by investing in banks that exhibit the potential for long-term stability (See "The Company— Investment Process and Due Diligence").
- *Few Organized Competitors.* We believe that several factors render many U.S. investors and financial institutions ill-suited to lend to or invest in community banks. Historically, the relatively small size of individual community banks and certain regulatory requirements limiting control

have deterred many institutional investors, including private equity investors, from making those investments. As a consequence, few institutional investors have developed and possess the specialized skills and infrastructure to efficiently analyze and monitor investments in community banks on a large scale. Based on the experience of our management team, investing in community banks requires specialized skills and infrastructure, including: (i) the ability to analyze small community banking institutions and the local economies in which they do business; (ii) specialized systems to analyze and track vast amounts of bank performance data; (iii) a deep understanding and working relationship with state and federal regulators that oversee community banks; and (iv) brand awareness within the community banking industry and a strong reputation as a long-term partner that understands the needs of community banks to originate investment opportunities successfully.

- *Extended Investment Horizon.* Unlike private equity investors, we are not subject to standard periodic capital return requirements. These provisions often force private equity investors to seek returns on their investments through mergers, public equity offerings or other liquidity events more quickly than they otherwise might prefer, potentially resulting in a lower overall return to investors. We believe that our flexibility to make investments with a long-term view, and without the capital return requirements of traditional private investment funds, provides us with the opportunity to generate attractive returns on invested capital.

Targeted Investment Characteristics

Our business strategy focuses on minimizing risk by using a disciplined underwriting process in providing capital to community banks. We expect to continue to focus on investing in community banks that exhibit the following characteristics:

- *Experienced Management.* We seek to invest in community banks with management teams or sponsors that are experienced in running local banking businesses and managing risk. We seek community banks that have a particular market focus, expertise in that market and a track record of success. Further, we actively seek to invest in banks with senior management teams with significant ties to their local communities.
- *Stability of Earnings.* We seek to invest in community banks with the potential to generate stable cash flows over long periods of time, and therefore we presently seek out institutions that have a defined lending strategy and predictable sources of interest revenues, stable sources of deposits and predictable expenses.
- *Stability of Market.* We seek to invest in community banks whose core business is conducted in one or more geographic markets that have sustainable local economies. The market characteristics we seek include stable or growing employment bases and favorable long-term demographic trends, among other characteristics.

- *Growth Opportunities.* We seek to invest in healthy community banks headquartered in markets which provide significant organic growth opportunities or headquartered in highly fragmented markets where industry consolidation is likely providing the opportunity for community banks to grow through acquisitions of smaller competitors.
- *Strong Competitive Position.* We focus on community banks that have developed strong market positions within their respective markets and that are well positioned to capitalize on growth opportunities. We seek to invest in companies that demonstrate competitive advantages that should help to protect and potentially expand their market position and profitability. Typically, we do not expect to invest in newly organized institutions or community banks having highly speculative business plans.

- *Visibility of Exit*. When investing in common equity, we seek investments that we expect to result in an exit opportunity. Exits may come through the conversion of an investment into public shares; an initial public offering of shares by the bank; the sale of the bank; or the repurchase of shares by the bank or another financial investor.

Investments

We primarily invest in securities issued by public and privately held community banks, initially in amounts generally ranging between approximately $3 million to $20 million (unless our investment size is otherwise constrained or expanded by applicable law, rule or regulation). We have an existing pipeline of potential investments of up to $250 million in the aggregate that meet our criteria, consisting primarily of preferred equity, subordinated debt, convertible securities and, to a lesser extent, common equity. We invest in accordance with our Advisor's investment policy in primarily the following assets:

TARP Assets: We own and may continue to own one or more portfolios of perpetual preferred stock issued by community banks under the U.S. Department of the Treasury's ("U.S. Treasury") Troubled Asset Relief Program ("TARP") Capital Purchase Plan. Under TARP, more than 450 community banks issued in excess of $10 billion of perpetual preferred stock in 2008 and 2009 ("TARP Preferred") and approximately $840 million in TARP Preferred issued by approximately 73 institutions remains outstanding. The U.S. Treasury is in the process of selling its TARP Preferred holdings through an auction process in which we will seek to participate. We intend to purchase these securities through secondary market transactions. We believe that there are approximately 35 issuers in this program that meet our investment criteria, totaling approximately $350 million of target assets.

Preferred and Common Equity Assets: We continue to receive capital requests from numerous community banks regarding potential investments initially in amounts ranging from $3 million to $20 million per investment. Preferred stock may have fixed or variable dividend rates, which may be subject to rate caps and collars. In connection with our investments, we may also receive options or warrants to purchase common or preferred equity.

Regardless of the type of capital security, we intend to invest the majority of our portfolio in institutions that are currently paying dividends or interest on their securities, that our Advisor

believes have the ongoing ability to pay dividends or interest on their securities, and that are not currently a party to any regulatory enforcement actions that would limit or hinder their ability to pay dividends or interest. While we do not intend to invest a significant portion of our funds in institutions that do not meet these criteria, we may invest in institutions that our Advisor believes have the ability to emerge from such conditions, pay any accrued interest or cumulative unpaid dividends at emergence and begin the normalized payment of interest or dividends in arrears and/or as frequently stipulated by the issuance in question.

From time to time, we may also invest in Tier 2 qualifying debt securities (long term subordinated debt securities) and other debt securities or hybrid instruments issued by community banks or their holding companies. Additionally, we may invest in Tier 1 qualifying debt securities. These debt securities may have fixed or floating interest rates.

Regulatory capital regulations adopted in response to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and the Third Basel Accord of the Basel Committee on Banking Supervision ("Basel III") require banks to increase their Tier 1 capital and reduce their leverage ratios. These regulations also generally require that, in order to qualify as Tier 1 capital, preferred stock must be non-cumulative in nature (only TARP Preferred and certain securities issued by small bank holding companies, defined as holding companies with less than $500 million in consolidated assets, may be cumulative and qualify as Tier 1 capital). We expect that the majority of the new issue preferred stock in which we invest will be non-cumulative. While these existing and any future regulatory capital requirements may cause community banks to raise additional capital, these regulations may make some community banks less likely to pay dividends on preferred stock and common stock.

In addition, future changes in regulatory capital regulations may negatively or positively affect our investments and may subject us to additional pre-payment and capital redeployment risk.

Most of our assets are and, we expect, will be illiquid, and their fair value may not be readily determinable. Accordingly, there can be no assurance that we will be able to realize the value at which we carry such assets if we need to dispose of them. As a result, we can provide no assurance that any given asset could be sold at a price equal to the value at which we carry it. We believe that a majority of the investments we will make will not be rated by a nationally recognized statistical rating organization ("NRSRO"). If such investments were rated by a NRSRO, we believe they may be rated below investment grade.

Leverage

We have borrowed funds and expect to continue to borrow to fund our investment activities, which is also known as utilizing leverage. While we may enter into borrowing arrangements with banks or other lenders that are unsecured, we currently fund a portion of our investments with a secured debt facility. We will operate with leverage through recourse and non-recourse collateralized financings, private or public offerings of debt, warehouse facilities, secured and unsecured bank credit facilities, repurchase agreements and other borrowings. Additionally, we may create one or more wholly-owned special purpose subsidiaries to facilitate secured borrowing structures.

We have borrowed to fund a portion of our assets and intend to limit our overall borrowing to meet the limitations set forth under the Investment Company Act. Accordingly, we will limit (i) leverage from debt securities to one-third of our total assets, including the proceeds of such borrowings, at the time such borrowings are calculated and (ii) the total aggregate liquidation value and outstanding principal amount of any preferred stock and debt securities to 50% or less of the amount of our total assets (including the proceeds of debt securities and preferred stock) less liabilities and indebtedness not represented by our debt securities and preferred stock, each in accordance with the requirements of the Investment Company Act. Although we have no present intention to do so, we may also operate with leverage by issuing preferred stock.

We seek a leverage ratio, based on a variety of factors including market conditions and our Advisor's market outlook, where the rate of return, net of applicable expenses, on the Company's investment portfolio investments purchased with leverage exceeds the costs associated with such leverage.

As of June 30, 2014, we incurred leverage through borrowings under a revolving credit facility that permits the Company to borrow up to $45 million of which $25 million has been committed and drawn. Our asset coverage ratio as of June 30, 2014 was 519%. See "Leverage—Effects of Leverage" for a description of our credit agreement with a syndicate of banks led by Texas Capital Bank, N.A.

Following the completion of the offering, we may increase the amount of leverage outstanding. We may incur additional borrowings in order to maintain our desired leverage ratio of 30%. Leverage creates a greater risk of loss, as well as a potential for more gain, for the common stock than if leverage was not used. Interest on borrowings may be at a fixed or floating rate, and the interest at a floating rate generally will be based on short-term rates. The costs associated with our use of leverage, including the issuance of such leverage and the payment of dividends or interest on such leverage, will be borne entirely by the holders of common stock. As long as the rate of return, net of our applicable expenses, on our investment portfolio investments purchased with leverage exceeds the costs associated with such leverage, we will generate more return or income than will be needed to pay such costs. In this event, the excess will be available to pay higher dividends to holders of common stock. Conversely, if the return on such assets is less than the cost of leverage and our other expenses, the return to the holders of our common stock will diminish. To the extent that we use leverage, the NAV and market price of our common stock and the yield to holders of common stock will be more volatile. Our leveraging strategy may not be successful. Because our Advisor's fee is based on total assets (including certain leverage and any assets acquired with the proceeds of leverage), our Advisor's fee will be higher if we utilize leverage. See "Risks Related to Our Use of Leverage."

In order to reduce the interest rate and credit risks associated with our investments and use of leverage, we expect to utilize derivatives including interest rate swaps, caps, floors and forward transactions and credit default swaps, total return swaps and credit-linked notes. In addition, we may utilize futures and warrants in order to hedge against changes in market prices of the securities of the publicly-traded banks in which we invest.

Conflicts of Interest

Our Advisor is subject to certain conflicts of interest in our management. These conflicts arise primarily from the involvement of our Advisor and its affiliates in other activities that may conflict with our activities. Our Advisor and its affiliates engage in a broad spectrum of activities. In the ordinary course of their business activities, they may engage in activities where their interests or the interests of their clients may conflict with our interests and the interest of the holders of our common stock. Other present and future activities of our Advisor and its affiliates may give rise to additional conflicts of interest which may have a negative impact on us and the holders of our common stock.

Our Advisor's compliance department and legal department oversee its conflict-resolution system. This system emphasizes the principle of fair and equitable allocation of appropriate opportunities to our Advisor's clients over time. As a result of our Advisor's allocation policies, we may not be able to invest in all opportunities that are appropriate for us and this may have the effect of reducing our potential earnings. Although our Advisor has agreed with us that it will allocate opportunities among its clients pursuant to its written policies and procedures, there is no assurance that these policies and procedures will work as intended or that we will be allocated our fair share of investment opportunities over time.

Corporate Information

Our principal executive offices are located at 152 West 57th Street, 35th Floor, New York, New York 10019. Our telephone number is (212) 354-6500.

Advisor Information

The offices of our Advisor are located at 152 West 57th Street, 35th Floor, New York, New York 10019. The telephone number for our Advisor is (212) 354-6500.

Who May Want to Invest

Investors should consider their investment goals, time horizons and risk tolerance before investing in our common stock. An investment in our common stock is not appropriate for all investors, and our common stock is not intended to be a complete investment program. Our common stock is designed as a long-term investment and not as a trading vehicle. Our common stock may be an appropriate investment for investors who are seeking:

- potential recurring dividend and interest cash flow;
- an investment company focused primarily on the community bank sector;
- an investment company whose capital structure may be significantly leveraged;
- an investment company that will initially invest in preferred equity, subordinated debt, convertible securities and common equity;
- an investment company that may be suitable for retirement or other tax exempt accounts; and

- professional securities selection and active management by an experienced adviser.

An investment in our common stock involves risk, and we urge you to consult your tax and legal advisers before making an investment in our common stock. You could lose some or all of your investment. See "Risk Factors."

An investment in our common stock involves significant risks, including:

Risks Related to Our Operations

- We have a limited operating history; our Advisor has limited advisory experience, and there can be no assurance that we will achieve our business objectives.
- Our performance is highly dependent on our Advisor.
- Most of our assets will be unrated, illiquid, and their fair value may not be readily determinable.
- Our Advisor may rely on assumptions that prove to be incorrect.
- Our Advisor and its affiliates may serve as investment adviser to other funds, investment vehicles and investors, which may create conflicts of interest not in the best interest of us or our stockholders.
- We operate with leverage, which may adversely affect our return on our assets and may reduce cash available for distribution.
- Our investment portfolio is recorded at fair value, with our board of directors having final responsibility for overseeing, reviewing and approving, in good faith, our estimate of fair value and, as a result, there is uncertainty as to the value of our investments.
- Our investments will be subject to dividend and interest rate fluctuations, and we may incur interest rate risk.
- We may compete with a number of other prospective investors for desirable investment opportunities.
- We may generate low or negative rates of return on capital, and we may not be able to execute our business plans as expected, if at all.
- Our business model depends to a significant extent upon strong referral relationships, and our inability to maintain or develop these relationships, as well as the failure of these relationships to generate investment opportunities, could adversely affect our business.
- If we are unable to source investments effectively, we may be unable to achieve our investment objective.
- Our quarterly results may fluctuate.
- Derivatives transactions may limit our income or result in losses.
- Financing arrangements with lenders or preferred shareholders may limit our ability to make dividend payments to our stockholders.
- We may change our business strategy and operational policies without stockholder consent (unless stockholder consent is specifically required by

the Investment Company Act), which may result in a determination to pursue riskier business activities.
- Laws and regulations may prohibit the banks in which we invest from paying interest and/or dividends to us.
- Legal and regulatory changes could occur that may adversely affect us.
- We may be required to register as a commodity pool operator.
- Market fluctuations caused *by force majeure*, terrorism or certain other acts may adversely affect our performance.
- Changes in interest rates may affect our net investment income, reinvestment risk and the probability of defaults of our investments.

Risks Related to Our Use of Leverage

- We currently have a bank loan to finance investments as a form of leverage. We also have authority to issue preferred stock or engage in reverse repurchase agreements to finance investments.
- Leverage exaggerates the effects of market downturns or upturns on the NAV and market value of our common stock, as well as on distributions to holders of our common stock.
- Leverage can also increase the volatility of our NAV, and expenses related to leverage can reduce our income.
- In the case of leverage, if our assets decline in value so that asset coverage requirements for any borrowings or preferred stock would not be met, we may be prevented from paying distributions, which could jeopardize our qualification for pass-through tax treatment, make us liable for excise taxes and/or force us to sell portfolio securities at an inopportune time.
- We have entered into a revolving credit facility (the “Credit Facility”) with a syndicate of financial institutions led by Texas Capital Bank, N.A. (collectively, the “Syndicate”) with a five-year term maturing in June, 2019 and priced at the 3-month London Interbank Offered Rate (“LIBOR”) plus 2.85%. The Credit Facility permits us to borrow up to $45.0 million of which currently $25.0 million has been committed and drawn.
- The Credit Facility contains customary covenants, negative covenants and default provisions, including covenants that limit our ability to incur additional debt or consolidate or merge into or with any person, other than as permitted, or sell, lease or otherwise transfer, directly or indirectly, all or substantially all of its assets.
- The Credit Facility imposes asset coverage requirements, which are more stringent than those imposed by the Investment Company Act, or by our policies. In addition, we agreed not to purchase assets not contemplated by the investment policies and restrictions in effect when the Credit Facility became effective unless changes to these policies and restrictions are consented to by the Syndicate.
- The covenants or guidelines under the Credit Facility could impede the Advisor from fully managing our portfolio in accordance with our

investment objectives and policies. Furthermore, non-compliance with such covenants or the occurrence of other events could lead to the cancellation of the Credit Facility.
- For as long as the Credit Facility remains in effect, we may not incur additional debt under any other facility, except in limited circumstances.
- The Credit Facility allows us to prepay borrowings under the Credit Facility at any time. We do not anticipate that such guidelines will have a material adverse effect on the holders of our common stock or on our ability to achieve our investment objectives. We may also consider alternative measures of obtaining leverage in the future.

See “Leverage,” and also “Risk Factors-Risks Related to Our Use of Leverage,” for further information.

Risks Related to Investing in Community Banking Sector

- Our assets will be concentrated in the banking sector, potentially exposing us to greater risks than companies that invest in multiple sectors.
- We primarily invest in equity and debt securities issued by community banks, subjecting us to unique risks.
- All of our investments are subject to liquidity risk, but we may face higher liquidity risk if we invest in debt obligations and other securities that are unrated and issued by banks that have no corporate rating.
- We expect to keep our portfolio of securities and investments focused on the bank sector, with an emphasis on community banks, which would make us more economically vulnerable in the event of a downturn in the banking industry.
- A large number of community banks may fail during times of economic stress.
- We expect to keep our portfolio of securities and investments focused on the bank sector, with an emphasis on community banks whose business is subject to greater lending risks than larger banks.

Bank Regulatory Risk

- The banking institutions in which we invest are subject to substantial regulations that could adversely affect their ability to operate and the value of our investments.
- We may become subject to adverse current or future banking regulations.
- Ownership of our stock by certain types of regulated institutions may subject us to additional regulations.
- Investments in banking institutions and transactions related to our portfolio investments may require approval from one or more regulatory authorities.

- If we were deemed to be a bank holding company or thrift holding company, bank holding companies or thrift holding companies that invest in us would be subject to certain restrictions and regulations.

Risks Related to Our Advisor and/or its Affiliates

- Our performance is dependent on our Advisor, and we may not find a suitable replacement if the management agreement is terminated.
- The departure or death of any of the members of senior management of our Advisor or StoneCastle Partners may adversely affect our ability to achieve our business objective; our management agreement does not require the availability to us of any particular individuals.
- If our Advisor ceases to be our manager under our management agreement, financial institutions that provided our credit facilities may not provide future financing to us.
- Our Advisor’s liability is limited under our management agreement, and we have agreed to indemnify our Advisor against certain liabilities.
- There may be potential conflicts of interest between our management and our Advisor, on one hand, and the interest of our common stockholders, on the other.
- We are limited in our ability to conduct transactions with affiliates.
- Our Advisor’s investment committee is not independent from its management.
- We may compete with our Advisor’s current and future investment vehicles for access to capital and assets.
- There may be other conflicts of interest in our relationship with our Advisor and/or its affiliates that could negatively affect our earnings.
- Our Advisor’s management of our business is subject to the oversight of our board of directors, but our board of directors will not approve each business decision made by our Advisor.
- Our Advisor may be incentivized to incur additional leverage, up to the extent permitted by regulations, even if additional leverage is not in the best interests of the Company’s stockholders.

Risks Related to this Offering

- The price for our common stock may be volatile.
- The price for our common stock is subject to market risk.
- Future offerings of debt securities or preferred stock, which would rank senior to our common stock upon our liquidation, and future offerings of equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market value of our common stock.

Risks Related to Taxation

- Despite our election to be treated as a RIC, we may not be able to meet the requirements to maintain an election to be treated as a RIC.
- We will be subject to corporate-level federal income tax on all of our income if we are unable to maintain RIC status under Subchapter M of the Code.
- Whether an investment in a RIC is appropriate for a Non-U.S. Stockholder will depend upon the Non-U.S. Stockholder’s particular circumstances and whether certain temporary tax provisions are extended.

We strongly urge you to review carefully the discussion under “U.S. Federal Income Tax Considerations” and to seek advice based on your particular circumstances from an independent tax adviser.

THE OFFERING

Common stock we are offering	We are offering [] shares of our common stock, par value $0.001 per share, at a price of $[] per share through a group of underwriters (the "Underwriters") led by Keefe, Bruyette & Woods, Inc., which price includes an underwriting commission of [] of the offering price and a one-time fee to be paid to the Underwriters, all of which constitute the only sales load paid in connection with this offering. We have registered the offer and sale of our shares with the SEC under the Securities Act of 1933, as amended (the "Securities Act"). We have granted the Underwriters an option to purchase up to an additional [] shares of our common stock within 45 days of the date of this prospectus to cover any over-allotments. See "Underwriting."
Listing and symbol	Our common stock is listed on the NASDAQ Global Select Market under the symbol "BANX."
Use of proceeds	We will apply a portion of the gross proceeds received from the issuance and sale of the common stock to pay the expenses of offering the common stock (including the sales load). We expect to use the net proceeds of this offering to make investments in accordance with our investment objectives and to pay our operating expenses. We anticipate that it may take up to six months to invest substantially all of the net proceeds of this offering in securities meeting our investment objectives. Pending investment, we intend to invest the net proceeds of this offering, and any liquid assets we subsequently hold, in temporary investments that may include cash or other temporary investments, including readily marketable interest-bearing and dividend paying securities which may be outside of the community banking industry. Following the completion of an offering, we may increase the amount of leverage outstanding. See "Use of Proceeds."
Our Regulatory Status	We are a corporation organized under the laws of the State of Delaware and are registered with the SEC under the Investment Company Act as a non-diversified, closed-end management investment company. See "Closed-End Fund Structure." We [elected to be treated] as a RIC, and intend to comply with the requirements to

	qualify annually.
Distributions	We intend to make quarterly distributions of no less than 90% of our net income to our stockholders out of assets legally available for distribution quarterly. Our board of directors will determine the amount of our quarterly distributions out of assets legally available. See "Dividend Policy" and "Discussion of Management's Operations — Dividend Policy." There can be no assurance that we will distribute such dividends, and any failure to do so could jeopardize our status as a RIC. To date, we have made distributions to stockholders on a quarterly basis.
Investment Adviser	Our Advisor, a Delaware limited liability company, is registered with the SEC under the Investment Advisers Act and serves as our investment adviser. The management agreement with our Advisor will remain in effect for a period of two years from the date of effectiveness, unless earlier terminated, and will continue in effect from year to year thereafter, but only so long as each continuance is specifically approved by (i) our board of directors or the vote of a majority of our voting securities and (ii) the vote of a majority of our independent directors. The Company adopted the management agreement with our Advisor prior to the date of this prospectus. Discussion regarding the basis for the approval of the management agreement by the board of directors is available in our annual report to stockholders for the period ended December 31, 2013. The management agreement with our Advisor may be terminated at any time, without payment or penalty, by vote of our board of directors, by vote of a majority of our voting securities, or by our Advisor, in each case on 60 days' written notice. As required by the Investment Company Act, the management agreement with our Advisor will terminate automatically in the event of its assignment. See "Management" and "Portfolio Management."
Fees	Pursuant to the management agreement, we have agreed to pay our Advisor a management fee. The management fee is paid quarterly in arrears and equals 0.4375% (1.75% annualized) of our Managed Assets (defined below) at the end of such quarter, including cash and cash equivalents and assets purchased with borrowings and, until November 13, 2014, we have agreed to reduce

	the management fee otherwise charged at 0.4375% per quarter to 0.375% per quarter (1.5% annualized). The term "Managed Assets" means our total assets (including cash and cash equivalents and any assets purchased with or attributable to any borrowed funds). During periods in which we are utilizing leverage, the management fee will be higher than if we did not utilize a leveraged capital structure because the management fee is calculated as a percentage of the Managed Assets, including those purchased with leverage. In addition, we reimburse our Advisor for fees and expenses incurred on our behalf, including our pro rata portion of its administrative expenses. See "Management—Management Agreement."
Management Fee Waiver	Our Advisor has agreed to waive the management fee that would otherwise be payable in respect of net proceeds to the Company obtained through the issuance of shares of common stock in this offering through August 30, 2015. See "Management—Management Agreement—Management Fee Waiver."
Leverage	We borrow to fund our investment activities, which is also known as utilizing leverage. While we enter into

borrowing arrangements with banks or other lenders that are unsecured, we may also fund a portion of our investments by creating one or more wholly-owned special purpose subsidiaries to facilitate secured borrowing structures. The Investment Company Act limits our total debt securities to one-third of our total assets, including the proceeds of such debt securities. In addition, our certificate of incorporation authorizes us to issue preferred stock. The Investment Company Act limits the amount of the preferred stock that we may issue. The use of such leverage involves significant risks. See "Risk Factors—Risks Related to Our Use of Leverage."

ERISA considerations Generally, Plans (as defined below) may acquire shares of our common stock. See "Certain ERISA Considerations."

Tax considerations As a RIC, we generally will not pay corporate-level federal income taxes on any net ordinary income or

capital gains that we timely distribute to our stockholders as dividends. To obtain and maintain RIC status, we must meet specific requirements, including on the income we earn, the assets we hold and the amounts we distribute. We may utilize derivatives in order to hedge against interest rate changes associated with our use of leverage. See "Derivative Transactions."

Please review carefully "Risk Factors—Risks Related to Taxation" and "U.S. Federal Income Tax Considerations," and we urge you to consult your tax adviser regarding the U.S. federal, state and local tax consequences of an investment in our common stock.

Anti-takeover provisions Our board of directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A staggered board of directors also may deter hostile takeovers or proxy contests, as may certain provisions of Delaware law, our certificate of incorporation or bylaws or other measures adopted by us. In addition, our certificate of incorporation and bylaws contain provisions that could prevent a change in our control or management. See "Description of Shares—Certificate of Incorporation and Bylaws—Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws."

Dividend reinvestment plan We have a dividend reinvestment plan for our stockholders. Our plan is an "opt out" dividend reinvestment plan. As a result, if we declare a distribution after the plan is effective, a stockholder's cash distribution will be automatically reinvested in additional common stock, unless the stockholder specifically "opts out" of the dividend reinvestment plan so as to receive cash distributions. Stockholders who receive distributions in the form of common stock will generally be subject to the same U.S. federal, state and local income tax consequences as stockholders who elect to receive their distributions in cash. See "Dividend Reinvestment Plan" and "U.S. Federal Income Tax Considerations."

Available information We are subject to the informational requirements of the Investment Company Act and are required to file certain reports, including proxy statements and annual and semi-annual reports, with the SEC. Information we file with the SEC may be obtained free of charge by contacting us

at 152 West 57th Street, 35th Floor, New York, New York 10019 or by telephone at (212) 354-6500. We will post our annual and semiannual reports to stockholders and other information on our website at www.stonecastle-financial.com. Information included on our website is not incorporated into this prospectus. These documents can be inspected and copied for a fee at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information about the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330 or by e-mail at publicinfo@sec.gov. In addition, the SEC maintains an Internet website, at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers, including us, that file documents electronically with the SEC.

Risk factors An investment in our common stock involves a high degree of risk. You should carefully consider the full text of the risk factors outlined below beginning on page [] of this prospectus, together with the other information contained in this prospectus, before investing in our common stock. In connection with the forward-looking statements that appear in this prospectus, you should also carefully review the cautionary statement referred to below under "Cautionary Statement Concerning Forward-Looking Statements."

SUMMARY OF COMPANY EXPENSES

The annual expenses table shows our expenses as a percentage of net assets attributable to our common stock. Net assets means the value of our total assets (the value of the securities held plus cash or other assets, including interest accrued but not yet received) less: (i) all of our liabilities (including accrued expenses); (ii) accumulated and unpaid dividends on any outstanding preferred stock; (iii) the aggregate liquidation preference of any outstanding preferred stock; (iv) accrued and unpaid interest payments on any outstanding indebtedness; (v) the aggregate principal amount of any outstanding indebtedness; and (vi) any distributions payable on our common stock. **We caution you that certain of the indicated percentages in the table below indicating annual expenses are estimates and may vary.**

Stockholder Transaction Expenses (as a percentage of offering price):

Sales Load	[]%(1)

Offering Expenses	[]%(2)
Dividend Reinvestment Plan Expenses(3)	None
Total Stockholder Transaction Expenses	[]%
Annual Expenses (as a percentage of net assets attributable to common stock):	
Management Fees (4)	[]%
Interest payments on borrowed funds(5)	[]%
Other Expenses (estimated for the current fiscal year)(6)	[]%
Total Annual Expenses	[]%

(1) For a description of the underwriting discounts and commissions paid to the Underwriters, which is a one-time fee and the only sales load, see "Underwriting."

(2) We will pay estimated offering costs of $[] per share, estimated to total approximately $[] million.

(3) The expenses associated with the administration of our dividend reinvestment plan are included in "Other Expenses." The participants in our dividend reinvestment plan pay a pro rata share of brokerage commissions incurred with respect to open market purchases, if any, made by the plan agent under the plan. For more details about the plan, see "Dividend Reinvestment Plan."

(4) We pay the management fee quarterly in arrears equal to 0.4375% (1.75% annualized) of Managed Assets at the end of such quarter, including cash and cash equivalents and assets purchased and borrowings, and, until November 13, 2014, we have agreed to reduce the management fee otherwise charged at 0.4375% per quarter to 0.375% per quarter (1.5% annualized). For the purposes of calculating our expenses, we have assumed a 1.5% management fee. Our Advisor has agreed to waive the management fee that would otherwise be payable in respect of net proceeds to the Company obtained through the issuance of the shares of common stock in this offering through August 30, 2015. See "Management—Management Agreement."

(5) We entered into a credit facility on June 9, 2014. Interest expense assumes that leverage will represent approximately 30% of our Managed Assets (as defined under "Management—Management Agreement— Management Fee") and charge interest or involve payment at a rate set by an interest rate transaction at an annual average rate of approximately 3.10%. We have assumed for purposes of these expense estimates that we will utilize leverage for seven out of the 12 months of the year ended December 31, 2014.

(6) Pursuant to the management agreement, our Advisor furnishes us with office facilities and clerical and administrative services necessary for our operation (other than services provided by our custodian, accounting agent, administrator, dividend and interest paying agent and other service providers). We bear all expenses incurred in our operations, and we will bear the expenses related to this offering. "Other Expenses" above includes all such costs not borne by our Advisor, which may include but are not limited to overhead costs of our business, commissions, fees paid to CAB Marketing, LLC and CAB, L.L.C., subsidiaries of the ABA, as part of our exclusive investment referral and endorsement relationships with those subsidiaries, fees and expenses connected with our investments and auditing, accounting and legal expenses. See "Management—Management Agreement—Payment of Our Expenses."

Example

The following example demonstrates the hypothetical dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock.(1) These amounts are based upon assumed sales load and offering expenses of []% and our payment of annual operating expenses at the levels set forth in the table above.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return:	$ []	$ []	$ []	$ []

The purpose of the table and example above is to assist you in understanding the various costs and expenses that an investor in this offering will bear directly or indirectly. **The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown.**

Moreover, while the example assumes a 5% annual return, our performance will vary and may result in a return greater or less than 5%. In addition, while the example assumes reinvestment of all distributions at NAV, participants in our dividend reinvestment plan may receive common stock valued at the market price in effect at that time. This price may be at, above or below NAV. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

As of the date of this prospectus, we have not yet completed a full year of investment operations. The "Other Expenses" shown in the table and related footnote above are based on estimated amounts for our current fiscal year of operation unless otherwise indicated and assume that we will issue

approximately [ ] million shares of additional common stock in this offering. If we issue fewer shares of common stock, all other things being equal, certain of these percentages would increase. For additional information with respect to our expenses, see "Management" and "Dividend Reinvestment Plan."

(1) This includes the sales load of $[ ] and estimated offering expenses of $[] on a hypothetical $1,000 investment.

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Company's financial performance. Information is shown for the Company's initial period of operations from November 13, 2013 to December 31, 2013. Certain information reflects financial results for a single share of common stock. The following information has been audited by Rothstein Kass & Company, the Company's former independent registered public accounting firm, for the Company's initial period of operations from November 13, 2013 to December 31, 2013, whose report thereon was unqualified. The report of Rothstein Kass & Company, together with the financial statements of the Company, are included in the Company's December 31, 2013Annual Report, and are incorporated by reference into in the Statement of Additional Information, which is available upon request.

	For the period from November 13, 2013 to December 31, 2013
PER SHARE OPERATING PERFORMANCE:	
Net Asset Value, beginning of period(1)	$ 23.49
Net investment income/(loss)	(0.09)
Net realized and unrealized gain (loss) on investments	(0.05)
Total from investment operations	(0.14)
Distributions to shareholders in excess of net investment income	(0.28)
Net Asset Value, end of period	23.07
Net Assets, end of period	**$ 108,338,101**
Market value, end of period	$ 24.56
Total investment return based on market value(2)	-0.62%
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:(3)	
Ratio of operating expenses	3.04%
Ratio of net investment income(loss)	-3.00%
SUPPLEMENTAL DATA:	
Portfolio turnover rate(4)	81%

(1) Net asset value at beginning of period reflects a deduction of $1.51 per share of sales load and offering expenses from the initial public offering price of $25 per share.
(2) Assumes the return for a shareholder since inception including $0.28 dividend participating in the Dividend Reinvestment Program. Not Annualized. Investment return does not reflect any sales load. Past performance is not indicative of future results.
(3) Annualized ratio; average of i) net asset value at 12/31/13 and ii) capital raised from initial sale of 4.4 million shares less sales load and upfront offering expenses recognized during reporting period.
(4) Not annualized.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

The matters discussed under "Prospectus Summary," "Risk Factors," "Dividend Policy," "The Company" and elsewhere in this prospectus, as well as in future oral and written statements by our management, that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties that could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "targets," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments and achieve certain levels of return, the availability to us of additional capital and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a forward-looking statement in this prospectus should not be regarded as a representation by us that our plans or objectives will be achieved. Statements regarding the following subjects are forward-looking by their nature:

- our business strategy;
- our ability to use effectively the proceeds of this offering and manage our anticipated growth;
- our ability to obtain future financing arrangements;
- estimates relating to, and our ability to make, future distributions;
- our ability to compete in the marketplace;
- market trends;
- projected capital and operating expenditures, including fees paid to our affiliates; and

- the impact of technology on our operations and business.

Our beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our common stock, along with the following factors that could cause actual results to vary from our forward-looking statements:

- the factors referenced in this prospectus, including those set forth under the sections captioned "Risk Factors" and "The Company;"
- general volatility of the capital markets and the market price of our common stock;
- changes in our business strategy;
- availability, terms and deployment of capital;
- availability of qualified personnel;
- changes in the sectors in which we invest, interest rates or the general economy;

- increased rates of default and/or decreased recovery rates relating to our investments;
- changes in applicable laws, rules or regulations;
- our ability to continue to meet the requirements for treatment as a RIC;
- increased prepayments relating to our investments; and
- the degree and nature of our competition.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. We are not obligated, and do not undertake an obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

TRADING AND NET ASSET VALUE INFORMATION

The following table sets forth, for the quarters indicated, the highest and lowest daily closing prices on the NASDAQ Global Select Market per share of common stock, and the NAV per share and the premium to or discount from NAV, on the date of each of the high and low market prices. The table also sets forth the number of Shares traded on the NASDAQ Global Select Market during the respective quarters.

During Quarter Ended	NAV per Share on Date of Market Price (1)		NASDAQ Global Select Market Price Per Share (2)		Premium/(Discount) to NAV on Date of Market Price (3)		Trading Volume (4)
	High	Low	High	Low	High	Low	
March 31, 2014	$ 22.69	$ 22.69	$ 27.67	$ 23.90	21.9%	5.3%	1,363,942
June 30, 2014	$ 22.31	$ 22.31	$ 26.55	$ 24.50	19.0%	9.8%	878,768

(1) Based on our computations.
(2) Source: The NASDAQ Global Select Market.
(3) Based on our computations.
(4) Source: Bloomberg.

On June 30, 2014, our per share NAV was $22.31 and per share market price was $25.38, representing a 13.8% premium above such NAV.

Our shares have historically traded at a premium to NAV. We cannot predict whether our common stock will trade at a premium or discount to NAV in the future. Our issuance of common stock may have an adverse effect on prices for our common stock in the secondary market by increasing the number of common shares available, which may put downward pressure on the market price for our common stock.

Shares of closed-end funds frequently trade at a market price that is less than the value of the net assets attributable to those shares (a "discount"). The possibility that our shares will trade

at a discount from NAV is a risk separate and distinct from the risk that our NAV will decrease. The risk of purchasing shares of a closed-end fund that might trade at a discount or unsustainable premium is more pronounced for investors who wish to sell their shares in a relatively short period of time after purchasing them because, for those investors, realization of a gain or loss on their investments is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance. Our shares are not redeemable at the request of stockholders. We may repurchase our shares in the open market or in private transactions, although we have no present intention to do so. Stockholders desiring liquidity may, subject to applicable securities laws, trade their shares on the NASDAQ Global Select or other markets on which such shares may trade at the then current market value, which may differ from the then current NAV.

USE OF PROCEEDS

The net proceeds we will receive from the sale of [] shares of our common stock in this offering will be approximately $[($ if the Underwriters exercise the over-allotment option in full)], after deducting the sales load of approximately []% or $[($ if the Underwriters exercise the over-allotment option in full)] and estimated organizational and offering expenses of approximately $[] payable by us.

We anticipate that it may take up to six months to invest substantially all of the net proceeds of this offering in securities meeting our investment objectives described in this prospectus. We intend to hold a certain portion of the net proceeds in cash or other temporary investments, including readily

marketable interest-bearing and dividend paying securities which may be outside of the community banking industry. We may also initially invest the net proceeds which we receive from this offering in cash, cash equivalents, securities issued or guaranteed by the U.S. government or its instrumentalities or agencies, high-quality, short-term money market instruments, short-term debt securities, certificates of deposit, bankers' acceptances and other bank obligations, commercial paper or other liquid fixed income securities. In either event, due to these investments, we expect that our return on the investments will be lower than what we will realize after investment in accordance with our investment objective and strategies. Following the completion of the offering, we may increase the amount of leverage outstanding.

DIVIDEND POLICY

We intend to pay quarterly distributions to our stockholders in an amount, and on a timely basis, sufficient to obtain and maintain our status as a RIC; investment company taxable income includes, among other items, dividends, interest and the excess of any net short-term capital gains over net long-term capital losses, reduced by deductible expenses.

We have [elected to be treated], and intend to comply with the requirements to qualify annually, as a RIC. For federal income tax purposes, as a RIC we are required to distribute substantially all of our net investment income each year both to avoid federal income tax on our distributed income and to avoid a potential excise tax. If our ability to make distributions on our common stock is limited, such limitations could, under certain circumstances, impair our ability to maintain a qualification for taxation as a RIC, which would have adverse consequences for our stockholders. See "U.S. Federal Income Tax Considerations."

We will pay all dividends at the discretion of our board of directors, and the dividends we pay will depend on a number of factors, including:

- distribution requirements under the Investment Company Act and to maintain our status as a RIC.
- our financial condition; general business conditions; actual results of operations;
- the timing of the deployment of our capital; debt service requirements;
- availability of cash distributions;
- our operating expenses;
- any contractual, legal and regulatory restrictions on the payment of distributions by us to our stockholders including
- debt covenants imposed by lenders to the Company; and
- other factors our board of directors in its discretion may deem relevant.

If a stockholder's common stock is registered directly with us or with a brokerage firm that participates in our Automatic Dividend Reinvestment Plan, distributions will be automatically reinvested in additional common stock under the Automatic Dividend Reinvestment Plan unless a stockholder elects to receive distributions in cash. If a stockholder elects to receive distributions in cash, payment will be made by check. See "Dividend Reinvestment Plan."

DISCUSSION OF MANAGEMENT'S OPERATIONS

Overview

We were formed as a Delaware corporation on February 7, 2013. We are registered as an investment company under the Investment Company Act and have [elected to be treated], and intend to comply with the requirements to qualify annually, as a RIC.

We have and intend to primarily invest in securities issued by community banks, including securities of private, thinly traded or micro-cap public companies, cash and cash equivalents such as U.S. government securities and high quality debt maturing in one year or less. We do not expect to be regulated as a bank holding company or a savings and loan holding company by the Federal Reserve.

We anticipate that it may take up to six months to invest substantially all of the net proceeds of this offering in securities meeting our investment objectives. We expect our direct investments in each community bank to initially be in amounts generally ranging between approximately $3 million and $20 million (unless investment size is otherwise expanded or constrained by applicable law, rule or regulation), although investment sizes may be smaller or larger than this targeted range. Pending such investments, we intend to invest the proceeds of this offering initially in a combination of U.S. Government securities and high quality, short-term money market instruments. This offering will provide us with capital to implement our strategy.

Revenues

We intend to generate revenue in the form of dividends on dividend-paying equity securities as well as interest payable on the debt investments that we hold. In addition, we intend to generate revenue in the form of capital gains through equity securities, warrants, options and other equity interests. We expect to invest the majority of our assets in preferred equity, subordinated debt, convertible securities and common equity that pay cash dividends and interest on a recurring or customized basis. We may invest in unsecured debt issued by community banks, and we currently expect these investments to have maturities in excess of ten years to enable our borrowers to obtain favorable regulatory capital treatment. We currently intend to structure our investments to provide for quarterly dividend and interest payments. To meet certain regulatory requirements of the banks in which we invest, we may structure investments to provide that dividends may be deferrable on a cumulative or non-cumulative basis. Because only TARP Preferred and certain securities issued by small bank holding companies, defined as holding companies with less than $500 million in consolidated assets, may be cumulative and qualify as Tier 1 capital, we expect that the majority of the new issue preferred stock in which we invest will be non-cumulative. However, investors should be aware that up to 100% of our portfolio may consist of non-cumulative preferred equity securities or may consist of a substantial amount of cumulative preferred equity securities, or any combination in between these scenarios. Based upon management's prior experience, we may receive up-front fee revenue from the community bank issuers in connection with newly originated securities. Such fees may range from 0% to 3% of the amount we invest and will be paid in cash or in kind. We also may receive fee income from underlying community banks in connection with our investments. See "—Fee Income."

Expenses

Our primary operating expenses will include the payment of management fees and operating expenses, including a portion of any overhead expenses of StoneCastle Partners and its affiliates that are allocable to us by our Advisor upon its reasonable determination that such expenses provided a benefit to us, and the services fees payable to CAB Marketing, LLC and CAB, L.L.C., subsidiaries of the ABA, as part of our and our Advisor's investment referral and endorsement relationships with those subsidiaries. We have entered into an exclusive investment referral and endorsement relationship with CAB Marketing, LLC and CAB, L.L.C. See "Management—Management Agreement—CAB Marketing, LLC and CAB, L.L.C." Our management fees compensate our Advisor for its investment advisory and management services. The management fees are limited to a fixed percentage of our assets. Pursuant to the management agreement, our Advisor also furnishes us with office facilities and clerical and administrative services necessary for our operation (other than services provided by our custodian, accounting agent, administrator, dividend and interest paying agent, transfer agent and other service providers). We bear all expenses not specifically assumed by our Advisor and incurred in our operations, and we bear the expenses related to this offering. We expect to reimburse our Advisor to the extent these expenses are paid by our Advisor. See "Management—Management Agreement— Payment of Our Expenses." We may also pay a portion of the fee income that we receive from community banks in connection with our investments in them to one or more unaffiliated brokers for introducing us to such opportunities. Our Advisor is not paid an incentive fee and does not participate in our profits in its capacity as

Advisor. See "Management—Management Agreement." Certain affiliates of our Advisor, however, may participate in our profits to the extent of their ownership of common stock. See "Certain Relationships and Related Party Transactions."

We may, but are not required to, enter into interest rate hedging agreements to hedge interest rate risk associated with any indebtedness we may incur. Such hedging activities, subject to compliance with our exemption from registration under the Commodity Exchange Act of 1936, as amended (the "CEA"), may include the use interest rate transactions such as swaps, caps, floors, and repurchase agreements. We will bear any costs incurred in entering into and settling such contracts. There is no assurance that any hedging strategy we may employ will be successful. See "Risk Factors—Risks Related to Our Operations."

Financial Condition, Liquidity and Capital Resources

We generate cash primarily from: (i) the net proceeds of offering our common stock, including this offering and any future debt or equity securities offerings and (ii) cash flows from operations, including interest earned from the temporary investment of cash. We also fund a portion of our investments through borrowings from banks or other lenders. In the future, we may also fund a portion of our investments by creating a wholly-owned subsidiary to facilitate secured borrowing structures. We believe that the use of special purpose entities to hold our assets will permit us to potentially obtain less expensive leverage than we might otherwise be able to obtain because it will facilitate our ability to obtain favorable ratings, which in turn may reduce the cost of leverage. However, the lenders to these special purpose entities typically impose substantial restrictions on the assets contained in such special purpose entities such as restrictions on our ability to encumber them. There can be no assurances that a wholly-owned subsidiary will be able to obtain more favorable borrowing terms. We do not expect to incur such indebtedness through special purpose entities until we have substantially invested the proceeds of this offering in securities that meet our investment objective. Our primary use of funds has been and will continue to be to make investments in companies, pay expenses and pay cash dividends to our stockholders.

Dividend Policy

We intend to pay quarterly distributions to our stockholders in an amount, and on a timely basis, sufficient to obtain and maintain our status as a RIC. Investment company taxable income includes, among other items, dividends, interest and the excess of any net short-term capital gains over net long-term capital losses, reduced by deductible expenses.

We have [elected to be treated], and intend to comply with the requirements to qualify annually as an RIC. For federal income tax purposes, as a RIC we are required to distribute substantially all of our net investment income each year both to avoid federal income tax on our distributed income and to avoid a potential excise tax. If our ability to make distributions on our common stock is limited, such limitations could, under certain circumstances, impair our ability to maintain a qualification for taxation as a RIC, which would have adverse consequences for our stockholders. See "U.S. Federal Income Tax Considerations."

Contractual Obligations

We have entered into a management agreement with our Advisor pursuant to which our Advisor has agreed to: (i) serve as our investment adviser in exchange for the consideration set forth therein; and (ii) furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and to provide on our behalf managerial assistance to certain of our portfolio companies. See "Management—Management Agreement."

Payments under the management agreement consist of a management fee based on a percentage of the value of our Managed Assets, as well as reimbursement of expenses of the Advisor. The compensation and allocable routine overhead expenses of all investment professionals of our Advisor and its staff, when and to the extent engaged in providing us investment advisory services, are provided and paid for by our Advisor and not us, although we reimburse our Advisor an amount equal to our allocable portion of overhead and other expenses incurred by our Advisor in performing its obligations under the management agreement. See "Management—Management Agreement—Management Fee" and "Management— Management Agreement—Payment of our Expenses."

The management agreement with our Advisor was initially approved by our board of directors on September 4, 2013. The management agreement continues in effect for a period of two years from the effective date and thereafter must be approved annually by our board of directors. The management agreement with our Advisor may be terminated at any time, without payment or penalty, by vote of our board of directors, by vote of a majority of our voting securities, or by our Advisor, in each case on 60 days' written notice. As required by the Investment Company Act, the management agreement with our Advisor will terminate automatically in the event of its assignment. See "Management" and "Portfolio Management."

StoneCastle Partners has licensed the "StoneCastle" name to us and our Advisor on a non-exclusive, royalty-free basis. We have the right to use the "StoneCastle" name so long as our Advisor or one of its approved affiliates remains our investment adviser.

Critical Accounting Policies

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States (or "US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates.

Valuation of Portfolio Investments

The preparation of our financial statements requires us to estimate the value of our investments and the related amounts of unrealized appreciation and depreciation of investments recorded. We invest primarily in illiquid securities, including debt and equity securities of primarily privately-held or thinly-traded public companies. Our investments generally are subject to restrictions on resale and in the case of privately-held companies, generally, will have no established trading market. We value all of our privately-held investments at fair value. We determine fair value of our privately-held investments to be the amount for which an investment

could be exchanged in an orderly disposition over a reasonable period of time between willing parties, other than in a forced or liquidation sale. If market quotations become readily available for an investment, we will use such market quotations to value the investment.

We have engaged regionally or nationally recognized independent valuation firms to assist in determining the fair value of our investments that do not have readily available market prices or quotations. In the event an investment does not have a readily determinable price, our board of directors reviews valuations from one or more regionally or nationally recognized independent valuation firms along with a valuation provided by our Advisor. Our board of directors regularly reviews and evaluates our valuation methodology and any such valuation service it uses and the historical accuracy of such valuation methodologies. Our board of directors reviews all valuation recommendations (including those provided by our Advisor) and assigns the valuation it determines to best represent the fair value for such investment. The methods for valuing these investments may include fundamental analysis, market prices of similar securities, purchase price of securities, subsequent private transactions in the security or related securities, discounted cash flow analysis, multiple analysis, or discounts applied to the nature and duration of restrictions on the disposition of the securities, as well as a combination of these and other factors. Because such valuations, and particularly valuations of privately-held securities and private companies, are inherently uncertain, may fluctuate over short periods of time, and may be based on estimates, our determinations of fair value have, and may in the future differ materially from the values that would have been used if a ready market for these securities existed. Our NAV could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

Our preferred and common equity investments as well as our equity-related investments (including warrants and options) in portfolio companies (collectively, "Equity Investments") for which there is no liquid public market are valued at fair value, which are determined using various factors, including cash flow from operations of the portfolio companies and other pertinent factors, such as recent offers to purchase a company's portfolio securities or other liquidation events. The determined fair values generally are discounted to account for restrictions on resale and minority ownership positions. The value of our Equity Investments in public companies for which market quotations are readily available will be based upon the closing public market price on the balance sheet date. Securities with sale restrictions will typically be valued at a discount from the public market value of the security. Our board of directors may consider other methods of accounting to value our investments as appropriate in conformity with US GAAP.

Dividend and Interest Income

We record dividend income on the ex-dividend date. We record interest income, which reflects the amortization of premiums and includes accretion of discounts for financial reporting purposes, on an accrual basis. To the extent we receive dividends that are eligible for qualified dividend income treatment (if received by a noncorporate holder) or the dividends received deduction (if received by a corporate holder), we report such information to our stockholders so that they can take advantage of the preferential income tax rules that would apply to the portion of our distributions that correspond to such income.

Fee Income

Fee income includes our fees, if any, for due diligence, structuring, commitment and facility fees, and fees, if any, for transaction services, consulting services and management services rendered to portfolio companies and other third parties. We recognize commitment and facility fees for debt generally as income over the life of the underlying loan, and we recognize commitment and facility fees for perpetual stock generally as income in the year the investment is consummated. We recognize due diligence, structuring, transaction service, consulting and management service fees generally as income when services are rendered.

THE COMPANY

StoneCastle Financial Corp. was organized on February 7, 2013, as a Delaware corporation established to continue and expand the business of StoneCastle Partners, which commenced operations in 2003, and makes investments in community banks located throughout the United States. Our investment objective is to provide stockholders with current income and, to a lesser extent, capital appreciation. We attempt to achieve our investment objectives through preferred equity, subordinated debt, convertible securities and common equity investments in the U.S. community banking sector. We may also invest in similar securities of larger U.S. domiciled banks and companies that provide goods and/or services to banking companies. Together with banks, we refer to these types of companies as banking-related and intend, under normal circumstances, to invest at least 80% of the value of our net assets plus the amount of any borrowings for investment purposes in such businesses.

We seek to enhance our returns through the use of warrants, options and other equity conversion features. The banks in which we invest may include, as part of the consideration of any new issuance of capital stock to us, a grant of warrants or options to increase our investment in such banks or

options to convert our investment from a preferred security to common equity in the event we believe we can increase the returns for our investors through such conversion.

If we enter into derivatives for the purpose of hedging, and such derivatives constitute a senior security under the Investment Company Act, the rules thereunder or applicable guidance from the SEC and its staff, we intend to include that position in our leverage calculation. Warrants, options and conversion features attached to preferred stock investments when we purchase them constitute assets, not liabilities, and we would not expect to consider such assets to constitute a senior security under the Investment Company Act.

Additionally, we may take temporary defensive positions that are inconsistent with our investment strategy in attempting to respond to adverse market, economic, political or other conditions. If we do so, we may not achieve our investment objective. We may also choose not to take defensive positions.

We have [elected to be treated], and intend to comply with the requirements to qualify annually, as a RIC.

We seek to structure our investments to avoid being regulated by various banking authorities. Therefore, we do not currently expect to be regulated by any state or federal banking regulatory bodies and expect to have significant flexibility with respect to the products we can

offer our community banking clients and the manner in which we operate. In the future, we may be subject to such regulation if regulations change or if certain regulated institutions are deemed to control us. Further, while we have no current intent to do so, we may become subject to such federal and state banking regulations if we change our business strategy in a manner that subjects us to such regulation. See “Risk Factors—Bank Regulatory Risk.”

Our Advisor

StoneCastle Asset Management LLC, an SEC-registered investment adviser dedicated to the community banking sector that was formed on November 14, 2012, manages our assets. Our Advisor is registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”). Our Advisor is staffed with investment professionals from its affiliates, which collectively manage one of the largest portfolios of assets dedicated to the U.S. community banking sector, with over a ten-year history of investing in trust preferred capital securities issued by, or, other obligations of, community, regional and money center banks. As of March 31, 2014, StoneCastle Partners and its subsidiaries managed over $5 billion of assets focused on community banks, including approximately $1.7 billion of capital invested in more than 220 banking institutions and over $3.3 billion of institutional cash in over 500 banks. Our Advisor’s investment philosophy is grounded in disciplined, fundamental, bottom-up credit and investment analysis. We intend to continue to use our Advisor’s existing community banking infrastructure to identify attractive investment opportunities and to underwrite and monitor our investment portfolio.

Our Advisor is wholly-owned by StoneCastle Partners. StoneCastle Partners is managed by its two Managing Partners: Joshua S. Siegel (founder & CEO) and George Shilowitz (Managing Partner). Charlesbank Capital Partners, LLC, a leading private equity investment manager, and CIBC Capital Corporation (“CIBC Capital”), a subsidiary of Canadian Imperial Bank of Commerce, own minority interests in StoneCastle Partners.

Each of our Advisor’s investment decisions is reviewed and approved for us by our Advisor’s investment committee, which may also act as the investment committee for other investment vehicles managed by our Advisor and its affiliates. Our Advisor’s two senior officers, Messrs. Siegel and Shilowitz, each have 19 years of experience advising and investing in financial institutions, investing in financial assets and building financial services companies.

Our Advisor has entered into a staffing agreement with StoneCastle Partners and several of its affiliates. Under the staffing agreement, these companies make experienced investment professionals available to our Advisor and provide our Advisor access to the senior investment personnel of StoneCastle Partners and its affiliates. Our Advisor intends to capitalize on the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of StoneCastle Partners’ investment professionals. Biographical information for key members of our Advisor’s investment team is set forth below under “Management—Biographical Information.” As our investment adviser, our Advisor is obligated to allocate investment opportunities among us and its other clients in accordance with its allocation policy; however, there can be no assurance that our Advisor will allocate such opportunities to us fairly or equitably in the short-term or over time.

Community Banking Sector Focus

We intend to pursue our investment objective by continuing to invest principally in public and privately-held community banks located throughout the United States. For the purpose of our investment objectives and this prospectus, we define “community bank” to mean banks, savings associations and their holding companies with less than $10 billion in consolidated assets that serve local markets. As of March 31, 2014, the community banking sector is a highly fragmented $2.9 trillion industry, comprised of over 6,600 banks located throughout the United States, including under-served rural, semi-rural, suburban and other niche markets. Community banks generally have simple, straight-forward business models and geographically concentrated credit exposure. Community banks typically do not have exposure to non-U.S. credit and are focused on lending to borrowers in their distinct communities. As a result, we believe that community banks frequently have a better understanding of the local businesses they finance than larger banking organizations. Many of these community banks are well established, having been in business on average for more than 75 years and have survived many economic cycles, including the most recent financial crisis. We expect to create a portfolio within the community bank market focused on the bank market, with an emphasis on community banks, through investments in numerous issuers differentiated by asset sizes, business models and geographies. To a lesser extent, we may also invest in similar securities of larger U.S. domiciled banks and companies that provide goods and/or services to banking companies.

Recent Developments

First Quarter 2014

Investment Highlights. At March 31, 2014, we had total assets of $125.6 million, consisting of investments with a fair value of $69.9 million ("Invested Portfolio") and cash, other assets and money market fund investments with a value of $55.7 million. Total assets includes investments, other assets and any proceeds from borrowings used to make a portfolio investment.

During the first quarter ended March 31, 2014, we invested $56.3 million in 13 investments, including:

- $15.7 million investment in fixed-rate mezzanine notes issued by Preferred Term Securities, Ltd.;
- $13.9 million investment in fixed-rate cumulative perpetual preferred stock issued by BNCCORP, Inc.; and
- $6.5 million investment in fixed-rate cumulative perpetual preferred stock issued by Chicago Shore Corp.

During the first quarter we also received repayment on three (3) investments aggregating to $12.9 million.

Financial Results. Our net increase in net assets resulting from operations was $559,000 or $0.12 per share for the quarter ended March 31, 2014. The net increase in net assets resulting from operations is comprised of net investment income and net realized and unrealized gains on

investments. Net investment income includes $721,000 in revenues and $715,000 of expenses, resulting in net income of $6,000. Net realized and unrealized gains on investments totaled $553,000. These gains were comprised of $117,000 in realized gains and $436,000 in net unrealized appreciation, resulting in a gain of $0.12 per share.

We also paid a quarterly dividend of $0.50 per share on April 1, 2014 to stockholders of record at the close of business on March 17, 2014.

At March 31, 2014, we had net assets of $106.6 million, and our NAV was $22.69 per share.

At March 31, 2014, the Invested Portfolio, which comprised of 66% of net assets, was generating an estimated yield of 8.3%. This yield does not reflect the 34% of net assets held in cash and cash equivalents which had a nominal yield.

Investment Policy Changes. On May 12, 2014 our board of directors approved amended investment polices to clarify our investment objective, policy and strategy.

For additional information, please see Appendix A, which contains our Current Report on Form 8-K, which was filed on May 13, 2014.

Second Quarter 2014

Investment Highlights. During the quarter ended June 30, 2014, we completed the deployment of the capital raised in our initial public offering into long term investments including a $10 million preferred equity investment in Katahdin Bankshares Corp. of Maine. In addition to Katahdin, we completed $41.6 million of additional investments since March 31, 2014. As of June 30, 2014, our long term investment portfolio consisted of 48 securities from 35 issuers. Our current regional concentrations are the Midwest 47%, South 26%, Northeast 25%, and the West 2%. As of June 30, 2014 our portfolio investments consisted of the following:

	Amount* (in millions)	# of positions
Debt Securities	$ 23.6	5
Trust Preferred Securities	$ 16.8	9
Preferred Stock	$ 77.0	29
Common Equity	$ 4.1	5
Total Long Term Investments	$ 121.5	48
Total Cash and Short-Term Investments	$ 11.1	1
Total Investments	$ 132.6	49

* Represents investments at cost.

Financial Results. Our net investment income is estimated to be between [$1.3 million] and [$1.4 million] or [$0.27] and [$0.30] per share for the quarter ended June 30, 2014. For illustrative purposes, had we purchased 100% of the long term investments listed above on April

1, 2014, our estimated net investment income would have been between [$1,865,000] and [$2,060,000] or [$0.40] and [$0.44] per share.

We paid a quarterly dividend of $0.50 per share on June 27, 2014 to stockholders of record at the close of business on June 13, 2014.

Credit Facility. We also closed a $45 million revolving Credit Facility of which $25 million has been committed and drawn. The Credit Facility closed on June 9, 2014, has a five-year term and a stated maturity in June 2019, and was priced at 3-month LIBOR + 2.85%. The Credit Facility is secured by substantially all of our assets. A substantial portion of the committed funds under the Credit Facility has been deployed pursuant to our investment objective and strategies and invested in capital securities issued by banks or their related holding companies.

For additional information, please see Appendix B, which contains our press release dated June 30, 2014.

Our Advisor has agreed to waive the management fee that would otherwise be payable in respect of net proceeds to the Company obtained through the issuance of shares of common stock in this offering through August 30, 2015. See "Management—Management Agreement—Management Fee Waiver."

The preliminary financial estimates provided under this "Recent Developments" section have been prepared by, and are the responsibility of, management. Our former and current independent registered public accounting firms have not audited, reviewed, compiled, or performed any procedures with respect to the preliminary financial data included herein. Accordingly, such firms have not expressed an opinion or any form of assurance with respect thereto.

Market Opportunity

We believe that the community banking sector is attractive due to the strong long-term performance of community banks and the general lack of investment competition from institutional investors. The Company was formed to invest in the ongoing capital needs of community banks. We believe that the environment for investing in community banks is attractive for the following reasons:

- *Long-Term Resiliency of Community Banks.* The community banking industry has a long history of resiliency and historically has exhibited a low rate of failure. According to data from the FDIC, since 1934, FDIC insured banks and thrifts have failed at an annual rate of 0.37%, with peak cycle one-year failure rates of 3.22% in 1989 (S&L crisis), 1.96% in 2010 (Great Recession) and 0.54% in 1938 (Great Depression). We believe that these figures are comparable with Baa and Ba Moody's rated corporate bond default rates, which experienced an average annual default rate since 1920 of approximately 0.27% for Moody's Baa-rated corporate bonds and 1.07% for Ba-rated bonds, with the highest one year default rates of 1.99%

and 11.69%, for Baa-rated and Ba-rated corporate bonds, respectively, as reported in Annual Default Study: Corporate Default and Recovery Rates, 1920-2013 released on February 28, 2014.

- *Greater Equity Cushions.* While community banks are generally subject to the same regulations as their larger competitors, community banks have historically maintained significantly larger amounts of equity capital. Given that community banks do not typically have access to different forms of capital from the public markets, most equity in community banks is comprised of common equity, a form considered of the highest quality by federal and state banking regulators. As of March 31, 2014, banks with less than $10 billion of assets maintained Tier 1 risk-based capital ratios 21% higher than banks with more than $10 billion of assets. Given that banks over $10 billion have 39% higher non-current loans to loans (2.62% vs. 1.88%), community banks generally have significantly better equity cushions than their larger competitors.
- *Large Fragmented Market.* Community banks collectively controlled nearly $2.9 trillion of financial assets as of March 31, 2014. Despite significant industry consolidation since 1980, as of March 31, 2014 there were still more than 6,600 FDIC-insured banks in the United States. As of such date, more than 98% of these banks had less than $10 billion of assets and many only service their local communities. The highly fragmented nature of the industry poses significant challenges for potential investors seeking to implement a diversified investment strategy.
- *Robust Demand for Capital.* Regulatory changes are requiring all banks to hold increased levels of capital. This requirement creates what we believe to be strong demand for capital in the form of preferred equity, subordinated debt, convertible securities and, to a lesser extent, common equity. Further, capital is needed to facilitate ongoing consolidation within the banking industry, including acquisitions of failed banks from the FDIC. Lastly, organic growth of well-positioned institutions also supports demand. Our Advisor estimates that the community banking sector will require more than $50 billion of capital over the next several years to facilitate (i) compliance with heightened regulatory capital ratios, (ii) acquisition of competitors and failed banks and (iii) organic asset growth. This estimate is in part based on the size of the trust preferred CDO market and the phase out of trust preferred securities from the definition of Tier 1 capital.
- *Constrained Supply of Capital.* We believe that the supply of new capital available to community banks is extremely constrained and will remain so for many years. We also believe that there are many community banks with well-established franchises and cash flow characteristics that are not attracting capital from private equity or other institutional investors because: (i) they are perceived by such investors as risky due to their size; (ii) the companies are located in rural or niche markets that are unfamiliar to institutional investors; or (iii) the investments in these companies are too small given (a) the size of the target companies and (b) limitations on

majority ownership dictated by certain banking regulations. We believe that these companies represent attractive investment candidates for us. We believe that this lack of institutional investor interest and the inability of most community banks to access the capital markets will enable us to invest at attractive pricing levels.

- *Sector Overlooked by Institutional Capital Providers.* We believe that many investors historically have avoided investing in community banks due to the small size of these banks, their heavy regulation, the Bank Holding Company Act, which imposes ownership restrictions and the perception that community banks are riskier than larger financial institutions. In addition, many capital providers lack the necessary technical expertise to evaluate the quality of the small- and mid-sized privately- held community banks and lack a network of relationships to identify attractive opportunities.
- *Favorable Market Conditions.* We believe that the substantial re-pricing of risk resulting from the recent financial crisis along with significantly improved bank balance sheets since the worst period of the crisis has created an ideal environment for us to continue our investment activities. Bank failures and unprecedented losses by large money-center banks and investment banks related to sub-prime mortgages and other higher risk financial products have negatively affected the view of all banks even those smaller banks not engaged in such activities. As a consequence, valuations of financial institutions have declined substantially, allowing potential investors to dictate favorable terms.

Competitive Advantages

We believe that our significant focus on the community banking sector provides us with a strong competitive advantage relative to non-specialized investors. We believe that we are well-suited to meet the capital needs of the community banking sector for the following reasons:

- *Experience in the Community Banking Sector.* The current investment platform of our Advisor's affiliate, StoneCastle Partners, provides us with significant advantages in sourcing, evaluating, executing and managing investments. StoneCastle Partners and its subsidiaries currently manage over $5 billion of assets focused on community banks, including approximately $1.7 billion of capital invested in more than 220 banking institutions and over $3.3 billion of institutional cash in over 500 banks.
- *Substantial Access to Deal Flow.* In order to execute our business strategy, we currently rely on what we believe to be our Advisor's and its affiliates' strong reputations and deep relationships with issuers, underwriters, financial intermediaries and sponsors, as well as our exclusive investment referral and endorsement relationships with CAB, subsidiaries of the ABA. Pursuant to the agreements governing these relationships, CAB assists us with the promotion and identification of potential investment opportunities through marketing campaigns, placements at ABA events and introductions to banks seeking capital. In

addition, CAB has granted to us a license to use the CAB name, "Corporation for American Banking," in connection with our investment program. We may use this name in connection with the promotion and identification activities, including emails, press releases, events and due diligence questionnaires targeting ABA members. Most capital raising activities by community banks are conducted through privately-negotiated transactions that occur outside of traditional institutional investment channels, including the capital markets. We believe that StoneCastle Partners' and CAB's large network of relationships will help us to identify attractive investment opportunities and will provide us with a competitive advantage. The ABA and its subsidiaries have not endorsed this offering, and you should not construe references to them in this prospectus as such an endorsement.

- *Experienced Management Team.* StoneCastle Partners and its affiliates are led by StoneCastle Partners' two Managing Partners, Joshua S. Siegel and George Shilowitz, and as of March 31, 2014, had approximately 50 employees. Our investment team is comprised of professionals who have substantial expertise investing in community banks, and includes former senior bankers, credit officers, private equity investors, rating agency analysts, bank examiners, fixed income specialists and attorneys.
- *Specialized / Proprietary Systems.* During the past decade, StoneCastle Partners has invested substantial funds and resources into the development of its proprietary analytic systems/database that is dedicated to analyzing banks (the "RAMPART" systems). RAMPART currently tracks and analyzes every bank in the United States and provides our investment professionals with significant operational leverage, allowing our team to sort through vast amounts of data to screen for potential investments. We believe that few institutional investors have developed infrastructure comparable to that of StoneCastle Partners and its affiliates.
- *Disciplined Investment Philosophy and Risk Management.* Our Advisor's senior investment professionals have substantial experience structuring investments that balance the needs of community banks with appropriate levels of risk control. Our Advisor's investment approach for us emphasizes current income and, to a lesser extent, capital appreciation through common equity, warrants, options and conversion features. Given that a significant portion of our investments to be fixed income-like (including preferred stock), preservation of capital is our priority and we seek to minimize downside risk by investing in banks that exhibit the potential for long-term stability (See "The Company— Investment Process and Due Diligence").
- *Few Organized Competitors.* We believe that several factors render many U.S. investors and financial institutions ill-suited to lend to or invest in community banks. Historically, the relatively small size of individual community banks and certain regulatory requirements limiting control have deterred many institutional investors, including private equity investors, from making those investments. As a consequence, few

institutional investors have developed and possess the specialized skills and infrastructure to efficiently analyze and monitor investments in community banks on a large scale. Based on the experience of our management team, investing in community banks requires specialized skills and infrastructure, including: (i) the ability to analyze small community banking institutions and the local economies in which they do business; (ii) specialized systems to analyze and track vast amounts of bank performance data; (iii) a deep understanding and working relationship with state and federal regulators that oversee community banks; and (iv) brand awareness within the community banking industry and a strong reputation as a long-term partner that understands the needs of community banks to originate investment opportunities successfully.

- *Extended Investment Horizon.* Unlike private equity investors, we are not subject to standard periodic capital return requirements. These provisions often force private equity investors to seek returns on their investments through mergers, public equity offerings or other liquidity events more quickly than they otherwise might prefer, potentially resulting in a lower overall return to investors. We believe that our flexibility to make investments with a long-term view, and without the capital return requirements of traditional private investment funds, provides us with the opportunity to generate attractive returns on invested capital.

Targeted Investment Characteristics

Our business strategy focuses on minimizing risk by using a disciplined underwriting process in providing capital to community banks. We expect to continue to focus on investing in community banks that exhibit the following characteristics:

- *Experienced Management.* We seek to invest in community banks with management teams or sponsors that are experienced in running local banking businesses and managing risk. We seek community banks that have a particular market focus, expertise in that market and a track record of success. Further, we actively seek to invest in banks with senior management teams with significant ties to their local communities.
- *Stability of Earnings.* We seek to invest in community banks with the potential to generate stable cash flows over long periods of time, and therefore we presently seek out institutions that have a defined lending strategy and predictable sources of interest revenues, stable sources of deposits and predictable expenses.
- *Stability of Market.* We seek to invest in community banks whose core business is conducted in one or more geographic markets that have sustainable local economies. The market characteristics we seek include stable or growing employment bases and favorable long-term demographic trends, among other characteristics.

- *Growth Opportunities.* We seek to invest in healthy community banks headquartered in markets which provide significant organic growth opportunities or headquartered in highly fragmented markets where

industry consolidation is likely providing the opportunity for community banks to grow through acquisitions of smaller competitors.
- *Strong Competitive Position.* We focus on community banks that have developed strong market positions within their respective markets and that are well positioned to capitalize on growth opportunities. We seek to invest in companies that demonstrate competitive advantages that should help to protect and potentially expand their market position and profitability. Typically, we do not expect to invest in newly organized institutions or community banks having highly speculative business plans.
- *Visibility of Exit*. When investing in common equity, we seek investments that we expect to result in an exit opportunity. Exits may come through the conversion of an investment into public shares; an initial public offering of shares by the bank; the sale of the bank; or the repurchase of shares by the bank or another financial investor.

Investments

We primarily invest in securities issued by public and privately held community banks, initially in amounts generally ranging between approximately $3 million to $20 million (unless our investment size is otherwise constrained or expanded by applicable law, rule or regulation). We have an existing pipeline of potential investments of up to $250 million in the aggregate that meet our criteria, consisting primarily of preferred equity, subordinated debt, convertible securities and, to a lesser extent, common equity. We invest in accordance with our Advisor's investment policy in primarily the following assets:

TARP Assets: We own and may continue to own one or more portfolios of perpetual preferred stock issued by community banks under the U.S. Treasury's TARP Capital Purchase Plan. Under TARP, more than 450 community banks issued in excess of $10 billion of TARP Preferred in 2008 and 2009 and approximately $840 million in TARP Preferred issued by approximately 73 institutions remains outstanding. The U.S. Treasury is in the process of selling its TARP Preferred holdings through an auction process in which we will seek to participate. We intend to purchase these securities through secondary market transactions. We believe that there are approximately 35 issuers in this program that meet our investment criteria, totaling approximately $350 million of target assets.

According to the U.S. Treasury, the TARP Capital Purchase Program was launched to stabilize the financial system by providing capital to viable financial institutions of all sizes throughout the nation. The Capital Purchase Program was designed to bolster the capital position of viable institutions of all sizes and to build confidence in these institutions and the financial system as a whole. The U.S.Treasury initially committed more than one-third of all TARP funding, $250 billion, to the Capital Purchase Program, which was later reduced to $218 billion in March 2009. At the end of the investment period for the program, the U.S.Treasury had invested approximately $205 billion under the Capital Purchase Program in 707 financial institutions in 48 states, including more than 450 small and community banks and 22 certified community development financial institutions. The U.S.Treasury's investments through the Capital Purchase Program, made in the form of cumulative preferred stock or debt securities, generally pay Treasury a 5% dividend on preferred shares for the first five years and a 9% rate

thereafter. In addition, Treasury received warrants to purchase common shares or other securities from the banks during the Capital Purchase Program investment period. The purpose of the additional securities was to enable taxpayers to reap additional returns on their investments as banks recovered.

As reported in the Troubled Asset Relief Program (TARP): Monthly Report to Congress - May 2014, dated June 10, 2014, the total Capital Purchase Program (CPP) Proceeds amounted to $225.2 billion. In addition, the report states "Today, every dollar recovered from CPP participants represents an additional positive return for taxpayers."

While some institutions that received capital from the TARP Capital Purchase Program were troubled and may remain troubled today due to heightened levels of non-performing assets, among other things, we believe that a number of participating institutions currently exhibit healthy fundamental characteristics that will make acceptable investment candidates for us.

While we may invest in TARP Preferred issued by community banks that are current on their dividend payments, we may in certain instances invest in TARP Preferred issued by community banks that are not current if we believe they will become current in the future.

As of July, 2014, the current dividend rate on most TARP Preferred is 9%. A majority of these securities experienced a dividend rate increase to 9% from 5% in late 2013 or early 2014. Due to this significant increase in the dividend rate from 5%, there may be a strong incentive for banks to repurchase, or refinance, their TARP Preferred. The ability for a bank to redeem its outstanding TARP Preferred is primarily predicated upon its ability to raise additional capital, which is likely required to be obtained at a lower cost than its TARP Preferred. While it is possible for an issuer to redeem its TARP Preferred, because these are perpetual securities, they do not include acceleration rights exercisable by the holder. In the event our investments are pre-paid or "called," it may take significant time for us to redeploy the proceeds into new acceptable investments.

Preferred and Common Equity Assets: We continue to receive capital requests from numerous community banks regarding potential investments initially in amounts ranging from $3 million to $20 million per investment. Preferred stock may have fixed or variable dividend rates, which may be subject to rate caps and collars. In connection with our investments, we may also receive options or warrants to purchase common or preferred equity.

Regardless of the type of capital security, we intend to invest the majority of our portfolio in institutions that are currently paying dividends or interest on their securities, that our Advisor believes have the ongoing ability to pay dividends or interest on their securities, and that are not currently a party to any regulatory enforcement actions that would limit or hinder their ability to pay dividends or interest. While we do not intend to invest a significant portion of our funds in institutions that do not meet these criteria, we may invest in institutions that our Advisor believes have the ability to emerge from such conditions, pay any accrued interest or cumulative unpaid dividends at emergence and begin the normalized payment of interest or dividends in arrears and/or as frequently stipulated by the issuance in question.

From time to time, we may also invest in Tier 2 qualifying debt securities (long-term subordinated debt securities) and other debt securities or hybrid instruments issued by community banks or their holding companies. Additionally, we may invest in Tier 1 qualifying debt securities. These debt securities may have fixed or floating interest rates.

Regulatory capital regulations adopted in response to the Dodd-Frank Act and Basel III require banks to increase their Tier 1 capital and reduce their leverage ratios. These regulations also generally require that, in order to qualify as Tier 1 capital, preferred stock must be non-cumulative in nature (only TARP Preferred and certain securities issued by small bank holding companies, defined as holding companies with less than $500 million in consolidated assets, may be cumulative and qualify as Tier 1 capital). We expect that the majority of the new issue preferred stock in which we invest will be non-cumulative. While these existing and any future regulatory capital requirements may cause community banks to raise additional capital, these regulations may make some community banks less likely to pay dividends on preferred stock and common stock.

In addition, future changes in regulatory capital regulations may negatively or positively affect our investments and may subject us to additional pre-payment and capital redeployment risk.

Most of our assets are and, we expect, will be illiquid, and their fair value may not be readily determinable. Accordingly, there can be no assurance that we will be able to realize the value at which we carry such assets if we need to dispose of them. As a result, we can provide no assurance that any given asset could be sold at a price equal to the value at which we carry it. We believe that a majority of the investments we will make will not be rated by a NRSRO. If such investments were rated by a NRSRO, we believe they may be rated below investment grade.

Investment Selection

Our Advisor uses an investment selection process modeled after the selection process utilized by our Advisor and its affiliates for the various funds they manage. Both of our Advisor's senior investment professionals, Messrs. Siegel and Shilowitz are responsible for negotiating, structuring and managing of our investments, and operate under the oversight of our board of directors and the Advisor's investment committee. Messrs. Siegel and Shilowitz are also both members of our board of directors, and may be subject to conflicts of interest. See "Certain Relationships and Related Party Transactions—Conflicts of Interest Within StoneCastle Partners."

Current Yield Plus Growth Potential

We intend to focus on securities issued by community banks that generate substantial current income in the form of dividends or interest. See "Risk Factors—Risks Related to Our Operations." In the case of investments with fixed dividends or interest, the continuity of these payments is paramount, and consequently we seek issuers that have business models that we believe will be stable over long periods of time. We also continue to seek to generate capital gains by investing in banks using various equity strategies, including common equity, warrants,

convertible securities and options. We continue to seek to invest in equity-related instruments in circumstances where we believe a company has the potential to generate above average growth or is undervalued. To a lesser extent, we may also generate revenue in the form of commitment, origination or structuring fees.

Target Portfolio Company Characteristics

We have identified several quantitative, qualitative and relative value criteria that we believe are important in identifying and investing in prospective community banks. While these criteria provide general guidelines for our investment decisions, each prospective community bank in which we choose to invest may not meet all of these criteria. Generally, we intend to utilize our access to information generated by our Advisor's investment professionals to identify prospective portfolio companies and to structure investments efficiently and effectively.

Qualified Management Team

We generally require that the community banks we invest in have management teams that are experienced in running banking businesses and managing risk. We seek management teams that have expertise in their market, thorough knowledge of the loans held by their institution and a track record of success. Further, we seek senior management teams with significant ties to their local communities. These management teams may have strong technical, financial, managerial and operational capabilities, established governance policies and incentive structures to encourage management to succeed while acting in the best long-term interests of their investors.

Undervalued Investments

We focus on those investments that appear undervalued.

Sensitivity Analyses

We typically perform sensitivity analyses to determine the effects of changes in market conditions on any proposed investment. These sensitivity analyses may include, among other things, simulations of changes in interest rates, changes in unemployment rates, changes in home prices, changes in economic activity and other events that would affect the performance of our investment. In general, we do not commit to any proposed investment that will not provide at least a minimum return under any of these analyses and, in particular, the sensitivity analysis relating to changes in interest rates and unemployment rates.

Business Combinations

We seek to invest in community banks whose business models and expected future cash flows make them attractive business combination transaction candidates, either as buyer or seller. These companies include candidates for strategic acquisition by other industry participants and companies that may conduct an initial public offering of common stock.

Investment Process and Due Diligence

In conducting due diligence, our Advisor typically uses and intends to continue to use available public information, including "call reports" and other quarterly filings required by bank regulators, due diligence questionnaires and discussions with the management teams at the respective institutions. In many cases, our Advisor will also compile private information obtained pursuant to confidentiality agreements about the institution, its portfolio of loans and securities, its customers and related deposits, compliance information, regulatory information and any such additional information that could be necessary to complete its due diligence on the company. Although our Advisor may use research provided by third parties when available, primary emphasis is placed on proprietary analysis and valuation models conducted and maintained by our Advisor's investment professionals.

The due diligence process followed by our Advisor's investment professionals is highly detailed and follows a structure they have developed over the past decade. Our Advisor seeks to exercise discipline with respect to the pricing of its investments and institute appropriate structural protections in our investment agreements to the extent banking regulations permit. After our Advisor's investment professionals undertake initial due diligence of a prospective investment, our Advisor's investment committee determines whether to approve the initiation of more extensive due diligence. At the conclusion of the diligence process, our Advisor's investment committee is informed of critical findings and conclusions. The due diligence process typically includes many of the following:

- review of historical and prospective financial information;
- review of regulatory filings and history of relevant regulatory actions or other legal proceedings against the institution;
- review and analysis of financial models and projections;
- review of due diligence questionnaires that include detail on loans and other assets;
- interviews with management and key employees of the prospective bank;
- review of the prospective bank's geographic footprint and competitive and economic conditions within the operating area; and
- review of contingent liabilities.

Additional due diligence with respect to any investment may be conducted on our behalf by our legal counsel and accountants, as well as by other outside advisers and consultants, as appropriate.

Upon the conclusion of the due diligence process, our Advisor's investment professionals present a detailed investment proposal to our Advisor's investment committee. All decisions to invest in a company must be approved by the unanimous decision of our Advisor's investment committee.

Investment Structure

Once we have determined that a prospective community bank is suitable for a newly originated direct investment, we work with the management of that company to structure an investment that the parties believe is suitable from an economic and regulatory perspective.

We anticipate structuring our direct investments in a variety of forms to meet our investment criteria and to meet the capital needs of the community banks in which we invest. Banking is a highly regulated industry and investments in these institutions must be tailored to adhere to various regulatory standards, which change from time to time.

Typically, FDIC-insured banks are wholly-owned by a regulated holding company, and the primary asset of the holding company is the stock of the bank(s). We intend to invest in both community banks and their holding companies.

We anticipate structuring the majority of our direct investments as preferred equity, subordinated debt, convertible securities and common equity that pay cash dividends and interest on a recurring or customized basis. In conjunction with our preferred stock (and to a lesser extent, our debt investments), we intend to obtain warrants or equity conversion options by which we may increase our investments in banks. We do not intend to become regulated as a bank holding company or savings and loan holding company and intend to structure our investments such that they represent less than 24.9% of any portfolio bank's equity capital and thereby avoid causing us to be deemed a bank holding company. See "Risk Factors—Bank Regulatory Risk."

The types of securities in which we may invest include, but are not limited to, the following:

- *Preferred Stock.* We anticipate structuring these investments as perpetual preferred stock to allow our portfolio company issuers to treat our investment in them as Tier 1 capital under current regulatory capital standards. We believe that nearly all newly issued preferred stock will be non-cumulative in order for it to qualify as Tier 1 capital of the applicable portfolio company. Such preferred stock may also include rights to convert the preferred stock into common stock under specified circumstances and on specified terms. While we do not intend to invest a significant portion of the proceeds of this offering in the preferred stock of institutions that are not current in their dividends, we may invest in them to some extent if we believe their institutions have the ability to become current in their dividend payments in the future.
- *TARP Preferred.* We will also seek to invest in cumulative and non-cumulative, preferred stock issued under the TARP Capital Purchase Program. While a number of community banks that have issued TARP Preferred have deferred one or more schedule payments on a cumulative basis, we believe numerous institutions exhibit fundamentally strong characteristics and may be attractive investment candidates for us. While these attractive candidates will generally be those that are current on their

dividend payments, we may in certain instances invest in TARP Preferred of community banks that are not current if we believe they will become current in the future and by contract have an obligation to pay all dividend payments that were not previously paid. While the majority of TARP Preferred is cumulative, a portion of TARP Preferred currently outstanding is non-cumulative in nature. Presently, we do not intend to invest in non-current, non-cumulative TARP Preferred.

- *Subordinated Debt.* We anticipate structuring these investments as subordinated unsecured debt. Subordinated loans are expected to have maturities often years or longer with no amortization until loan maturity to allow our portfolio company borrowers to treat the investment as Tier 2-qualifying capital. Under current market conditions, the interest rate on subordinated loans ranges between 8-10%, excluding any equity warrants we may receive.
- *Common Stock.* We will also seek to make minority common equity investments in publicly-traded and select privately-held institutions. We will target internal rates of return between 15%-20%, including dividends. Under market conditions as of the date of this prospectus, the dividend rate on common stock [of community banks] ranges between 2-4%.
- *Warrants and Options.* We may receive warrants or options to buy minority equity interests in connection with our direct subordinated debt and preferred equity investments. As a result, as a portfolio company appreciates in value, we may achieve additional investment return from these equity interests. We may structure such warrants to include provisions protecting our rights as a minority-interest holder. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

Monitoring of Investments

The investment professionals of our Advisor and its affiliates maintain a continuous relationship with the management teams of the companies in which we invest and will monitor each individual portfolio company relative to performance benchmarks set by our investment professionals. This monitoring may be accomplished by review of quarterly regulatory filings, other financial data, local and national economic data, news reports, and regulatory actions and changes to bank regulations, tax laws and US GAAP that may impact the banks in which we invest. Our Advisor has adopted a grading scale developed by StoneCastle Partners that is designed to provide initial and on-going support. Our Advisor uses this scale to assess investment performance and highlight investments that may require additional attention.

Our Advisor monitors and, when appropriate, changes the investment ratings assigned to each investment in our portfolio. Our Advisor reviews these investment ratings on at least a quarterly basis and may modify a rating at any time.

Valuation Process

We value our assets in accordance with US GAAP and rely on multiple valuation techniques, reviewed on a quarterly basis by our board of directors. As most of our investments are not expected to have market quotations, our board of directors undertakes a multi-step valuation process each quarter, as described below and as described in more detail in "Net Asset Value" below:

- *Investment Team Valuation.* Each investment will be valued by the investment professionals of our Advisor.
- *Third Party Valuation.* We have retained an independent valuation firm to provide a valuation report for each investment at least once per fiscal year.
- *Investment Committee.* The investment committee of our Advisor will review the valuation report provided by the investment team and the independent valuation firm.
- *Final Valuation Determination.* Our board of directors discusses and reviews the valuations with our Advisor's investment committee and, where warranted, with the independent valuation firm. Our board of directors then determines the fair value of each investment in our portfolio in good faith.

Competition

Our primary competitors in providing financing and capital to community banks include public and private funds, commercial banks, investment banks, correspondent banks, commercial financing companies, high net worth individuals, private equity funds and hedge funds. Some of our competitors are substantially larger and may have considerably greater financial, technical and marketing resources than we do. For example, we believe that some competitors have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assumptions, which could allow them to consider a wider variety of investments than us. Also, certain of our competitors may be better able to hedge against these risks due to having a more diversified portfolio or being registered as a commodity pool operator. We also believe that many of our competitors are established bank holding companies, which allows them to make investments that are in excess of 24.9% ownership interest, investments that are not feasible for us since we do not intend to become a bank holding company. Further, many of our competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on us as an investment company or to the source-of-income, asset diversification and distribution requirements we intend to satisfy to qualify as a RIC.

Brokerage Allocation and Other Practices

Because we expect that most of the assets that we hold will be illiquid, we will generally acquire and dispose of our investments in privately negotiated transactions, and we may use brokers in the course of our business. Subject to policies established by our board of directors, we do not expect to execute transactions through any particular broker or dealer, but we will seek to obtain the best net results for us, taking into account such factors as price (including the

applicable brokerage commission or dealer spread), size of order, difficulty of execution, operational facilities of the firm, the firm's risk and skill in positioning blocks of securities. While we will generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly on brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided.

Staffing

We do not currently have or expect to have any employees. Employees of StoneCastle Partners and its affiliates provide the services necessary for our business pursuant to the terms of the staffing agreement. Each of our executive officers described under "Management" is an employee or principal of our Advisor, StoneCastle Cash Management, LLC or StoneCastle Partners.

Properties

Our principal executive offices are located at 152 West 57th Street, 35th Floor, New York, New York 10019. Our telephone number is (212) 354-6500. Our Advisor has entered into a shared facilities and services agreement with StoneCastle Partners pursuant to which StoneCastle Partners has agreed to provide us and our Advisor with office space. See "Management— Management Agreement—Management Fee."

Legal Proceedings

We are not currently a party to any material legal proceedings. On February 7, 2013, the former general counsel and a co-founder of StoneCastle Partners commenced a lawsuit against StoneCastle Partners, Messrs. Siegel and Shilowitz and several other affiliates of StoneCastle Partners seeking $10 million in damages for alleged breaches of the StoneCastle Partners operating agreement and a separate agreement between the plaintiff and Mr. Shilowitz. This case is pending in the Commercial Division of the Supreme Court of the State of New York, New York County. The dispute arose in connection with the plaintiff's separation from StoneCastle Partners. StoneCastle Partners believes that the claims are without merit and intends to vigorously defend the action. Furthermore, we would not bear any expenses relating to this legal proceeding or any damages or settlement amounts relating to this legal proceeding, if any. Neither we nor our Advisor is a party to this litigation or will have any reimbursement obligation in respect thereof. Apart from the forgoing, neither we, our Advisor, nor StoneCastle Partners is currently subject to any material legal proceedings.

Portfolio Turnover

From the commencement of operations through the fiscal year ended December 31, 2013 our portfolio turnover rate was 81%. In addition, for the six-month period ended June 30, 2014, our portfolio turnover rate was 23%. Our annual portfolio turnover rate may vary greatly from year to year. Although we cannot accurately predict our annual portfolio turnover rate, it is not expected to exceed 20% under normal circumstances. Portfolio turnover rate is not considered a

limiting factor in the execution of investment decisions for us. A higher turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that we bear.

PORTFOLIO MANAGEMENT

Our board of directors provides the overall supervision and review of our affairs. Management of our portfolio is the responsibility of our Advisor's investment committee. Our Advisor's investment committee is composed of four senior investment professionals. Our Advisor's investment team, led by Messrs. Siegel and Shilowitz will be responsible for negotiating, structuring and managing our investments. Our Advisor's investment professionals have significant experience sourcing, analyzing, investing and managing investments in community banks. For the background of our investment professionals, see "Management."

We expect to create a portfolio of securities focused on the bank market, with an emphasis on community banks, through investment in numerous issuers differentiated by asset sizes, business models and geographies to create a more stable, long-term portfolio of assets. Our Advisor monitors our portfolio companies and market concentrations and may adjust its underwriting criteria based on market conditions and portfolio concentrations. Our Advisor's monitoring operations include sensitivity analyses to determine the effects of changes in market conditions on our asset portfolio. These analyses may include simulations of changes in interest rates, changes in economic activity and other events that would affect the forecasted performance of our assets.

LEVERAGE

Use of Leverage

We intend to operate with leverage through recourse and non-recourse collateralized financings, private or public offerings of debt, warehouse facilities, secured and unsecured bank credit facilities, repurchase agreements and other borrowings. We may also operate with leverage by issuing preferred stock. Under normal circumstances, we will not employ leverage above one-third of our total assets at time of incurrence.

The borrowing of money and the issuance of preferred securities represent the leveraging of our common stock. We do not use leverage unless our board of directors believes that leverage will serve the best interests of our stockholders. The principal factor used in making this determination is whether the potential return is likely to exceed the cost of leverage. Therefore, in making the determination whether to use leverage, we must rely on estimates of leverage costs and expected returns. Actual costs of leverage vary over time depending on interest rates and other factors, and actual returns vary depending on many factors. We do not anticipate using leverage where the estimated costs of using such leverage and the ongoing cost of servicing the payment obligations on such leverage exceed the estimated return on the proceeds of such leverage. Our board of directors will also consider other factors, including whether the current investment opportunities will help us achieve our investment objectives and strategies.

Leverage creates a greater risk of loss, as well as potential for more gain, for our common stock than if leverage is not used. Leverage capital would have complete priority upon distribution of assets on liquidation or otherwise over common stock. We expect to invest the net proceeds derived from any use or issuance of leverage capital according to the investment objectives and strategies described in this prospectus. As long as our leverage capital is invested in securities that provide a higher rate of return than the dividend rate or interest rate of the leverage capital after taking its related expenses into consideration, the leverage will cause our common stockholders to receive a higher rate of income than if we were not leveraged. Conversely, if the return derived from such securities is less than the cost of leverage (including increased expenses to us), our total return will be less than if leverage had not been used, and, therefore, the amount available for distribution to our common stockholders will be reduced. In the latter case, our Advisor in its best judgment nevertheless may determine to maintain our leveraged position if it expects that the long term benefits to our common stockholders of so doing will outweigh the current reduced return. There is no assurance that we will be successful in enhancing the level of our total return. The NAV of our common stock will be reduced by the fees and issuance costs of any leverage capital. There is no assurance that outstanding amounts we borrow may allow prepayment by us prior to final maturity without significant penalty, but we do not expect any sinking fund or mandatory retirement provisions. Outstanding amounts would be payable at maturity or such earlier times as we may agree. We may be required to prepay outstanding amounts or incur a penalty rate of interest in the event of the occurrence of certain events of default. We may be expected to indemnify our lenders, particularly any banks, against liabilities they may incur related to their loan to us. Utilizing leverage may also restrict our ability to pay dividends, which could lead to a loss of our RIC status. We may also be required to secure any amounts borrowed from a bank by pledging our investments as collateral.

Leverage creates risk for holders of our common stock, including the likelihood of greater volatility of our NAV and the value of our shares, and the risk of fluctuations in interest rates on leverage capital, which may affect the return to the holders of our common stock or cause fluctuations in the distributions paid on our common stock. The fee paid to our Advisor is calculated on the basis of our Managed Assets, including proceeds from leverage capital. During periods in which we use leverage, the fee payable to our Advisor is and will be higher than if we did not use leverage. Consequently, we and our Advisor may have differing interests in determining whether to leverage our assets. Our board of directors monitors our use of leverage and this potential conflict.

Under the Investment Company Act, we are not permitted to issue preferred stock unless immediately after such issuance, the value of our total assets (including the proceeds of such issuance) less all liabilities and indebtedness not represented by senior securities is at least equal to 200% of the total of the aggregate amount of senior securities representing indebtedness plus the aggregate liquidation value of the outstanding preferred stock. Stated another way, we may not issue preferred stock that, together with outstanding preferred stock and debt securities, has a total aggregate liquidation value and outstanding principal amount of more than 50% of the amount of our total assets, including the proceeds of such issuance, less liabilities and indebtedness not represented by senior securities. In addition, we are not permitted to declare any cash dividend or other distribution on our common stock, or purchase any of our shares of common stock (through tender offers or otherwise), unless we would satisfy this 200% asset coverage after deducting the amount of such dividend, distribution or share purchase price, as the

case may be. We may, as a result of market conditions or otherwise, be required to purchase or redeem preferred stock, or sell a portion of our investments when it may be disadvantageous to do so, in order to maintain the required asset coverage. Furthermore if we redeem any preferred stock, it would result in a long-term decrease in cash available to be distributed to holders of our common stock in the form of dividends. Common stockholders would bear the costs of issuing preferred stock, which may include offering expenses and the ongoing payment of dividends. Under the Investment Company Act, we may only issue one class of preferred stock.

Under the Investment Company Act, we are not permitted to issue debt securities or incur other indebtedness constituting senior securities unless, immediately thereafter, the value of our total assets (including the proceeds of the indebtedness) less all liabilities and indebtedness not represented by senior securities is at least equal to 300% of the amount of the outstanding indebtedness. Stated another way, we may not issue debt securities in a principal amount of more than one-third of the amount of our total assets, including the amount borrowed, less all liabilities and indebtedness not represented by senior securities. We also must maintain this 300% asset coverage for as long as the indebtedness is outstanding. The Investment Company Act provides that we may not declare any cash dividend or other distribution on common or preferred stock, or purchase any of our shares of stock (through tender offers or otherwise), unless we would satisfy this 300% asset coverage after deducting the amount of the dividend, other distribution or share purchase price, as the case may be. If the asset coverage for indebtedness declines to less than 300% as a result of market fluctuations or otherwise, we may be required to redeem debt securities, or sell a portion of our investments when it may be disadvantageous to do so. Under the Investment Company Act, we may only issue one class of senior securities representing indebtedness.

Effects of Leverage

At June 30, 2014, we had loans outstanding under the Credit Facility of $25,000,000. At June 30, 2014, we had borrowings under the Credit Facility as follows:

Average Daily Loan Balance	Weighted Average Interest Rate %	Maximum Daily Loan Outstanding
$ 25,000,000	3.08%	$ 25,000,000

The borrowings under our Credit Facility at June 30, 2014 were $25 million. Our asset coverage ratio as of June 30, 2014 was 519%. See “Risks Related to Our Use of Leverage” for a brief description of the Credit Facility.

Assuming the utilization of leverage in the amount of 30% of our total assets and an annual interest rate of 3.08% payable on such leverage (based on market rates as of the date of this prospectus), the additional income that we must earn (net of debt-related expenses) in order to cover such leverage is approximately $853,000. Our actual costs of leverage may be higher or lower than that assumed in the previous example.

Following the completion of the offering, we may increase the amount of leverage outstanding. We may incur additional borrowings in order to maintain our desired leverage ratio of 30%. Leverage creates a greater risk of loss, as well as a potential for more gain, for the common stock than if leverage was not used. Interest on borrowings may be at a fixed or floating

rate, and the interest at a floating rate generally will be based on short-term rates. The costs associated with our use of leverage, including the issuance of such leverage and the payment of dividends or interest on such leverage, will be borne entirely by the holders of common stock. As long as the rate of return, net of our applicable expenses, on our investment portfolio investments purchased with leverage exceeds the costs associated with such leverage, we will generate more return or income than will be needed to pay such costs. In this event, the excess will be available to pay higher dividends to holders of common stock. Conversely, if the return on such assets is less than the cost of leverage and our other expenses, the return to the holders of our common stock will diminish. To the extent that we use leverage, the NAV and market price of our common stock and the yield to holders of common stock will be more volatile. Our leveraging strategy may not be successful. Because our Advisor's fee is based on total assets (including any assets acquired with the proceeds of leverage), our Advisor's fee will be higher if we utilize leverage. See "Risks Related to Our Use of Leverage."

The following table is designed to illustrate the effect of leverage on the return to a holder of our common stock in the amount of approximately 30% of our total assets, assuming a cost of leverage of 3.08% and hypothetical annual returns of our portfolio of minus 10% to plus 10% based on our financial condition on June 30, 2014. As the table shows, leverage generally increases the return to holders of common stock when portfolio return is positive and greater than the cost of leverage and decreases the return when the portfolio return is negative or less than the cost of leverage. The figures appearing in the table are hypothetical and actual returns may be greater or less than those appearing in the table. See "Risk Factors—Risks Related to Our Use of Leverage."

	Assumed Portfolio Return (Net of Expenses)				
	(10)%	(5)%	0%	5%	10%
Corresponding Common Stock Return	-15.6%	-8.5%	-1.3%	5.8%	13.0%

Derivative Transactions

Interest Rate Derivative Transactions. In an attempt to reduce the interest rate risk arising from our investments and use of leverage, we may use interest rate transactions such as swaps, caps, floors, forwards, swaptions and rate-linked notes. The use of interest rate transactions is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, we would agree to pay to the other party to the interest rate swap (known as the "counterparty") a fixed rate payment in exchange for the counterparty agreeing to pay to us a variable rate payment intended to approximate our variable rate payment obligation on any variable rate borrowings. The payment obligations would be based on the notional amount of the swap. An interest rate "swaption" is an option to enter into an interest rate swap. In an interest rate cap, we would pay a premium to the counterparty up to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate of interest, would receive from the counterparty payments equal to the difference based on the notional amount of such cap. In an interest rate floor, we would be entitled to receive, to the extent that a specified index falls below a predetermined interest rate, payments of interest on a notional principal amount from the party selling the interest rate floor. In a forward rate agreement, we would be

entitled to receive (or be obligated to pay) the difference between the interest rate on the amount specified in the forward rate agreement and the interest rate on such amount on the date the agreement expires. A fixed-rate note is a type of debt instrument with a fixed rate of interest (known as the "coupon rate") that is payable at specified times before maturity. A floating-rate note will pay us a variable amount on the principal amount of the note but the note's value rises when interest rates rise (as opposed to bonds, which decrease in value when interest rates rise).

Depending on the state of interest rates in general, our use of interest rate transactions could affect our ability to make required interest payments on any outstanding fixed income securities or preferred stock. To the extent there is a decline in interest rates, the value of the interest rate transactions could decline. If the counterparty to an interest rate transaction defaults, we would not be able to use the anticipated net receipts under the interest rate transaction to offset our cost of financial leverage. See "Risk Factors—Risks Related to Our Operations—Derivatives transactions may limit our income or result in losses."

Our Advisor has claimed an exclusion from the definition of the term "commodity pool operator" under the CEA, pursuant to Regulation 4.5 under the CEA. So long as we maintain this exclusion, neither we nor our Advisor will be deemed a commodity pool operator under the CEA, and we anticipate that neither we nor our Advisor will be subject to regulation or registration as a commodity pool operator or commodity trading advisor under the CEA. Although we do not currently intend to, if we use commodity futures, commodity option contracts futures or swaps other than for bona fide hedging purposes, as defined under the CEA regulations, our aggregate initial margin and premiums on these positions (after taking into account unrealized profits and unrealized losses on any such positions and excluding the amount by which options that are "in-the-money" at the time of purchase) will not exceed 5% of our NAV. Furthermore, the aggregate net notional value of commodity futures, commodity option contracts futures and swaps other than for bona fide hedging purposes will not exceed 100% of our NAV (after taking into account unrealized profits and unrealized losses on any such positions). If, however, we exceed either of these thresholds, we and our Advisor will no longer qualify for this exclusion and will need to register as a commodity pool operator under the CEA.

Credit Derivative Transactions. In order to hedge against changes in the market price of bank securities in which we invest, we may utilize credit derivatives, such as a credit default swap, total return swap or credit-linked notes to "buy" credit protection, in which case we would attempt to mitigate the risk of default or credit quality deterioration in all or a portion of our portfolio of bank securities. A credit default swap is an agreement between two parties to exchange the credit risk of a particular issuer or reference entity. In a credit default transaction, we as buyer would pay periodic fees in return for payment by the seller which is contingent upon an adverse credit event occurring with respect to the underlying issuer or reference entity. The seller collects periodic fees from us and profits if the credit of the underlying issuer or reference entity remains stable or improves while the swap is outstanding, but the seller would be required to pay an agreed upon amount to us as buyer (which may be the entire notional amount of the swap) in the event of an adverse credit event in the issuer or reference entity. A credit-linked note is structured as a security with an embedded credit-default swap. Total return swap agreements are contracts in which one party agrees to make periodic payments to another party based on the change in market value of the assets underlying the contract, which may include a specified security, basket of securities or securities indices during the specified period, in return

for periodic payments based on a fixed or variable interest rate or the total return from other underlying assets.

Equity Derivative Transactions. In order to hedge against changes in the market prices of bank securities in which we invest, we may engage in equity derivatives transactions, including the use of futures, options and warrants. Options, futures and warrants are contracts involving the right to receive or the obligation to deliver assets or money depending on the performance of one or more underlying assets, instruments or a market or economic index. An option gives its owner the right, but not the obligation, to buy ("call") or sell ("put") a specified amount of a security at a specified price within a specified time period. We may purchase or sell options on the publicly traded bank securities in which we may invest. When we purchase an over-the-counter option, it increases our credit risk exposure to the counterparty. Futures are standardized, exchange-traded contracts that obligate a purchaser to take delivery, and a seller to make delivery, of a specific amount of an asset at a specified future date at a specified price. No price is paid upon entering into a futures contract. Rather, upon purchasing or selling a futures contract, we would be required to deposit collateral ("margin") equal to a percentage (generally less than 10%) of the contract value. Each day thereafter until the futures position is closed, we will pay additional margin representing any loss experienced as a result of the futures position the prior day or be entitled to a payment representing any profit experienced as a result of the futures position the prior day. Warrants are securities that entitle the holder to buy the underlying stock of the issuing company at a fixed exercise price until the expiration date of the warrant.

The banks in which we invest may include, as part of the consideration of our investment in such banks' equity or debt securities, a grant of warrants, options and other equity conversion features by which we may increase our investment in such banks over time. While we may or may not exercise our rights under such instruments, we may trade in these warrants, options and other equity conversion features or otherwise use them to leverage our capital. In instances where our derivative transactions may be deemed to create leverage under the Investment Company Act, we will separately segregate with our custodian cash or high quality liquid investments having a value, at all times through exercise, at least equal to our potential payment obligations under such derivative transactions or otherwise ensure that the amount of such obligations together with our other leverage obligations, does not exceed 33 $^1/_3$% of our total assets. See "Risk Factors—Risks Related to Our Operations."

MANAGEMENT

Directors and Officers

Our business and affairs are managed under the direction of our board of directors. Accordingly, our board of directors provides broad supervision over our affairs, including supervision of the duties performed by our Advisor. Our Advisor is responsible for our day-to-day operations.

Director Compensation

Our independent directors receive an annual retainer of $45,000 and a meeting fee of $1,000 per board or committee meeting attended plus reimbursement of expenses. The chairman of our audit committee and the chairman of our risk management committee are each to be paid an additional amount not expected to exceed $10,000 per year. Directors do not receive any pension or retirement plan benefits and are not part of any profit sharing plan. Interested directors do not receive any compensation from us.

Investment Committee

Management of our portfolio is the responsibility of our Advisor's investment committee. Our Advisor's investment committee is currently comprised of Joshua Siegel, George Shilowitz, Erik Eisenstein and Robert McPherson. George Shilowitz is the chairperson of the investment committee. The investment committee's policy is that unanimous consent is required to approve the committee's decision to invest in a security and the consent of only two members is required to sell a security. Biographical information about each member of our Advisor's investment committee is set forth below. See the accompanying Statement of Additional Information for more information about our portfolio managers' compensation, other accounts managed by each manager, and each manager's ownership of our securities.

The names, ages and addresses of the members of our Advisor's investment committee, together with their principal occupations and other affiliations during the past five years, are set forth below.

Members of our Investment Committee

Name	Age	Position(s) Held with Company	Principal Occupation(s) Last 5 Years	Other Directorships Last 5 Years
Joshua Siegel	43	Chairman of the Board of Directors & Chief Executive Officer	Managing Partner and CEO of StoneCastle Partners	Stone Castle Partners, LLC; StoneCastle Cash Management, LLC; Stone Castle LLC
George Shilowitz	49	Director & President	Managing Partner and Senior Portfolio Manager of StoneCastle Partners	Stone Castle Partners, LLC
Erik Eisenstein	44	Senior Bank Analyst and a Director at StoneCastle Partners	Senior Bank Analyst and a Director at StoneCastle Partners; Adjunct Professor at Kingsborough Community College	None
Robert McPherson	60	Managing Director at StoneCastle Partners	Attorney at McPherson Law Firm; Managing Director at StoneCastle Partners	None

Biographical Information

The following sets forth certain biographical information for our investment committee members:

Joshua S. Siegel. Chief Executive Officer & Chairman of the Board of Directors. Mr. Siegel is the founder and Managing Partner of StoneCastle Partners and serves as its Chief

Executive Officer. With over 21 years of experience in financial services, 17 of which have been spent advising clients and investing in financial institutions or assets, he is widely regarded as a leading expert and investor in the banking industry and is often quoted in financial media, including The Wall Street Journal, The New York Times, American Banker, and CNNMoney. In addition, he speaks frequently at industry events, including those hosted by the American Bankers Association, Conference of State Bank Supervisors, FDIC, Federal Reserve Bank and SNL Financial. A creative instructor with a passion for teaching, Joshua has regularly been invited to educate government regulators about the specialized community banking sector. He also serves as Adjunct Professor at the Columbia Business School in New York City. Immediately prior to co-founding StoneCastle, Joshua was a co-founder and Vice President of the Global Portfolio Solutions Group at Citigroup, a group organized to finance portfolios of financial assets for corporations and to invest in the sector as a principal and market maker. He later assumed responsibility for developing new products, including pooled investment strategies for the community banking sector. Joshua originally joined Salomon Brothers in 1996 (which was merged into Travelers in 1998 and into Citigroup in 1999) in the tax and lease division, providing financing and advisory services to government-sponsored enterprises and Fortune 500 corporations. Prior to his tenure at Citigroup, Joshua worked at Sumitomo Bank where he served as a corporate lending officer, as a banker managing equipment lease and credit derivative transactions, and as a member of the New York Credit Committee and at Charterhouse, carrying out merchant banking and private equity transactions. Joshua has provided strategic advice to the Global Food Banking Network. He also provides annual economic support to Prep for Prep to make sure academic brilliance is recognized and nurtured without regard to a student's economic, demographic or sociological impediments. He holds a B.S. in Management and Accounting from Tulane University.

George Shilowitz. President and Director. Mr. Shilowitz is a Managing Partner of StoneCastle Partners and serves as the Senior Portfolio Manager of StoneCastle Partners. Mr. Shilowitz has over two decades of fixed income and principal investment experience. Mr. Shilowitz worked with StoneCastle since its founding in 2003 and became a partner in 2007. Prior to joining StoneCastle, Mr. Shilowitz was a senior executive at Shinsei Bank and participated in its highly successful turnaround, sponsored by J.C. Flowers & Co. and Ripplewood Partners. At Shinsei, Mr. Shilowitz managed various business units, including Merchant Banking and Principal Finance and was the President of its wholly-owned subsidiary, Shinsei Capital (USA) Limited. Prior to Shinsei, Mr. Shilowitz was a senior member of the Principal Transactions Group at Lehman Brothers in Asia from 1997-2000, focusing on proprietary investments and debt portfolio acquisitions from distressed financial institutions. From 1995-1997, he was a member of Salomon Brothers' asset finance group where he met and first collaborated with Mr. Siegel. Mr. Shilowitz began his career in 1991 at First Boston Corporation (now Credit Suisse) as a member of the fixed income mortgage arbitrage group and also held positions in the financial engineering group and in asset finance investment banking where he focused on banks and specialty finance companies. He holds a B.S. in Economics from Cornell University.

Erik Eisenstein. Mr. Eisenstein is the Senior Bank Analyst and a Director at StoneCastle Partners. Prior to joining StoneCastle in 2007, Mr. Eisenstein was an Equity Analyst for over six years at Standard & Poor's, Criterion Research Group LLC and Morgan Keegan, with a coverage universe of regional and community banks, thrifts and other diversified

financial companies. During that time he appeared on various television and print media, including CNBC and The Wall Street Transcript. Prior, he spent three years as Underwriter and Underwriting Manager of management liability insurance products at American International Group and two years as a practicing attorney. Mr. Eisenstein holds a B.S. in Industrial and Labor Relations from Cornell University, a J.D. from Duke University and an M.B.A. from New York University.

Robert Wayne McPherson, Esq. Mr. McPherson is a business, banking and securities lawyer with thirty-one years of experience: twenty years in private practice; ten years as Corporate Counsel; and one year of government service. He has worked for the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, and has successfully completed the BAI Graduate School of Bank Financial Management at Vanderbilt University. In private practice, Mr. McPherson has handled business formation, planning, purchase and sale, business litigation, Chapter 11 bankruptcy, banking and lender liability litigation and regulation, securities and broker dealer litigation and regulation and private placements. He has also completed the sale of mortgages and other loans on secondary markets. Mr. McPherson has worked on bank mergers and acquisitions and many other facets of banking law. From August 2006 through March of 2010, in conjunction with StoneCastle Partners, Mr. McPherson worked with bank holding companies, community banks, broker-dealers, investment advisors and others to provide Tier 1 and Tier 2 capital to bank holding companies and banks. Mr. McPherson received his undergraduate degree from the University of Alabama, and received his law degree and M.B.A. from the University of Memphis.

Management Agreement

Management Services

StoneCastle Asset Management LLC serves as our investment adviser, subject to the overall supervision and review of our board of directors. Pursuant to a management agreement, our Advisor provides us with investment research, advice and supervision and furnishes us continuously with an investment program, consistent with our investment objective and policies. Our Advisor also determines from time to time what securities we shall purchase, and what securities shall be held or sold, what portions of our assets shall be held uninvested as cash or in other qualified short-term investments or liquid assets, maintains books and records with respect to all of our transactions and will report to our board of directors on our investments and performance. Our Advisor was formed in November 2012. Our Advisor's affiliate, StoneCastle Advisors, LLC, is a registered investment adviser formed in 2004 which manages the assets of six long-term investment vehicles—U.S. Capital Funding I, Ltd., U.S. Capital Funding II, Ltd., U.S. Capital Funding III, Ltd., U.S. Capital Funding IV, Ltd., U.S. Capital Funding V, Ltd. and U.S. Capital Funding VI, Ltd. The U.S. Capital Funding companies are securitization vehicles created to invest primarily in trust preferred securities issued by public and private community banks in the United States. As of March 31, 2014, StoneCastle Advisors also managed the investments of several separate accounts. StoneCastle Partners and its subsidiaries currently manage over $5 billion of assets focused on community banks, including approximately $1.7 billion of capital invested in more than 220 banking institutions and over $3.3 billion of institutional cash in over 500 banks. Our Advisor has no full time employees and relies on the officers, employees and resources of certain affiliated entities pursuant to the staffing agreement.

All of the members of the investment committee of our Advisor are affiliates of, but not employees of, our Advisor, and each has other significant responsibilities with StoneCastle Partners and its subsidiaries.

Our Advisor's services to us under the management agreement will not be exclusive, and while it is not currently contemplated, our Advisor is free to furnish the same or similar services to other entities, including businesses which may directly or indirectly compete with us, so long as our Advisor's services to us are not impaired by the provision of such services to others. Our Advisor intends to allocate investment opportunities in a fair and equitable manner consistent with our investment objectives and strategies so that we will not be disadvantaged in relation to any other client of the Advisor.

Administration Services

Pursuant to the management agreement, our Advisor also furnishes us with office facilities and clerical and administrative services necessary for our operation (other than services provided by our custodian, accounting agent, administrator, dividend and interest paying agent and other service providers). Our Advisor is authorized to cause us to enter into agreements with third parties to provide such services. To the extent we request, our Advisor:

- oversees the performance and payment of the fees of our service providers and makes reports and recommendations to our board of directors such matters as the parties deem desirable;
- responds to inquiries and otherwise assists such service providers in the preparation and filing of regulatory reports, proxy statements and stockholder communications, and the preparation of materials and reports for our board of directors;
- establishes and oversees the implementation of borrowing facilities or other forms of leverage authorized by our board of directors; and
- supervises any other aspect of our administration as may be agreed upon by us and our Advisor.

Management Fee

Pursuant to the management agreement, we have agreed to pay our Advisor a fee for the management and administration services described above. The management fee is 0.4375% (1.75% annualized) of our Managed Assets, calculated and paid quarterly in arrears within fifteen days of the end of each calendar quarter, except that, until November 13, 2014 we have agreed to reduce the management fee otherwise charged at 0.4375% per quarter to 0.375% per quarter (1.5% annualized). The term "Managed Assets" as used in the calculation of the management fee means our total assets (including cash and cash equivalents and any assets purchased with or attributable to any borrowed funds). The management fee for any partial quarter will be appropriately prorated. Our Advisor is not paid an incentive fee and does not participate in our profits in its capacity as Advisor. However, our Advisor and/or its affiliates and certain of their employees participate in our profits through ownership of our common stock, which is less than 1% of our outstanding common stock as of the date of this prospectus.

Management Fee Waiver

Our Advisor has agreed to waive the management fee that would otherwise be payable in respect of the net proceeds to the Company obtained through the issuance of shares in this offering through August 30, 2015. Subject to certain conditions we may reimburse our Advisor for any waived management fees following any quarter in which our "Net Increase in Net Assets" (defined below) exceeds the amount of our distributions paid to our stockholders in such calendar quarter (the "Excess Net Increase in Net Assets"). "Net Increase in Net Assets" shall mean the sum of (i) our net investment income, (ii) taxable net capital gains/losses (whether short-term or long-term), and (iii) other distributions paid to us on account of our investments (to the extent such amounts are not included in clauses (i) and (ii) above). If payable, the amount of the reimbursement payment for any calendar quarter shall equal the lesser of (i) the Excess Net Increase in Net Assets in such calendar quarter and (ii) the amount of all waived fees made by the Advisor to the Company for such quarter (the "Reimbursement Payment"). Our Advisor's agreement to waive fees may be terminated by us and will automatically terminate in the event of (i) the termination by us of the Management Agreement or (ii) our dissolution or liquidation.

Payment of Our Expenses

StoneCastle Asset Management LLC serves as our investment adviser in accordance with the terms of the management agreement. Subject to the overall supervision of our board of directors, our Advisor manages our day-to-day operations and provides us with investment management services. Under the terms of the management agreement, StoneCastle Asset Management LLC does and will:

- determine the composition of our portfolio, the nature and timing of the changes therein and the manner of implementing such changes;
- identify, evaluate and negotiate the structure of the investments we make (including performing due diligence on our prospective portfolio companies);
- close, monitor and administer the investments we make, including the exercise of any voting or consent rights; and
- provide us with such other investment advisory, research and related services as we may, from time to time, reasonably require for the investment of our assets.

We bear all expenses not specifically assumed by our Advisor and incurred in our operations, and we will bear the expenses related to this offering. We will reimburse our Advisor to the extent our Advisor pays these expenses. The compensation and allocable routine overhead expenses of all investment professionals of our Advisor and its staff, when and to the extent engaged in providing us investment advisory services, will be provided and paid for by our Advisor and not us, although we will reimburse our Advisor an amount equal to our allocable portion of overhead and other expenses incurred by our Advisor in performing its obligations under the management agreement. The fees and expenses borne by us may include, but are not limited to, the following:

- other than as provided under "Management Fee" above, expenses of maintaining and continuing our existence and related overhead, including, to the extent such services are provided by personnel of our Advisor or its

affiliates, office space and facilities and personnel compensation, training and benefits;
- commissions, spreads, fees and other expenses connected with the acquisition, holding and disposition of securities and other investments including sales load and similar fees;
- auditing, accounting and legal expenses;
- taxes and interest; governmental fees;
- expenses of listing our shares with a stock exchange, and expenses of issue, sale, repurchase and redemption (if any) of our securities, including expenses of conducting tender offers for the purpose of repurchasing our securities;
- expenses of registering and qualifying us and our securities under federal and state securities laws and of preparing and filing registration statements and amendments for such purposes;
- expenses of communicating with stockholders, including website expenses and the expenses of preparing, printing and mailing press releases, reports and other notices to stockholders and of meetings of stockholders and proxy solicitations therefor;
- expenses of reports to governmental officers and commissions, including, without limitation, our periodic report preparation and filing obligations with the SEC;
- insurance expenses;
- association membership dues;
- fees, expenses and disbursements of custodians and subcustodians for all services to us (including without limitation safekeeping of funds, securities and other investments, keeping of books, accounts and records and determination of NAVs);
- fees, expenses and disbursements of transfer agents, dividend and interest paying agents, stockholder servicing agents and registrars for all services to us;
- fees, expenses and disbursements of CAB Marketing, LLC and CAB, L.L.C. and similar service providers;
- compensation and expenses of our directors who are not members of our Advisor's organization;
- pricing, valuation and other consulting or analytical services employed in considering and valuing our actual or prospective investments;
- all expenses incurred in leveraging of our assets through a line of credit or other indebtedness or issuing and maintaining preferred stock;
- all expenses incurred in connection with our organization and any offering of our common stock, including this offering; and
- such non-recurring items as may arise, including expenses incurred in litigation, proceedings and claims and our obligation to indemnify our directors, officers and stockholders with respect thereto.

Expenses that are reimbursable to our Advisor are submitted to the independent members of our board of directors for their approval prior to reimbursement thereof.

Allocation Policy

Our Advisor and its affiliates allocate investment opportunities among client accounts on a fair and consistent basis, and do not favor any one client or account over any other. In certain cases, investment opportunities may be made by our Advisor other than on a pro rata basis. In determining to which accounts our Advisor will allocate investment opportunities, and in determining the shares to allocate to a particular account, our Advisor and its affiliates do not consider:

- the levels of fees earned from accounts or the fact that certain accounts may pay performance-based fees;
- different compensation payable to portfolio managers based on the performance of certain accounts;
- the ability of particular clients to send business to or otherwise benefit our Advisor in exchange for allocations;
- the identity of account holders (including the fact that certain accounts may be proprietary or maintained on behalf of investment vehicles that our Advisor sponsors);
- in the case of allocations of initial public offerings, market movement generally or the performance of the shares since the execution of the order in question;
- the prior performance of accounts; or
- whether an account is new to our Advisor.

CAB Marketing, LLC and CAB, L.L.C.

We have entered into exclusive investment referral and endorsement relationships with the CAB Marketing, LLC and CAB, L.L.C., subsidiaries of the ABA. Pursuant to the agreements governing these relationships, CAB Marketing, LLC assists us with the promotion and identification of potential investment opportunities. More specifically, CAB Marketing, LLC:

- performs a broad-based review of the capital needs of the financial services industry;
- in coordination with us, develops a community bank marketing campaign with mailings, webinars, and other modes of outreach;
- facilitates prescreening of potential investment candidates through publicly available data and distribution of due diligence questionnaires and introductions to banks that we may select as potential funding targets; and
- provides opportunities to speak at, exhibit at and attend ABA-sponsored conferences and other ABA events.

In addition, CAB, L.L.C. has granted to us a license to use the name "Corporation for American Banking" in connection with the foregoing promotion and identification activities, and:

- administers a members-only web page on the ABA's website that references our program of investment in community banks;
- announces the availability of our investment platform to the ABA members;
- provides prompt review of our use of the CAB name; and
- communicates objective information about us and CAB's endorsement to ABA's members.

Most capital raising activities by community banks are conducted through privately-negotiated transactions that occur outside of traditional institutional investment channels, including the capital markets. We believe that StoneCastle Partners' and CAB, L.L.C.'s large network of relationships will help us to identify attractive investment opportunities and will provide us with a competitive advantage. As consideration for their exclusive services and endorsement, we have a contract to pay the ABA subsidiaries a series of payments aggregating $500,000 annually, for three years ending August 31, 2016. The ABA and its subsidiaries have not endorsed this offering, and you should not construe references to them in this prospectus as such an endorsement.

Duration and Termination

The management agreement with our Advisor will remain in effect for an initial period of two years from November 1, 2013, the date of initial effectiveness, unless earlier terminated, and will continue in effect from year to year thereafter, but only so long as each continuance is specifically approved by (i) our board of directors or the vote of a majority of our voting securities and (ii) the vote of a majority of our independent directors. Our board of directors and sole stockholder approved the management agreement with our Advisor prior to the date of this prospectus. The management agreement with our Advisor was initially approved by our board of directors on September 4, 2013 and by our initial stockholder on November 1, 2013. The management agreement with our Advisor may be terminated at any time, without payment or penalty, by vote of our board of directors, by vote of a majority of our voting securities, or by our Advisor, in each case on 60 days' written notice. As required by the Investment Company Act, the management agreement with our Advisor will terminate automatically in the event of its assignment.

Liability of Advisor and Indemnification

The management agreement provides that our Advisor will not be liable to us in any way for any default, failure or defect in any of the securities comprising our portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth in the management agreement. The management agreement further states that we will indemnify the Advisor for any losses, damages, claims, costs, charges, expenses or liabilities except to the extent such amounts result from our Advisor's willful misconduct, bad faith or gross negligence or as otherwise prohibited by applicable law. As a result, our Advisor may not be liable to us for breaches of its duty of care, diligence or skill.

License Agreement

StoneCastle Partners has licensed the "StoneCastle" name to us and our Advisor on a non-exclusive, royalty-free basis. We have the right to use the "StoneCastle" name so long as our Advisor or one of its approved affiliates remains our investment adviser. Other than with respect to this limited right, we will have no legal right to the "StoneCastle" name. This right will automatically terminate if the management agreement were to terminate or be assigned for any reason.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Transactions with StoneCastle Partners and our Management Team

Purchase of Common Stock

In connection with matters relating to the formation and initial capitalization of the Company, our Advisor purchased 4,000 shares of our common stock at $25 per share, and Joshua Siegel, a member of our board of directors, purchased 1 share of our common stock for $25.

Management Agreement

We have entered into the management agreement with our Advisor, an entity in which certain of our officers and directors have ownership and financial interests. Our Advisor's services to us under the management agreement are not exclusive, and while it is not currently contemplated, our Advisor is free to furnish the same or similar services to other entities, including businesses that may directly or indirectly compete with us so long as our Advisor's services to us are not impaired by the provision of such services to others. It is thus possible that our Advisor might allocate investment opportunities to other entities, and thus might divert attractive investment opportunities away from us. However, our Advisor intends to allocate investment opportunities consistent with our investment objectives and strategies in a fair and equitable manner in accordance with its allocation policy. See "Management—Management Agreement."

Fees to be Earned by StoneCastle Partners and its Affiliates from Community Banks, Including Some or All of the Community Banks in which we Invest

Brokers affiliated with StoneCastle Partners may provide investment leads to us, and we may pay a portion of the fee income that we receive from community banks in connection with our investments in such banks to one or more affiliated brokers. Based upon management's prior experience, we may receive up-front fee revenue from the community bank issuers in connection with newly originated securities. Such fees typically range from 0% to 3% of the amount we invest and may be paid in cash or in kind. Furthermore, entities affiliated with StoneCastle Partners may receive fees from us or from issuers in which we invest in respect of structuring investments that we may make. In addition, our affiliate StoneCastle Cash Management, LLC provides various cash management products to its clients that involve depositary relationships with community banks and services to community banks with respect to their cash management products. StoneCastle Cash Management, LLC receives customary fees from these clients

and/or community banks in connection with these cash management services, which may include community banks in which we invest. Other affiliates of StoneCastle that exist today, or that may exist in the future, may provide products or service to community banks.

Indemnification Agreements

To the fullest extent permitted by law, we have indemnified our directors and officers if they are made, or threatened to be made, a party to any action or proceeding (including an action by or in the right of an affiliate), whether civil or criminal, by reason of the fact that any of them is or was a director or officer of our company, or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against any judgments, fines, amounts paid in settlement and reasonable expenses which they incur. We may also advance the expenses of such persons in any such action or proceeding. We intend to maintain liability insurance covering our directors and officers.

Conflicts of Interest Within StoneCastle Partners

StoneCastle Partners currently does, and our Advisor and StoneCastle Partners in the future may, manage funds and accounts other than ours that have similar investment objectives. The investment policies, advisor compensation arrangements and other circumstances of ours may vary from those of these other funds and accounts. Accordingly, conflicts may arise regarding the allocation of investments or opportunities among us and those other accounts. In certain cases, investment opportunities may be made available to us by our Advisor other than on a pro rata basis. For example, we may desire to retain an asset at the same time that one or more of those other funds or accounts desires to sell, or we may not have additional capital to invest at the same time as such other funds and accounts. Our Advisor intends to allocate investment opportunities to us and those other funds and accounts in a manner that they believe, in their good faith judgment and based upon their fiduciary duties, to be appropriate considering a variety of factors such as the investment objectives, size of transaction, investable assets, alternative investments potentially available, prior allocations, liquidity, maturity, expected holding period, diversification, lender covenants and other limitations of ours and other funds or accounts. To the extent that investment opportunities are suitable for us and for one of these other funds or accounts, our Advisor intends to allocate investment opportunities pro rata among us and them based on the amount of funds each then has available for such investment, taking into account these factors.

There may be situations in which one or more funds or accounts managed by our Advisor or its affiliates might invest in different securities issued by the same company. It is possible that if the target company's financial performance and condition deteriorates such that one or both investments are or could be impaired, our Advisor might face a conflict of interest given the difference in seniority of the respective investments. In such situations, our Advisor would review the conflict on a case-by-case basis and implement procedures consistent with its fiduciary duties to enable it to act fairly to each of its clients in the circumstances. Any steps by our Advisor will take into consideration the interests of each of the affected clients, the circumstances giving rise to the conflict, the procedural efficacy of various methods of addressing the conflict and applicable legal requirements.

Furthermore, two of the members of our Advisor's investment committee are also members of our board of directors. Due to our board composition, it is more likely that our board of directors will approve investments made by the Advisor's investment committee and that our board of directors will value our investments consistent with the valuation recommendations of our Advisor's investment committee. The board of directors utilizes the services of one or more regionally or nationally recognized independent valuation firms to help it determine the value of each investment for which a market price is not available. The board of directors will also review valuations of such investments provided by the Advisor. The board of directors regularly reviews and evaluates our valuation methodology and any such valuation service it uses and the historical accuracy of such valuation methodologies. The board of directors also reviews valuations of such investments provided by the Advisor and assigns the valuation it determines to best represent the fair value of such investments.

Leverage creates risk for holders of our common stock, including the likelihood of greater volatility of our NAV and the value of our shares, and the risk of fluctuations in interest rates on leverage capital, which may affect the return to the holders of our common stock or cause fluctuations in the distributions paid on our common stock. The fee paid to our Advisor is calculated on the basis of our Managed Assets, including proceeds from leverage capital. During periods in which we use leverage, the fee payable to our Advisor will be higher than if we did not use leverage. Consequently, we and our Advisor may have differing interests in determining whether to leverage our assets. Certain members of our board of directors also serve as investment professionals for our Advisor, which may create inherent conflicts of interest.

Approval of Conflicts

Our board of directors, including a majority of our directors who are independent, is responsible for reviewing and approving the terms of all transactions between us and our Advisor or its affiliates or any member of our board of directors, including (when applicable) the economic, structural and other terms of our investments and investment transactions and the review of any investment decisions that may present potential conflicts of interest among our Advisor and its affiliates, on one hand, and us, on the other. Our board of directors, including a majority of our directors who are independent, is also responsible for reviewing our Advisor's performance and the fees and expenses that we pay to our Advisor. In addition, expenses that are reimbursable to our Advisor will be submitted to the independent members of our board of directors for their approval prior to reimbursement thereof.

In addition, our Advisor's compliance department and legal department will oversee its conflict-resolution system. The program places particular emphasis on the principle of fair and equitable allocation of appropriate opportunities and of common fees and expenses to our Advisor's clients over time. Our Advisor has agreed with us that it will allocate opportunities, fees and expenses among its clients pursuant to its written policies and procedures.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following information, together with the other information contained in this prospectus, before investing in our common stock. In connection with the forward-looking statements that appear in this prospectus, you should also carefully review the cautionary.

statement referred to above under "Cautionary Statement Concerning Forward-Looking Statements. "

Risks Related to Our Operations

We have a limited operating history; our Advisor has limited prior advisory experience, and there can be no assurance that we will achieve our business objectives.

We are a relatively new corporation organized under the laws of the State of Delaware in 2013. As a result, it is difficult to evaluate our business and future prospects. The results of our operations will depend on many factors, including, but not limited to, the availability of opportunities for the acquisition of assets, the level and volatility of interest rates, readily accessible short- and long-term funding alternatives, conditions in the financial markets, general economic conditions and the performance of our Advisor. If we do not implement our investment strategy successfully, our business could be harmed or fail entirely, with the consequence that our net income, and therefore the level of dividends payable on our common stock, could be adversely affected, and our common stock could be worth less than the initial investment.

We depend upon key personnel of our Advisor, StoneCastle Partners and their affiliates

We are an externally managed investment company, and therefore we do not have any internal management capacity or employees. We depend on the diligence, expertise and business relationships of the senior management of our Advisor and its affiliates to achieve our investment objective. We expect that our Advisor will evaluate, negotiate, structure, close and monitor our investments in accordance with the terms of the management agreement.

Our Advisor is an affiliate of StoneCastle Partners and, in turn, depends upon access to the investment professionals and other resources of StoneCastle Partners and its affiliates to fulfill its obligations to us under the management agreement. Our Advisor also depends upon StoneCastle Partners to obtain access to deal flow generated by the professionals of StoneCastle Partners. Under the staffing agreement, StoneCastle Partners and its affiliates have agreed to provide our Advisor with the resources necessary to fulfill these obligations. The staffing agreement provides that StoneCastle Partners and its affiliates will make available to the Advisor experienced investment professionals and access to the senior investment personnel of StoneCastle Partners for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. We are not a party to the staffing agreement and cannot assure you that our affiliates will fulfill their obligations under this agreement. If an affiliate fails to perform, we cannot assure you that our Advisor will enforce the staffing agreement, that such agreement will not be terminated by either party or that we will continue to have access to the investment professionals of StoneCastle Partners and its affiliates or their market knowledge and deal flow.

We depend upon the senior professionals of StoneCastle Partners and its affiliates to maintain relationships with potential sources of investment opportunities, and we intend to rely to a significant extent upon these relationships to provide us with potential investment opportunities. We cannot assure you that these individuals will continue to indirectly provide

investment advice to us. If these individuals, including the members of our investment committee, do not maintain their existing relationships with our affiliates, maintain existing relationships or develop new relationships with other sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom the senior professionals of StoneCastle Partners or its affiliates have relationships are not obligated to provide us with investment opportunities. Therefore, we cannot assure you that such relationships will generate investment opportunities for us.

If our Advisor is unable to manage our investments effectively, we may be unable to achieve our investment objective.

Our ability to achieve our investment objective depends on our ability to manage and grow our business. This depends, in turn, on our Advisor's ability to identify, invest in and monitor companies that meet our investment criteria. This, in turn, depends on the ability of its affiliates' investment professionals to identify, invest in and monitor companies that meet our investment criteria. The achievement of our investment objectives on a cost-effective basis will depend upon our Advisor's execution of our investment process, its ability to provide competent, attentive and efficient services to us and our access to leverage on acceptable terms. Our Advisor has substantial responsibilities under the management agreement. Our future success will depend on the continued service of the senior management team of our Advisor and the personnel of its affiliates who are made available to our Advisor under the staffing agreement. These persons are engaged in other business activities, which could distract them, divert their time and attention or otherwise cause them not to dedicate a significant portion of their time to our investments, which could slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, to the extent that our assets continue to grow, our Advisor may have to source additional personnel, and to the extent it is unable to source qualified individuals, our growth may be adversely affected.

We may not replicate the historical results achieved by other entities managed or sponsored by members of our investment committee or by StoneCastle Partners or its affiliates.

Our primary focus in making investments generally differs from that of many of the investment funds, accounts or other investment vehicles that are or have been managed by members of our investment committee or sponsored by StoneCastle Partners or its affiliates. In addition, investors in our common stock do not acquire an interest in any such investment funds, accounts or other investment vehicles that are or have been managed by members of our investment committee or sponsored by StoneCastle Partners or its affiliates. We cannot assure you that we will replicate the historical results achieved by members of the investment committee, and we caution you that our investment returns could be substantially lower than the returns achieved by them in prior periods. Additionally, all or a portion of the prior results may have been achieved in particular market conditions which may never be repeated. Moreover, current or future market volatility and regulatory uncertainty may have an adverse impact on our future performance.

Most of our assets will be illiquid, and their fair value may not be readily determinable.

Most of our assets will be illiquid, and their fair value may not be readily determinable. Accordingly, there can be no assurance that we would be able to realize the value at which we carry such assets if we need to dispose of them. As a result, we can provide no assurance that any given asset could be sold at a price equal to value at which we carry it.

Our Advisor may rely on assumptions that prove to be incorrect.

We will employ strategies which depend upon the reliability, accuracy and analyses of our Advisor's analytical models. To the extent such models (or the assumptions underlying them) do not prove to be correct, we may not perform as anticipated, which could result in material losses. All models ultimately depend upon the judgment of the investment professionals and the assumptions embedded in the models. To the extent that, with respect to any investment, the judgment or assumptions are incorrect, we can suffer material losses. The models that our management team uses to assess and control our risk exposures reflect assumptions about the degrees of correlation or lack thereof among prices of various asset classes or other market indicators, and in times of market stress or other unforeseen circumstances previously uncorrelated indicators may become correlated, or conversely previously correlated indicators may move in different directions. These types of market movements may at times limit the effectiveness of any hedging strategies that we may employ and cause us to incur material losses.

Our Advisor and its affiliates may serve as investment adviser to other funds, investment vehicles and investors, which may create conflicts of interest not in the best interest of us or our stockholders.

StoneCastle Partners and its affiliates were formed in 2003 to provide investment management services to institutional and high-net worth investors. StoneCastle Partners and its affiliates have been managing investments in portfolios of community bank related investments since that time, including management of the investments of (i) six securitizations: U.S. Capital Funding I, Ltd., U.S. Capital Funding II, Ltd., U.S. Capital Funding III, Ltd., U.S. Capital Funding IV, Ltd., U.S. Capital Funding V, Ltd. and U.S. Capital Funding VI, Ltd., and (ii) two private funds: SCP Capital I, Ltd. and SCP Master Fund II, Ltd. Our Advisor was organized in November 2012 to provide investment advice to us and to continue the investment strategies of StoneCastle Partners and its affiliates. Our Advisor may advise clients in addition to us in the future. Our Advisor and its affiliates intend to allocate investment opportunities and collective expenses among their respective clients fairly and equitably and in accordance with their allocation policies.

Our investment portfolio is recorded at fair value, with our board of directors having final responsibility for overseeing, reviewing and approving, in good faith, our estimate of fair value and, as a result, there is uncertainty as to the value of our investments.

Under the Investment Company Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by us in accordance with our written valuation policy, with our board of directors having final responsibility for overseeing, reviewing and approving, in good faith, our estimate of fair value.

Typically, there will not be a public market for the securities of the privately-held companies in which we invest. As a result, we value these securities quarterly at fair value based on input from our Advisor, third party independent valuation firms and our audit committee, with the oversight, review and approval of our board of directors.

The determination of fair value and, consequently, the amount of unrealized gains and losses in our portfolio are to a certain degree subjective and dependent on a valuation process approved by our board of directors. Certain factors that we may consider in determining the fair value of our investments include estimates of the collectability of the principal and interest on our debt investments and expected realization on our equity investments, as well as external events, such as private mergers, sales and acquisitions involving comparable companies. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. Our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Due to this uncertainty, our fair value determinations may cause our NAV on a given date to materially understate or overstate the value that we may ultimately realize on one or more of our investments. As a result, investors purchasing our common stock based on an overstated NAV would pay a higher price than the value of our investments might warrant. Conversely, investors selling securities during a period in which the NAV understates the value of our investments will receive a lower price for their securities than the value of our investments might warrant.

Our board of directors will utilize the services of one or more regionally or nationally recognized independent valuation firms to help it determine the value of each investment for which a market price is not available. Our board of directors will also review valuations of such investments provided by the Advisor. Furthermore, we will rely heavily on the investment committee of our Advisor in making determinations of the fair value of our investments. Two of the members of our board of directors also serve on our Advisor's investment committee. This makes it more likely that the valuation of our investments, as determined by our Advisor's investment committee, will be the valuation that is approved by our board of directors. Our board of directors will regularly review and evaluate our valuation methodology and any such valuation service it uses and the historical accuracy of such valuation methodologies. Our board of directors will also review valuations of such investments provided by the Advisor and will assign the valuation they determine to best represent the fair value of such investments.

Our investments will be subject to dividend and interest rate fluctuations, and we may incur interest rate risk.

Our investments are likely to include preferred stock with variable dividend rates and may include debt or hybrid instruments with floating interest rates. Variable rate and floating rate investments earn interest at rates that adjust from time to time (typically monthly) based upon an index. The amount of income we receive from our investments may fluctuate based upon changes in interest rates and, in a declining and/or low interest rate environment, these investments will produce less income, which will impact our operating performance. Fixed dividend rate and interest rate investments, however, do not have adjusting rates and the relative value of the fixed cash flows from these investments may decrease as prevailing interest rates rise or increase as prevailing interest rates fall, causing potentially significant changes in our

NAV. We may employ various hedging strategies to limit the effects of changes in interest rates (and in some cases credit spreads), including engaging in interest rate swaps, caps, floors and other interest rate derivative products. No strategy can completely insulate us from the risks associated with interest rate changes, and there is a risk that our strategies may provide no protection at all and will potentially compound the impact of changes in interest rates. Hedging transactions involve certain additional risks such as counterparty risk, leverage risk, the legal enforceability of hedging contracts, the early repayment of hedged transactions and the risk that unanticipated and significant changes in interest rates may cause a significant loss of basis in the instrument and a change in current period expense. We cannot assure you that we will be able to enter into hedging transactions or that such hedging transactions will adequately protect us against the foregoing risks.

We may compete with a number of other prospective investors for desirable investment opportunities.

While we believe that there is presently a general lack of investment competition for investment opportunities in the community banking sector from institutional investors including high net worth individuals, publicly traded investment companies, hedge funds and private equity funds, such investors do exist. In addition, competition among institutional investors and investment managers for community bank related investments may increase significantly. In addition to established competitors, new competitors may be established at any time. Increasing competitive conditions may adversely impact our ability to meet our business objectives, which in turn could adversely impact our ability to meet debt service obligations or make dividend payments to our stockholders. Some of our competitors may have a lower cost for borrowing funds than us or greater access to funding sources not available to us.

We may generate low or negative rates of return on capital, and we may not be able to execute our business plans as quickly as expected, if at all.

We anticipate that it may take up to six months to utilize fully the net proceeds received from this offering; however, we may take longer to utilize such proceeds fully. This initial six-month period and any additional delay may result from a lack of attractive investment opportunities or from competition with other market participants in the community banking sector. We may initially invest the proceeds from this offering in cash, cash equivalents, securities issued or guaranteed by the U.S. government or its instrumentalities or agencies, high-quality, short-term money market instruments, short-term debt securities, certificates of deposit, bankers' acceptances and other bank obligations, commercial paper or other liquid fixed income securities. Because these temporary investments may generate lower projected returns than our core business strategy, we may experience lower returns during this period, which may result in low distributions in this initial period, or possibly no distributions at all.

Our business model depends to a significant extent upon strong referral relationships, and our inability to maintain or develop these relationships, as well as the failure of these relationships to generate investment opportunities, could adversely affect our business.

We expect that our Advisor and its affiliates will maintain their relationships with intermediaries, financial institutions, investment bankers, commercial bankers, financial advisers, attorneys, accountants, consultants and other individuals within their networks, and we will rely to a significant extent upon these relationships to provide us with potential investment opportunities. If our Advisor fails to maintain its existing relationships or develop new relationships with sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom our Advisor and its affiliates have relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for us.

If we are unable to source investments effectively, we may be unable to achieve our investment objective.

Our ability to achieve our investment objective depends on our Advisor's ability to identify, evaluate and invest in suitable companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of our Advisor's marketing capabilities, management of the investment process, ability to provide efficient services and access to financing sources on acceptable terms. To grow, our Advisor and its affiliates will need to continue to hire, train, supervise and manage new employees and to implement computer and other systems capable of effectively accommodating our growth. However, we cannot provide assurance that any such employees will contribute to the success of our business or that we will implement such systems effectively. Failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

Our results may fluctuate from period to period.

We could experience fluctuations in our operating results from one fiscal period to the next due to a number of factors, including the return on our investments, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. Restrictions and provisions in any future credit facilities, debt securities or other leverage instruments may also limit our ability to make distributions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Derivatives transactions may limit our income or result in losses.

In order to limit (or "hedge") our exposure to interest rate and other financial market changes, we may engage in derivatives transactions. A derivative is a financial contract whose value depends on changes in the value of one or more underlying assets or reference rates. We may utilize a variety of derivative instruments for hedging purposes, including swaps, caps,

floors, forwards, swaptions, options, futures, warrants and rate and credit linked notes and may therefore expose ourselves to risks associated with such transactions. We expect to use derivatives to hedge against interest rate changes affecting our outstanding indebtedness and assets, changes in the market prices of the publicly-traded banks in which we invest and downgrades and defaults affecting our assets generally.

The success of our hedging transactions will depend on our Advisor's ability to correctly predict movements of relevant market rates and the creditworthiness and values of the entities in which we invest. No assurance can be given that the Advisor's judgment in this respect will be correct, or that the Advisor will cause us to enter into hedging or other transactions at times or under circumstances when it may be advisable to do so. Therefore, while we

may enter into such transactions to seek to reduce relevant market rate and risks, unanticipated changes in rates may result in reduced overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss.

Hedging does not eliminate the possibility of fluctuations or prevent losses. Nevertheless, such hedging can establish other positions designed to benefit from those same developments, thereby offsetting the declines. Such hedging transactions may also limit the opportunity for income or gain if rates change favorably. Moreover, it may not be possible to hedge against a rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging transactions and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. Although we do not currently intend to do so, we may hedge through option contracts, futures or swaps other than for bona fide hedging purposes, as defined under the CEA regulations of up to 5% of our NAV, and the aggregate net notional value of such contracts other than for bona fide hedging purposes may be up to 100% of our NAV (after taking into account unrealized profits and unrealized losses on any such positions).

Additional risks associated with derivatives include:

Interest Rate Risk. Please see "Risk Factors"—Our investments will be subject to dividend and interest rate fluctuations, and we may incur interest rate risk" for a discussion of interest rate risk that also applies to derivatives.

Credit Risk. Credit risk is the risk that an issuer of a security will be unable or unwilling to make dividend, interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments.

Counterparty Risk. We are subject to the risk that a party with whom we enter into a derivative transaction (the "counterparty") will not perform its obligations under the related contracts. Although we intend to enter into transactions only with counterparties which our

Advisor believes to be creditworthy, there can be no assurance that a counterparty will not default and that we will not sustain a loss on a transaction as a result.

Default Risk. We are subject to the risk that issuers of the instruments in which we invest may default on their obligations under those instruments, and that certain events may occur that have an immediate and significant adverse effect on the value of those instruments. There can be no assurance that an issuer of an instrument in which we invest will not default, or that an event that has an immediate and significant adverse effect on the value of an instrument will not occur, and that we will not sustain a loss on a transaction as a result.

Liquidity Risk. Derivative instruments may not be liquid in all circumstances, so that in volatile markets we may not be able to close out a position without incurring a loss. Although both over-the-counter ("OTC") and exchange-traded derivatives markets may experience the lack of liquidity, OTC non-standardized derivative transactions are generally less liquid than exchange-traded instruments. The illiquidity of the derivatives markets may be due to various factors, including disorderly markets, the participation of speculators, government regulation and intervention, and technical and operational or system failures. The inability to close options and futures positions also could have an adverse impact on our ability to effectively hedge our portfolio.

We may change our business strategy and operational policies without stockholder consent, which may result in a determination to pursue riskier business activities.

With majority consent of our board of directors, we may change our business strategy for how we invest in community banks at any time without the consent of our stockholders (unless stockholder consent is specifically required by the Investment Company Act), which could result in our acquiring subsidiaries or assets that are different from, and possibly riskier than, the strategy described in this prospectus. For example, we could change our strategy to focus to a greater extent on investing in common stock rather than preferred stock, subordinated debt and convertible securities. However, we will endeavor to notify investors of any such material change in business strategy and operational policies no later than our subsequent semi-annual or annual report, as applicable, filed with the SEC. A change in our business strategy may increase our exposure to interest rate, mark to market risks or other risks. Our board of directors will determine our operational policies and may amend or revise our policies, including our policies with respect to our investments, operations, indebtedness, capitalization and distributions or approve transactions that deviate from these policies, without a vote of, or notice to, our stockholders (unless stockholder consent is specifically required by the Investment Company Act). Our board of directors has changed our policies in the past, and may do so again, without a vote of, or prior notice to, our stockholders. See our Current Report on Form 8-K attached hereto as Appendix A disclosing recent changes to our policies. Operational policy changes could adversely affect the market price of our common stock and our ability to make distributions to our stockholders.

Laws and regulations may prohibit the banks in which we invest from paying interest and/or dividends to us.

Dividend payments by banks are subject to legal and regulatory limitations imposed by applicable state and federal bank regulatory agencies. For instance, banks will be prohibited from paying cash dividends to their stockholders or holding company parents to the extent that any such payment would reduce the bank's capital below required capital levels. To the extent these regulatory capital requirements are increased, banks may find it more difficult to declare and pay dividends on the preferred stock they have issued and, to the extent that such preferred stock is non-cumulative, may be more reluctant to declare such dividends. Regulatory approval may also be required for a bank to declare a dividend if the total of all dividends declared by it in any calendar year exceeds the total of the bank's net profits for that year combined with its retained net profits of the preceding two years, less any required transfer to surplus or a fund for the retirement of any preferred stock. The ability of banks to pay dividends will also depend upon other factors, including their debt and equity structure, earnings and financial condition, need for capital, and other factors, including economic conditions, and tax considerations. To the extent we invest in the holding companies of banks, the only funds available for the payment of dividends on the capital stock of the holding company may be the cash

and cash equivalents held by the holding company, dividends paid by the bank to the holding company and borrowings. The banks in which we invest may be constrained in their ability to pay dividends by these factors.

Legal and regulatory changes could occur that may adversely affect us.

The regulatory environment for businesses such as ours is evolving, and changes in the regulation or interpretations thereof may adversely affect our ability to invest in the manner consistent with our current strategy, our ability to obtain the leverage that we might otherwise obtain, to effect a public offering of the common stock or to pursue our business strategy. In addition, the securities markets are subject to comprehensive statutes and regulations. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulatory environment for financial institutions and for many of the industries in which their clients are engaged is always evolving, and changes in these regulations may adversely affect the value of our investments. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by governmental and judicial action. The effect of any future regulatory change on us could be substantial and adverse.

We may be required to register as a commodity pool operator.

We have claimed an exclusion from the definition of the term "commodity pool operator" pursuant to Regulation 4.5 under the CEA with respect to the Company. While we currently expect that our activities will remain within the scope of the exclusion, if we change our hedging and risk management strategies, we may be required to register under the CEA as a commodity pool operator, and the Advisor may be required to register under the CEA as a commodity trading advisor, each of which would increase our regulatory and compliance costs and expenses.

Market fluctuations caused by force majeure, terrorism or certain other acts may adversely affect our performance.

In addition to historic market risks, our performance may be adversely affected by market fluctuations resulting from certain risks which are unprecedented in nature or magnitude and therefore not amenable to existing risk management techniques which are based on modeling past events and assigning probabilities to the recurrence of those events. Such events include, without limitation, catastrophic acts of terror, imposition or declaration of martial law, mass disruption of telecommunications facilities, pandemics resulting from bio-terror attacks or outbreaks of fatal disease, cyber-terror and terrorist attacks on financial markets, exchanges and payments systems and acts of providence.

Changes in interest rates may affect our net investment income, reinvestment risk and the probability of defaults of our investments.

We expect to create a portfolio of securities focused on the bank market, with an emphasis on community banks. We expect debt issued by community banks to have maturities in excess of ten years to enable our borrowers to obtain favorable regulatory capital treatment under current regulatory capital guidelines. We expect that a portion of our investments in preferred stock and unsecured debt will have fixed dividend or interest rates. In recent years, it has been the policy of the Board of Governors of the Federal Reserve System to maintain interest rates at historically low levels through its targeted federal funds rate and the purchase of mortgage-backed securities. The Board of Governors of the Federal Reserve System has indicated its intention to maintain low interest rates in the near future. Accordingly, the dividend and interest rates on our initial investments may be at historically low levels. Rising interest rates may devalue the fair market value of securities that we hold.

We will fund our investments from the net proceeds of the offering of our common stock, such as this offering, and cash flows from operations, including interest earned from the temporary investment of cash. We also fund a portion of our investments through borrowings from banks. When interest rates rise, to the extent that (i) we borrow money at rates higher than the dividend and interest rates on our investments or (ii) our borrowings reprice more quickly than our floating rate investments, our profitability will be negatively affected.

We also are subject to reinvestment risk associated with changes in market rates. Changes in market rates may affect the average life of certain of our investments. Increases in market rates could make it more difficult for the community banks that issue the floating rate securities in which we invest to afford the interest or dividend payments on such securities and therefore could increase the probability of a default or reduce the ability of a bank to continue paying dividends on its preferred stock. There is also a risk that our borrowers will be unable to pay escalating interest amounts if general interest rates rise, resulting in a default under their loan agreements with us. This could also cause borrowers to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. In addition, increasing payment obligations under floating rate loans may cause borrowers to refinance or otherwise repay our loans earlier than they otherwise would, requiring us to incur management time and expense to re-deploy such proceeds, including on terms that may not be as favorable as our existing loans.

Decreases in market rates could result in increased prepayments of the securities in which we invest, as borrowers refinance to reduce borrowing costs. Under these circumstances, we are subject to reinvestment risk to the extent that we are unable to reinvest the cash received from such prepayments, redemptions and repurchases at rates that are comparable to the interest and dividend rates on our existing investments.

We will invest primarily in unrated and illiquid securities.

In determining whether an unrated security is an appropriate investment for us, our Advisor will consider information from industry sources, as well as its own quantitative and qualitative analysis. However, our Advisor's determination is not the equivalent of a rating by a rating agency. We believe that a majority of the investments we will make will not be rated by a NRSRO. If such investments were rated by a NRSRO, we believe that they may be rated below investment-grade, in part because of the small average size of the issuances we will invest in, the corresponding reduced liquidity and a general lack of analyst and investment bank coverage. Unrated securities may be regarded as having predominately speculative characteristics with respect to the capacity to pay interest and dividends and to repay principal. Issuers of unrated securities may be highly leveraged and may not have more traditional methods of financing available to them.

The prices of these unrated securities are typically more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of investment grade rated securities. The secondary market for unrated securities may not be as liquid as the secondary market for other rated securities, a factor which may have an adverse effect on the securities we hold compared to investment grade obligations. The prices quoted by different dealers may vary significantly and the spread between the bid and ask price is generally much larger than for investment grade rated instruments. Under adverse market or economic conditions, the secondary market for unrated securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become illiquid. As a result, we could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. The prices we realize upon the sale of such unrated securities, under these circumstances, may be less than the prices we use in calculating our NAV.

Risks Related to Our Use of Leverage

We will continue to operate with leverage, which may adversely affect our return on our assets and may reduce cash available distribution.

We will continue to operate with leverage, which we may incur in the form of recourse and non-recourse collateralized financings, private or public offerings of debt, warehouse facilities, secured and unsecured bank credit facilities, repurchase agreements or other borrowings.

We currently have a bank loan to finance investments as a form of leverage. We also have authority to issue preferred stock or engage in reverse repurchase agreements to finance investments. Leverage exaggerates the effects of market downturns or upturns on the NAV and

market value of our common stock, as well as on distributions to holders of common stock. Leverage can also increase the volatility of the Company's NAV, and expenses related to leverage can reduce the Company's income. In the case of leverage, if our assets decline in value so that applicable asset coverage requirements for any borrowings or preferred stock would not be met, the Company may be prevented from paying distributions, which could jeopardize its qualification for pass-through tax treatment, make it liable for excise taxes and/ or force it to sell portfolio securities at an inopportune time.

As noted above, the Company has entered into the Credit Facility with the Syndicate to borrow up to $45,000,000 of which currently $25,000,000 has been committed and drawn. Such borrowings constitute financial leverage. The Credit Facility contains customary covenant, negative covenant and default provisions, including covenants that limit the Company's ability to incur additional debt or consolidate or merge into or with any person, other than as permitted, or sell, lease or otherwise transfer, directly or indirectly, all or substantially all of its assets. The covenants also impose on the Company asset coverage requirements, which are more stringent than those imposed on the Company by the Investment Company Act, as well as the Company's policies. In addition, the Company agreed not to purchase assets not contemplated by the investment policies and restrictions in effect when the Credit Facility became effective unless changes to these policies and restrictions are consented to by Syndicate. The covenants or guidelines could impede the Advisor from fully managing the Company's portfolio in accordance with the Company's investment objectives and policies. Furthermore, non-compliance with such covenants or the occurrence of other events could lead to the cancellation of the credit facility. The Company may not incur additional debt from any other party, except in limited circumstances. Such restrictions apply only so long as the Credit Facility remains in effect. We must comply with the guidelines established by the Credit Facility.

Although we have no present intention to do so, we may also operate with leverage by issuing preferred stock. Any form of leverage may include contractual terms that are unfavorable to our stockholders, including limitations on our ability to declare and distribute dividends. Such terms will likely also contain restrictive covenants that impose asset coverage requirements, voting right requirements and restrictions on the composition of our assets, and limit the use of our investment techniques and strategies, any or all of which may have an adverse effect on us and our ability to pay dividends. If we are unable to repay or refinance maturing debt on the date it is due, we may be forced to seek other sources of capital to repay the maturing debt that may be expensive or dilutive to existing stockholders. To the extent that we are unable to find additional financing or extend or refinance our debt when it becomes due and we do not have sufficient cash to redeem such debt, we may be required to liquidate assets that are illiquid and difficult to sell for fair value and the sale of assets may occur at a time when it would not otherwise be desirable to do so. Failure to meet any contractual term set forth by our lenders, including maturity, may result in a default, a forced sale of assets or reduced operational flexibility, or a significant loss or complete loss for our stockholders.

Leverage is a speculative technique that may adversely affect our earnings or book value. If the return on assets acquired with borrowed funds or other leveraged proceeds does not exceed the cost of the leverage and our cost of operations, the use of leverage could cause us to lose money.

Successful use of leverage depends on our Advisor's ability to predict or hedge correctly cash flows generated by our assets, which depends upon default rates, interest rates, refinancing and prepayment rates, timing of recoveries and various other factors. Our actual use of leverage may vary depending on our ability to obtain credit facilities and the lender's and rating agencies' estimate of the stability of our cash flows. The return on our assets and cash available for distribution to our stockholders may be reduced by changes in market conditions that cause the cost of these financings to increase relative to the income that can be derived from our assets. Defaults and lower than expected recoveries, as well as delays in recoveries on defaults, could rapidly erode our equity. Debt service payments will reduce cash flow available for distributions to stockholders. In addition, lenders from whom we may borrow money or holders of our debt securities will have claims on our assets that are superior to the claims of our common stockholders, and we may grant a security interest in our assets when we undertake leverage. In the case of a liquidation event, those lenders or note holders would receive proceeds before our common stockholders.

Financing arrangements with lenders or preferred stockholders may limit our ability to make dividend payments to our stockholders.

We depend on the ability of our operations to generate positive cash-flow measured as the positive difference between the yield on our assets and the cost of our funds. Because we use leverage to increase our return on equity, we may be subject to contractual operational limitations, including limitations on our ability to make dividends to our stockholders. If, as a consequence of these various limitations and restrictions, we are unable to generate sufficient funds for distributions from our assets or we are not in compliance with the terms of our debt agreements or any new series of preferred stock, we may not be able to make expected dividend payments.

Risks Related to Investing in Community Banking Sector

Our assets will be concentrated in the banking sector, potentially exposing us to greater risks than companies that invest in multiple sectors.

We are registered as a non-diversified, closed-end management investment company under the Investment Company Act. Accordingly, we are not currently restricted under the Investment Company Act as to the number or size of securities that we may hold, and we may invest more assets in fewer issuers compared to a diversified fund. Our assets include securities of public and privately held banks. Because we are focused on the banking sector, our investments may present more risk than if we were broadly diversified among other sectors of the economy. A downturn in the banking sector may have a larger negative impact on our earnings and book value than might otherwise be the case if we were diversified in other sectors of the economy. At times, the performance of securities issued by banks may lag the performance of securities issued by companies in other sectors of the economy.

Financial institutions, including community banks, have assets and liabilities that are directly affected by many factors, including domestic and international economic and political conditions, broad trends in business and finance, legislation and regulation affecting the national and international business and financial communities, monetary and fiscal policies, changes in

interest rates, inflation, market conditions, customer confidence in the safety and soundness of the banking system, the availability of short-term or long-term funding and the volatility of trading markets. Such factors may impact the value of financial instruments held by financial institutions or the value of the securities issued by financial institutions. In addition to risks that may impact the banking industry, an individual financial institution, such as a community bank, is directly affected by many factors, including its liquidity, asset quality, capital, earnings, management, and various other factors. Given our expected long-term investment strategy, some or all of these factors may change during the term of our investment, and we cannot predict or control the nature of these changes, some of which may have a materially adverse impact on one or all of our investments.

The following discusses some of the key risks that could affect the business and operations of the financial institutions in which we expect to invest. Other factors besides those discussed below or elsewhere in this prospectus could adversely affect one or all of our investments, and these risk factors should not be considered a complete list of potential risks that may affect our investments in banks and other financial institutions.

- *Liquidity Risk.* The management of a financial institution must ensure that sufficient funds are available at a reasonable cost to meet potential demands from both capital providers and borrowers. The liquidity of financial institutions could be impaired by an inability to access the capital markets or by unforeseen outflows of cash. This situation may arise due to circumstances that financial institutions may be unable to control, such as a general market disruption or an operational problem that affects third parties or the financial institution itself. Institutions that have high credit ratings typically have access to cheaper and more diversified sources of funding relative to institutions with lower or no credit ratings, and many of the institutions in which we will invest have low or no credit ratings which could adversely affect their liquidity and competitive position, increase their or our borrowing costs, and limit their or our access to the capital markets. To the extent that sufficient funds are not available to meet expected or unexpected demands, a financial institution may default or fail on their obligations which would have a negative impact on our book value.

- *Asset Quality and Credit Risk.* When financial institutions loan money, commit to loan money or enter into a letter of credit or other contract with a counterparty, they incur credit risk, or the risk of losses if their borrowers do not repay their loans or their counterparties fail to perform according to the terms of their contract. The companies in which we will invest offer a number of products which expose them to credit risk, including loans, leases and lending commitments, derivatives, trading account assets and assets held-for-sale. Financial institutions allow for and create loss reserves against credit risks based on an assessment of credit losses inherent in their credit exposure (including unfunded credit commitments). This process, which is critical to their financial results and condition, requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of their borrowers to repay their loans. As is the case with any such assessments, there is always the chance that the financial institutions in which we invest will fail to identify the proper factors or that they will fail to accurately estimate the impacts of factors that they identify. Failure to identify

credit risk factors or the impact of credit factors may result in increased non-performing assets, which will result in increased loss reserve provisioning and reduction in earnings. Poor asset quality can also affect earnings through reduced interest income which can impair a bank's ability to service debt obligations or to generate sufficient income for equity holders. Bank failure may result due to inadequate loss reserves, inadequate capital to sustain credit losses or reduced earnings due to non-performing assets. We will not have control over the asset quality of the financial institutions in which we will invest, and these institutions may experience substantial increases in the level of their non-performing assets which may have a material adverse impact on our investments.

- *Capital Risk.* A bank's capital position is extremely important to its overall financial condition and serves as a cushion against losses. U.S. banking regulators have established specific capital requirements for regulated banks. Federal banking regulators recently proposed amended regulatory capital regulations in response to The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and Basel III protocols which would impose even more stringent capital requirements. In the event that a regulated bank falls below certain capital adequacy standards, it may become subject to regulatory intervention including, but not limited to, being placed into a FDIC-administered receivership or conservatorship. The regulatory provisions under which the regulatory authorities act are intended to protect depositors. The deposit insurance fund and the banking system are not intended to protect stockholders or other investors in other securities issued by a bank or its holding company. The effect of inadequate capital can have a potentially adverse consequence on the institution's financial condition, its ability to operate as a going concern and its ability to operate as a regulated financial institution and may have a material adverse impact on our investments.

- *Earnings Risk.* Earnings are the primary means for financial institutions to generate capital to support asset growth, to provide for loan losses and to support their ability to pay dividends to stockholders. The quantity as well as the quality of earnings can be affected by excessive or inadequately managed credit risk that may result in losses and require additions to loss reserves, or by high levels of market risk that may unduly expose an institution's earnings to volatility in interest rates. The quality of earnings may also be diminished by undue reliance on extraordinary gains, nonrecurring events, or favorable tax effects. Future earnings may be adversely affected by an inability to forecast or control funding and

operating expenses, net interest margin compression improperly executed or ill-advised business strategies, or poorly managed or uncontrolled exposure to other risks. Deficient earnings can result in inadequate capital resources to support asset growth or insufficient cash flow to meet the financial institution's near term obligations. Under certain circumstances, this may result in the financial institution being required to suspend operations or the imposition of a cease-and-desist order by regulators which could potentially impair our investments.

- *Management Risk.* The ability of management to identify, measure, monitor and control the risks of an institution's activities and to ensure a financial institution's safe, sound and efficient operation in compliance with applicable laws and regulations are critical. Depending on the nature and scope of an institution's activities, management practices may need to address some or all of the following risks: credit, market, operating, reputation, strategic, compliance, legal, liquidity and other risks. We will not have direct or indirect control over the management of the financial institutions in which we will invest and, given our long-term investment strategy, it is likely that the management teams and their policies may change. The inability of management to operate their financial institution in a safe, sound and efficient manner in compliance with applicable laws and regulations, or changes in management of financial institutions in which we invest, may have an adverse impact on our investment.

- *Litigation Risk.* Financial institutions face significant legal risks in their businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. Substantial legal liability or significant regulatory action against the companies in which we invest could have material adverse financial effects or cause significant reputational harm to these companies, which in turn could seriously harm their business prospects. Legal liability or regulatory action against the companies in which we invest could have material adverse financial effects on us and adversely affect our earnings and book value.

- *Market Risk.* The financial institutions in which we will invest are directly and indirectly affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. Market risk is inherent in the financial instruments associated with the operations and activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives of the financial institutions in which we will invest. Market risk includes, but is not limited to, fluctuations in interest rates, equity and futures prices, changes in the implied volatility of interest rates, equity and futures prices and price deterioration or changes in value due to changes in market perception or actual credit quality of the issuer. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse effects on the operations and overall financial condition of the financial institutions in which we will invest as well as adverse effects on our results from operations and overall financial condition.

- *Monetary Policy Risk.* Monetary policies have had, and will continue to have, significant effects on the operations and results of financial institutions. There can be no assurance that a particular financial institution will not experience a material adverse effect on its net interest income in a changing interest rate environment. Factors such as the liquidity of the global financial markets, and the availability and cost of credit may significantly affect the activity levels of customers with respect to

the size, number and timing of transactions. Fluctuation in interest rates, which affect the value of assets and the cost of funding liabilities, are not predictable or controllable, may vary and may impact economic activity in various regions.

- *Competition.* The financial services industry, including the banking sector, is extremely competitive, and it is expected that the competitive pressures will increase. Merger activity in the financial services industry has resulted in and is expected to continue to result in, larger institutions with greater financial and other resources that are capable of offering a wider array of financial products and services. The financial services industry has become considerably more concentrated as numerous financial institutions have been acquired by or merged into other institutions. The majority of financial institutions in which we will invest will be relatively small with significantly fewer resources and capabilities than larger institutions; this size differential puts them at a competitive disadvantage in terms of product offering and access to capital. Technological advances and the growth of e-commerce have made it possible for non-financial institutions and non-bank financial institutions to offer products and services that have traditionally been offered by banking and other financial institutions. It is expected that the cross-industry competition and inter-industry competition will continue to intensify and may be adverse to the financial institutions in which we invest.

- *Regulatory Risk.* Financial institutions, including community banks, are subject to various state and federal banking regulations that impact how they conduct business, including but not limited to how they obtain funding. Changes to these regulations could have an adverse effect on their operations and operating results and our investments. We expect to make long-term investments in financial institutions that are subject to various state and federal regulations and oversight. Congress, state legislatures and the various bank regulatory agencies frequently introduce proposals to change the laws and regulations governing the banking industry in response to the Dodd-Frank Act, Consumer Financial Protection Bureau (the "CFPB") rulemaking or otherwise. The likelihood and timing of any proposals or legislation and the impact they might have on our investments in financial institutions affected by such changes cannot be determined and any such changes may be adverse to our investments.

We may invest in equity and debt securities issued by community banks, subjecting us to unique risks.

We expect to invest in securities issued by community banks that qualify as Tier 1 or Tier 2 capital for regulatory capital purposes. These investments may consist primarily of preferred equity as well as subordinated debt, convertible securities and, to a lesser extent, common equity.

Equity, unlike debt securities, does not have a stated maturity and it is uncertain when, if ever, we will receive our invested amounts or expected returns on such investments. During our holding period, the only source of investment income on such common equity securities may be dividend income or valuation gains. New financial products continue to be developed, and we may invest in any products that may be developed to the extent that such investment is consistent with our business plan.

Certain of these securities, particularly debt securities and certain hybrid capital instruments, may be long-dated in nature and may contain provisions that enable the issuing institution to defer payment of interest or dividends without resulting in bankruptcy or default. Furthermore, even though an institution has the financial capacity to make such payments, regulatory approval may be withheld to make such payment, and in the absence of such approval, the issuing institution will not be able to make such interest or dividend payment to us. The longer-term nature of these instruments limits the liquidity of these instruments and may increase the risk of holding these investments.

Investments in holding companies generally subject investors to increased risks because holding companies generally hold all their assets in their subsidiaries and are dependent on distributions from their subsidiaries to service their interest obligations and for ultimate principal repayment. In the event of a default or a bankruptcy, holders of securities issued by holding companies may suffer from increased losses or lower recoveries and may be subordinated to securities issued directly by the holding company's subsidiaries.

All of our investments are subject to liquidity risk, but we may face higher liquidity risk if we invest in debt obligations and other securities that are unrated and issued by banks that have no corporate rating.

All of our investments are subject to liquidity risk, however, we are likely to invest in debt obligations that are unrated and that are issued by banks that have no corporate rating by a nationally recognized statistical rating organization. In such cases, there may not be an active market for these securities and our investments will be subject to significant liquidity risk in the event we are required to sell such investments.

We expect create and manage a portfolio of securities, focused on the bank market, with an emphasis on community banks, which would make us more economically vulnerable in the event of a downturn in the banking industry.

Our portfolio consists of preferred equity, subordinated debt, convertible securities and common equity investments in U.S. domiciled banks, primarily community banks. These investments are subject to the risk factors affecting the banking industry, and that could cause a general market decline in the value of bank stocks. Individual banks, as well as the banking industry in general, may be adversely affected by negative economic and market conditions throughout the United States or in the local economies in which community banks operate, including negative conditions caused by recent disruptions in the financial markets. In addition, changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, may have an adverse impact on banks' loan portfolios and allowances for loan losses. As a result, we may experience higher rates of default with respect to our bank investments in the event of a downturn in the banking industry. Also, losses could occur in individual investments held by us because of specific circumstances related to each bank. These factors could have a material adverse effect on our financial condition, results of operations or liquidity.

A large number of community banks may fail during times of significant economic stress.

According to data from the FDIC, since 1934, banks and thrifts have failed at an annual rate of 0.37%, with peak cycle one-year failure rates of 3.22% in 1989 (S&L crisis), 1.96% in 2010 (Great Recession) and 0.54% in 1938 (Great Depression). However, despite the low percentage of banks that have failed compared to the number of banks in the U.S. during the relevant time period, during periodic times of significant economic stress, bank earnings decline and a significant number of banks may fail. For instance, during the savings and loan crisis during the 1980s through 1992, there were a total of 2,870 failures of 14,364 federally insured depository institutions in existence on December 31, 1980. From January 1, 2008 through June 30, 2014, which includes the most recent financial crisis, there were 514 failures of FDIC-insured banks, most of which were community banks, compared to the approximately 8,534 FDIC-insured banks in existence on December 31, 2007, with the highest one-year failure rate of 3.22% in 1989 and 1.96% in the most recent financial crisis. The failure rate of community banks was even higher in certain regions in which real estate values declined disproportionately more than the national average, including Florida, Georgia, Illinois, Nevada and California.

According to the most recently released FDIC Quarterly Banking Profile, 411 of 6,730 FDIC-insured banks were included on the FDIC's "Problem List." While, historically, only a small fraction of banks on the "Problem List" fail and only 12 FDIC-insured banks failed during the first half of 2014 (representing an approximate annualized failure rate of only 0.35% which is similar to the rate of a default for a Baa3 Corporate Credit), some level of additional bank failure is likely. We intend to invest the majority of our portfolio in institutions that are currently paying dividends or interest on their securities, that have the ability to pay dividends or interest on the securities they issue, and/or that are not a party to regulatory enforcement actions that would limit or hinder their payment of dividends or interest or otherwise demonstrate that they are in troubled condition. Such institutions are unlikely to be included in the FDIC's "Problem List" and are less likely to fail than many of their peers. Nevertheless, it is possible that some portion of the community banks in which we invest may fail, particularly if the U.S. economy stagnates or another financial crisis occurs. If we invest in banks that fail, we are likely to lose most or all of our investment in such institutions.

We expect create and manage a portfolio of securities, focused on the bank market, with an emphasis on community banks whose business is subject to greater lending risks than larger banks.

Community banks have different lending risks than larger banks. They provide services to their local communities. Their ability to diversify their economic risks is limited by their own local markets and economies. They lend primarily to small to medium-sized businesses, professionals and individuals which may expose them to greater lending risks than those of banks lending to larger, better-capitalized businesses with longer operating histories. They manage their credit exposure through careful monitoring of loan applicants and loan concentrations in particular industries, and through loan approval and review procedures. They have established evaluation processes designed to determine the adequacy of their allowances for loan losses. Although these evaluation processes use historical and other objective information, the classification of loans and the establishment of loan losses is an estimate based on

experience, judgment and expectations regarding their borrowers, the economies in which they and their borrowers operate, as well as the judgment of their regulators. We cannot assure you that their loan loss reserves will be sufficient to absorb future loan losses or prevent a material adverse effect on their

business, financial condition or results of operations.

Bank Regulatory Risk

The following summary does not purport to be a comprehensive description of all of the federal and state statutes and regulations which govern U.S. banking institutions that may be relevant to a decision to invest in the Company. The statutes or regulations discussed are only brief summaries of those provisions which are, in their entirety, complex and subject to interpretation. Further, the statutes or regulations governing the U.S. banking system and the interpretation thereof are subject to change. In addition, it does not purport to deal with all of the consequences applicable to investors in regulated financial institutions. Each prospective investor is strongly urged to consult its own legal advisers with respect to the consequences under applicable regulatory regimes governing banking institutions and investors therein of the purchase and ownership of common stock in the Company.

The banking institutions in which we will invest are subject to substantial regulations that could adversely affect their ability to operate and the value of our investments.

We invest substantially all of our assets in community banks and their holding companies and therefore our portfolio investments are subject to existing and potential new regulations that may be adverse to them. Banking institutions, including banks and savings and loan associations, holding companies thereof, and their subsidiaries and affiliates (collectively, "banking institutions") are highly regulated entities that are subject to extensive regulatory and legal restrictions and limitations and to supervision, examination and enforcement by state and federal regulatory authorities. In addition, the banking crisis in the United States that began in 2007 has resulted in increased regulations, and we anticipate that further regulations will be implemented in the future. The laws and regulations affecting banks, and the interpretations thereof, are subject to material changes, and any such changes may adversely impact portfolio investments and could result in the Company facing material losses or having to divest some or all of its investments under adverse market conditions. As a result of the extensive federal and state restrictions and limitations, supervision and enforcement, banking institutions have less operational flexibility and are generally subject to greater regulatory risks than companies in other industries that are less regulated.

Numerous and Extensive Regulations. There are various federal statutes that regulate U.S. banking institutions, including, the Bank Holding Company Act of 1956, the Federal Deposit Insurance Act, the Federal Reserve Act, the National Bank Act, the Home Owners' Loan Act of 1933 (the "HOLA"), the Securities Act, the Securities Exchange Act of 1934 (the "Exchange Act"), the Investment Advisers Act and the Investment Company Act. These federal statutes have been amended, often materially, over the years and may continue to be amended in the future, and the consequences of such future amendments may be materially adverse to the Company's investments or the financial services industry in general. In addition to these various federal statutes, federal regulatory agencies, including among others the Federal Reserve Board, the Office of the Comptroller of the Currency (the "OCC"), the Federal Deposit Insurance

Corporation ("FDIC") and the CFPB, together in certain cases with state banking regulatory agencies (individually, a "Regulatory Agency" or, collectively, the "Regulatory Agencies"), have adopted regulations and guidelines which are subject to interpretation, and which continue to be amended and revised and such amendments and revisions or a change in interpretation of existing regulations or guidelines may be materially adverse to the Company's portfolio companies or the financial services industry in general. Much of the regulatory framework that has been developed is intended to protect depositors, the FDIC and the banking system in general and, as such, stockholders in such regulated institutions may be disadvantaged, in some cases materially, by amendments and revisions to such statutes, regulations or guidelines, or interpretations thereof, or by the enforcement of such statutes and regulations by Regulatory Agencies.

Adverse consequences, including without limitation civil penalties, fines, suspension or termination of deposit insurance, may result in the event that any banking institution fails to comply with applicable rules or regulations. These rules and regulations are complex and are subject to interpretation and may be subject to change, which imposes compliance risk on the entities that are subject to these rules and may be adverse to the Company.

In addition, banking institutions are subject to various quantitative judgments by Regulatory Agencies, which may include subjective judgments regarding credit risk, interest rate and liquidity risk, operational risk and other factors, including subjective judgments on the "safety" or "soundness" of an institution.

The Dodd-Frank Act. The Dodd-Frank Act significantly changed the U.S. bank regulatory structure and significantly affected the lending, investment, trading and operating activities of community banks and their holding companies. These significant changes include, but are not limited to:

- elimination of the Office of Thrift Supervision and the transfer of supervisory and examination authority over federal savings and loan associations to the OCC, state savings and loan associations to the FDIC, and savings and loan holding companies to the Federal Reserve Board;
- application of consolidated regulatory capital requirements to savings and loan holding companies;
- a requirement that the minimum consolidated capital levels for all depository institution holding companies be no less stringent than those required for the insured depository subsidiaries and that components of Tier 1 capital be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions, which would exclude instruments such as trust preferred securities and cumulative preferred stock, subject to certain grandfathering provisions and a five-year phase-in period that started July 21, 2010;
- extension of the "source of strength" doctrine, that requires holding companies to act as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress, to savings and loan holding companies;

- establishment of the CFPB with expansive powers to supervise and enforce consumer protection laws;
- a requirement that originators of certain securitized loans retain a portion of the credit risk;
- implementation of significant reforms related to mortgage originations;

- increased stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments; and
- a requirement that the Federal Reserve Board promulgate rules prohibiting excessive compensation paid to company executives, regardless of whether the company is publicly traded or not.

Many of the provisions of the Dodd-Frank Act are subject to delayed effective dates and/or require the issuance of implementing regulations. Their impact on operations cannot yet fully be assessed. However, there is a significant possibility that the Dodd-Frank Act will, in the long run, increase regulatory burden, compliance costs and interest expense for community banks.

Capital Adequacy Requirements. Banking institutions are required to meet certain capital adequacy guidelines or rules that involve assessments of their assets and liabilities, including contingent and off-balance sheet items and other items which may be based on subjective inputs, as determined by the Regulatory Agencies. The Federal Reserve Board has established minimum capital adequacy requirements that are calculated in relation to assets and various off-balance sheet exposures. The Dodd-Frank Act imposes more stringent capital requirements on bank holding companies and savings and loan holding companies by, among other things, applying consolidated capital requirements to savings and loan holding companies, imposing leverage ratios on bank holding companies and savings and loan holding companies and prohibiting new trust preferred issuances from counting as Tier 1 capital. In addition, in response to the Dodd-Frank Act requirements and the Basel III protocols, the Regulatory Agencies have proposed more stringent capital requirements that, if adopted in their current form, would apply to community banks. These restrictions may significantly limit the future capital strategies of community banks.

Non-compliance with capital adequacy requirements may result in limitations on operations or other orders, which may be materially adverse to the financial institutions in which we invest. If a depository institution fails to meet certain capital adequacy standards or requirements (such institution is referred to as an "undercapitalized institution" if it is not well capitalized or adequately capitalized), the appropriate Regulatory Agency may be required by law to take one or more actions with respect to such undercapitalized institution. These actions may include requiring the institution to issue new shares, merge with another depository institution, restrict the rates of interest such institution pays on deposits, restrict asset growth, terminate certain activities or forcing it to divest of certain or all of its subsidiaries, dismiss certain directors or officers, place the depository institution into an FDIC-administered receivership or conservatorship or take any other action that, in the Regulatory Agency's judgment, will resolve the problems of the institution at the least possible loss to the FDIC.

We may become subject to adverse current or future banking regulations.

We will seek to structure our investments to avoid being regulated by various banking authorities. Therefore, we do not currently expect to be regulated by any state or federal banking regulatory bodies and will have significant flexibility with respect to the manner in which we operate. However, if we are deemed to have acquired control of one or more banking institutions, we would become a bank holding company subject to the Bank Holding Company Act and the regulations thereunder or a savings and loan holding company subject to the HOLA and the regulations thereunder. While the rules for bank holding companies and savings and loan holding companies vary, the Federal Reserve Board will generally find that we control a banking institution if we own 25% or more of any class of voting securities or 33% or more of the total equity (voting or non-voting) of a banking institution; or if we own 10% or more of the voting stock of the banking institution and we have representation on the board of directors of the banking institution or other indicia of control (such as control in any manner of the election of a majority of the institution's directors, or a determination by the regulator that we have the power to direct, or directly or indirectly to exercise a controlling influence over, the management or policies of the banking institution). There is a presumption of non-control if we own or control less than 5% of the outstanding shares of any class of voting securities. If we are deemed to have acquired control of one or more banking institutions:

- we would become subject to supervision and examination by the applicable Regulatory Agencies, including the Federal Reserve Board;
- the Federal Reserve Board would subject us to periodic reporting requirements applicable to bank holding companies or savings and loan holding companies; and
- we would become subject to restrictions on non-banking activities (i.e. any activity other than banking or managing or controlling banks or performing services for its subsidiaries) applicable to bank holding companies and savings and loan holding companies, including restrictions on acquiring direct or indirect ownership or control of more than 5% of any class of voting securities of any company engaged in non-bank activities. We would only be permitted to engage in, or acquire an interest in companies that engage in, activities that the Federal Reserve Board has determined to be incidental to the activity of banking or managing or controlling banks to a limited extent. These restricted activities include, among other activities, owning and operating a savings association, escrow company, trust company or insurance agency; acting as an investment or financial adviser, or providing securities brokerage services; and, in the case of a financial holding company or unitary savings and loan holding company, activities that are financial in nature, incidental to financial activities or complementary to a financial activity, such as lending activities, insurance and underwriting equity securities. In addition to restrictions on permissible activities and investments, bank holding companies, financial holding companies, and their subsidiary banks are prohibited from entering into certain tying arrangements in connection with extension of credit, lease, sale of property or provision of

any services should the Federal Reserve Board find the arrangement resulting in anti-competitive practices.

In addition, if we were deemed to be in control of a bank which is not "well capitalized" or not "well managed" as defined by the relevant Regulatory Agency, the Federal Reserve Board and certain other Regulatory Agencies would have the authority to impose various limitations or regulatory actions on us, including:

- limitations on our ability to pay dividends or distributions to our stockholders;
- forced divestiture of certain of our investments deemed by such Regulatory Agency as in danger of becoming insolvent and as posing significant risk to the undercapitalized institution;

- requiring us to provide financial support to the portfolio bank under the Federal Reserve Board's "source of strength" doctrine when we would otherwise be disinclined to do so or when we would consider itself unable to do so, which could force us to satisfy such obligation through divesture of other assets or through raising additional funds from existing stockholders or third-party investors; and
- the imposition by the FDIC of "cross-guarantee" liability upon any commonly controlled insured depository institutions for deposit insurance losses incurred by the FDIC. A depository institution's liability under the cross- guarantee provision is generally senior to (i) obligations to stockholders or (ii) any obligation or liability owed to any affiliate of such depository institution. Thus, portfolio companies that are insured depository institutions may be subject to such cross-guarantee liability with respect to other portfolio companies that are also insured depository institutions.

Ownership of our stock by certain types of regulated institutions may subject us to additional regulations.

If a bank holding company or savings and loan holding company stockholder is deemed to control us, we would be subject to the "umbrella" supervision of the Federal Reserve Board and potentially other regulatory agencies and such supervision may expose us to the regulatory burdens discussed above and to additional expenses or limitations in carrying out its investment objective, which may be materially adverse to the holders of our common stock. In the event that a bank holding company or savings and loan holding company stockholder is deemed to control us, it would have to obtain prior approval or non-objection of the Federal Reserve Board whenever the Company acquires, directly or indirectly, more than 5% of any class of voting securities of a U.S. bank or of a non-bank financial company (unless, in the case of a non-bank financial company, such bank holding company stockholders is a financial holding company). In the event that a bank holding company or savings and loan holding company stockholder controls us, we could not, without prior approval of the Federal Reserve Board, acquire more than 5% of any class of voting securities of any non-financial company, unless the bank holding company stockholder that controls us is a financial holding company; however, if each bank holding company stockholder that controls us is a financial holding company, we could make

any investment in any non-financial company (but not in a bank or non-bank financial company) pursuant to the Bank Holding Company Act. If a bank holding company stockholder or savings and loan holding company controls us, then any direct or indirect investment by us in more than 5% of any class of voting securities of a foreign company (including a foreign bank) would have to comply with the provisions promulgated by the Federal Reserve Board.

Investments in banking institutions and transactions related to our portfolio investments may require approval from one or more regulatory authorities.

We would be required to seek prior approval from the Federal Reserve Board in order to acquire control of more than 5% of the outstanding shares of any class of voting securities or 25% or more of the total equity (voting and non-voting) or other controlling interests of a bank, bank holding company or financial holding company. In addition, bank holding companies (but, not financial holding companies) are required to obtain approval prior to purchasing 25% or more of the total equity of a non-bank financial company.

We would be required to seek prior approval from the Federal Reserve Board or the OCC if we proposed to acquire control of a savings and loan association or a savings and loan holding company.

If we were deemed to be a bank holding company or savings and loan holding company, bank holding companies or savings and loan holding companies that invest in us will be subject to certain restrictions and regulations.

If we were deemed to be a bank holding company or savings and loan holding company, a bank holding company or savings and loan holding company stockholder could acquire less than 5% of any class of our stock, and less than 25% of our total equity, without Federal Reserve Board approval, provided that such bank holding company or savings and loan holding company stockholder does not control us. If we made controlling investments, directly or indirectly in a U.S. bank, then any bank holding company or savings and loan holding company stockholder that acquires more than 5% of any class of voting interests or 25% of our total equity would be required to receive prior written approval of the Federal Reserve Board before acquiring such interests. Bank holding company or savings and loan holding company stockholders that are not financial holding companies may be required to obtain prior approval from the Federal Reserve Board prior to acquiring more than 5% of any class of voting interests or 25% of our total equity if we make non-controlling or controlling investments in non-bank financial companies.

Each prospective investor that is or may become a bank holding company or financial holding company or savings and loan holding company is strongly urged to consult its own legal advisers with respect to the consequences under applicable regulatory regimes regarding banking institutions and investors therein of the purchase and ownership of our shares.

Risks Related to Our Advisor and/or its Affiliates

Our performance is dependent on our Advisor, and we may not find a suitable replacement if the management agreement is terminated.

All of our executive officers are also executive officers of our Advisor or its affiliates. We have no separate facilities, employees or management and rely on our Advisor, which has significant discretion as to the implementation of our operating policies and strategies. We will depend on our Advisor and its affiliates for certain services including administrative and business advice. We are subject to the risk that our Advisor will terminate the management agreement and that no suitable replacement will be found. Investors who are not willing to rely on our Advisor or our management by StoneCastle Partners should not invest in our common stock. The employees, systems and facilities of our Advisor and StoneCastle Partners may be utilized by other funds and companies advised by them or their affiliates. Our Advisor may not have sufficient access to such employees, systems and facilities in order to comply with its obligations under the management agreement. We believe that our success depends to a significant extent upon the experience of StoneCastle Partners' executive officers, portfolio managers and employees, whose employment is not guaranteed.

The departure or death of any of the members of senior management of our Advisor or StoneCastle Partners may adversely affect our ability to achieve our business objective; our management agreement does not require the availability to us of any particular individuals.

We depend on the diligence, skill and network of business contacts of the employees of our Advisor and StoneCastle Partners, whose investment professionals will evaluate, negotiate, structure, close and monitor our assets. Our future success depends on the continued service of the management team of StoneCastle Partners, and that continued service is not guaranteed. The management agreement does not obligate that any particular individual's services be made available to us. The departure, death or disability of any of the members of the management of StoneCastle Partners could have a material adverse effect on our ability to achieve our business objective.

If our Advisor ceases to be our manager under our management agreement, financial institutions that provided our credit facilities may not provide future financing to us.

The financial institutions that will finance our investments pursuant to repurchase agreements and other credit facilities arranged by our Advisor may require that our Advisor serve as our manager as a condition to making continued advances to us under these credit facilities. Additionally, if our Advisor ceases to be our adviser, each of these financial institutions under these credit facilities may terminate their facility and their obligation to advance funds to us in order to finance our future investments. If our Advisor ceases to be our manager for any reason and we are not able to obtain financing under these credit facilities, our growth maybe limited and our earnings and book value may be adversely affected.

Our Advisor's liability is limited under our management agreement, and we have agreed to indemnify our Advisor against certain liabilities.

Pursuant to our management agreement with our Advisor, its affiliates and their officers, directors, managing members, members and employees will not be liable to us, our directors, or our stockholders for acts performed in accordance with and pursuant to our management agreement, except by reason of acts constituting willful misconduct, bad faith or gross negligence, or as otherwise required by applicable law.

Pursuant to our management agreement, we will indemnify our Advisor, its affiliates and their officers, directors, managing members, members, employees and certain other parties against all losses, expenses and costs or damages arising out of or in connection with actions of such indemnified party or failure to act on the part of such indemnified party all in connection with our investment activities or in respect of our management agreement or the services provided by our manager or StoneCastle Partners to us, in the absence of willful misfeasance, gross negligence or bad faith. See "Management—Management Agreement." In addition, under the license agreement, we have agreed to indemnify StoneCastle Partners for our unauthorized use of the "StoneCastle" name and marks.

There may be potential conflicts of interest between our management or Advisor, on one hand, and the interest of our common stockholders, on the other.

Our Advisor is subject to certain conflicts of interest in our management. These conflicts will arise primarily from the involvement of our Advisor and its affiliates in other activities that may conflict with our activities. Our Advisor and its affiliates engage in a broad spectrum of activities. In the ordinary course of their business activities, they may engage in activities where their interests or the interests of their clients may conflict with our interests and the interests of the holders of our common stock. Other present and future activities of our Advisor and its affiliates may give rise to additional conflicts of interest which may have a negative impact on us.

Our Advisor's compliance department and legal department will oversee its conflict-resolution system. The program places particular emphasis on the principle of fair and equitable allocation of appropriate opportunities and of common fees and expenses to our Advisor's clients over time. As a result of our Advisor's allocation policies, we may not be able to invest in all opportunities that are appropriate for us and this may have the effect of reducing our potential earnings. Although our Advisor has agreed with us that it will allocate opportunities, fees and expenses among its clients pursuant to its written policies and procedures, there is no assurance that these policies and procedures will work as intended or that we will be allocated our fair share of investment opportunities over time or appropriately allocated the fees and expenses of the Advisor.

We are limited in our ability to conduct transactions with affiliates.

The Investment Company Act imposes restrictions on transactions we can conduct with our affiliates. These restrictions prohibit us from buying or selling any security directly from or to any portfolio company of a registered investment company or private equity fund managed by

StoneCastle Asset Management LLC, StoneCastle Financial Corp. or any of their respective affiliates. These restrictions also prohibit certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times). These limitations may limit the scope of investment opportunities that would otherwise be available to us.

Our Advisor's investment committee is not independent from its management.

Our Advisor's investment committee is comprised exclusively of our affiliated persons, and they are the same individuals who manage our assets. The individuals comprising our Advisor's investment committee may have inherent conflicts of interest with the holders of common stock, since they also advise other investment companies affiliated with us. We cannot guarantee that the investment opportunities provided to us will have better results than investment opportunities provided to our affiliates.

We may compete with our Advisor's current and future investment vehicles for access to capital and assets.

Our Advisor and its affiliates may sponsor or manage additional investment funds in the future. Although these funds may have different business objectives and operate differently than we do, we may nonetheless compete with these funds for capital or assets or for access to the benefits that we expect our Advisor to provide to us.

There may be other conflicts of interest in our relationship with our Advisor and/or its affiliates that could negatively affect our earnings.

Our Advisor and/or its affiliates manage, sponsor and invest in other secured borrowings via special purpose vehicles, investment funds, hedge funds and separate accounts and may in the future sponsor additional investment funds and other investments in community banks, commercial loans, municipal debt and other targeted assets in the community banking sector, and some of the members of our board of directors and officers or members of our Advisor's investment committee may serve as officers and/or directors of these other entities. This may give rise to conflicts of interest, including that certain assets appropriate for us may also be appropriate for one or more of these entities, and our Advisor may decide to allocate a particular opportunity other than to us. Our Advisor will often make asset purchase and sale decisions for us and any subsidiaries at the same time as asset purchase and sale decisions are being made for other affiliated entities for which our Advisor or one of our Advisor's affiliates is the investment adviser, in which case our Advisor will face conflicts in the allocation of business opportunities. Our Advisor and/or its affiliates may also engage in additional management and investment opportunities in the future which may compete with us for business opportunities.

The restrictive covenants that would govern our potential secured borrowings may have greater limitations on the disposition and reinvestment of assets than do other accounts managed by our Advisor. This may result in dispositions and reinvestments not being able to be made on as advantageous a basis as our Advisor may be able to achieve for such other accounts and such other dispositions and reinvestments may adversely affect the price at which such assets can be sold or purchased on our behalf.

Our Advisor's management of our business is subject to the oversight of our board of directors, but our board of directors will not approve each business decision made by our Advisor.

Our Advisor is authorized to follow a very broad business approach, including the selection of the amount and form of leverage we will employ. Our policies do not impose any limitations on the types of investments within the community banking sector and as a result, we cannot predict with any certainty the percentage of our assets that will be in each category. We may change our business strategy and policies for how we invest in community banks without a vote of stockholders. Our board of directors will periodically review our business approach and our assets. However, our board of directors will not review each proposed purchase. In addition, in conducting periodic reviews, our board of directors will rely primarily on information provided to it by our Advisor.

Our Advisor may be incentivized to incur additional leverage, up to the extent permitted by regulations.

Our Advisor's management fee is based on our gross assets at the end of each quarter, not net of any leverage that we incur. Our Advisor therefore may be incentivized to increase our leverage within regulatory limits in order to increase our asset value. Additional leverage may pose risks that could adversely affect our results of operations and our ability to declare and pay dividends. See "Leverage" and "Risk Factors—Risks Related to our Operations."

Our Advisor can resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

Our Advisor has the right, under the management agreement, to resign at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If our Advisor resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our Advisor and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

Risks Related to this Offering

The price for our common stock may be volatile.

The trading price of our common stock following this offering may fluctuate substantially. The price of our common stock that will prevail in the market after this offering

may be higher or lower than the price you pay and the liquidity of our common stock may be limited, in each case depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include the following:

- changes in the value of our portfolio of investments;
- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of similar investment companies; our dependence on the community banking sector and changes in conditions relating to that sector; our inability to deploy or invest our capital;
- fluctuations in interest rates;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- changes in regulatory policies with respect to investment companies;
- our ability to borrow money or obtain additional capital;
- losing RIC status under the Code;
- actual or anticipated changes in our earnings or fluctuations in our operating results or changes in the expectations of securities analysts;

- general economic conditions and trends;
- departures of key personnel; and
- exchange-related technological disruptions.

The price for our common stock is subject to market risk.

We cannot predict the prices at which our common stock will trade. Although our common stock is listed on the NASDAQ Global Select Market, an active trading market for our shares may not be sustained following this offering. The offering price for our common stock will be determined [ ]. In the absence of an active trading market for our common stock, investors may not be able to sell their common stock at or above the offering price or at the time that they would like to sell.

In addition, shares of closed-end investment companies have in the past frequently traded at discounts to their NAV and our common stock may also be discounted in the market. This characteristic is a risk separate and distinct from the risk that our NAV could decrease as a result of our investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. We cannot assure you whether our common stock will trade above, at or below our NAV. Whether investors will realize gains or losses upon the sale of our common stock will depend entirely upon whether the market price of our common stock at the time of sale is above or below the investor's purchase price for our common stock. Because the market price of our common stock is affected by factors such as NAV, distribution levels (which are dependent, in part, on expenses), supply of and demand for our common stock, stability of distributions, trading volume of our common stock, general market and economic conditions, and other factors beyond our control, we cannot predict whether our common stock will trade at, below or above NAV or at, below or above the offering

price. In addition, if shares of our common stock trade below their NAV, we will generally not be able to issue additional shares of common stock at their market price without first obtaining the approval of our stockholders and our independent directors to such issuance.

Future offerings of debt securities or preferred stock, which would rank senior to our common stock upon our liquidation, and future offerings of equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market value of our common stock.

If you purchase our common stock in this offering, the price that you pay will be greater than the NAV per share of common stock immediately following this offering. This discrepancy is in large part due to the expenses we incurred in connection with the consummation of this offering. In the future, we may attempt to increase our capital resources by making offerings of debt or additional offerings of equity securities, including offerings of preferred stock, the terms of which may be determined in the discretion of our board of directors. Upon liquidation, holders of our debt securities and holders of our preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk of our future offerings reducing the market value of our common stock and diluting their holdings of shares in us.

Risks Related to Taxation

Although we have [elected to be treated] as a RIC, we may not be able to meet the requirements to maintain RIC status.

In order to qualify as a RIC, we must be registered as a management company under the Investment Company Act at all times during each taxable year and meet an income test, a diversification/asset test and certain distribution requirements. Failure to meet any of these requirements could result in the discontinuance of our treatment as a RIC, which would increase our tax expense and could adversely affect our NAV, results of operations and ability to distribute dividends.

We will be subject to corporate-level federal income tax on all of our income if we are unable to maintain RIC status under Subchapter M of the Code.

If we fail to qualify for or maintain RIC status for any reason, and we do not qualify for certain relief provisions under the Code, we would be subject to corporate-level federal income tax (and any applicable state and local taxes) and our stockholders would be subject to the federal income tax rules that apply to stockholders in a regular, or "C," corporation. The conversion from a RIC to a regular, or "C," corporation could have a materially adverse tax

impact on us and our stockholders in the taxable year in which RIC status is lost and in future taxable years. Further, if we seek to re-establish RIC status after operating as a regular, or "C," corporation, because we will have operated as a regular corporation, we would have to distribute to our stockholders our pre-election earnings and may also be taxed on the gain in appreciated assets that we hold when we re-elect to be a RIC.

Whether an investment in a RIC is appropriate for a Non-U.S. Stockholder will depend upon the Non-U.S. Stockholder's particular circumstances and whether certain temporary tax provisions are extended.

Unless Congress extends the temporary rule of Code section 871 (k) (scheduled to expire for taxable years of RICs beginning after December 31, 2013) that provides certain "look-through" treatment to Non-U.S. Stockholders (as defined in "U.S. Federal Income Tax Considerations"), permitting interest-related dividends and short-term capital gains not to be subject to U.S. withholding tax, an investment in a RIC by a Non-U.S. Stockholder may have adverse tax consequences to a Non-U.S. Stockholder relative to a direct investment in our assets. This is because the interest income and certain short-term capital gains that generally would not be subject to U.S. withholding tax if earned directly by a Non-U.S. Stockholder are transformed into dividends that are subject to U.S. withholding tax.

We strongly urge you to review carefully the discussion under "U.S. Federal Income Tax Considerations" and to seek advice based on your particular circumstances from an independent tax adviser.

NET ASSET VALUE

We will determine and publish the NAV of our common stock on at least a quarterly basis and at such other times as our board of directors may determine. Our NAV equals the value of our total assets (the value of the securities held plus cash or other assets, including interest accrued but not yet received, dividends declared but not yet received), less: all of our liabilities and including (i) accrued expenses; (ii) accumulated and unpaid dividends on any outstanding preferred stock; (iii) the aggregate liquidation preference of any outstanding preferred stock; (iv) accrued and unpaid interest payments on any outstanding indebtedness; (v) the aggregate principal amount of any outstanding indebtedness; and (vi) any distributions payable on our common stock. The NAV per share of common stock equals our NAV divided by the number of outstanding shares of common stock.

We will determine fair value of our assets and liabilities in accordance with valuation procedures that our board of directors adopt. Generally we seek to obtain market quotes from independent parties for each of our investments. Our board of directors will utilize the services of one or more regionally or nationally recognized independent valuation firms to help it determine the value of each investment for which a market price is not available. Our board of directors will also review valuations of such investments provided by the Advisor. Securities for which market quotations are readily available shall be valued at "market value." If a market value cannot be obtained or if our Advisor determines that the value of a security as so obtained does not represent a fair value as of the measurement date (due to a significant development subsequent to the time its price is determined or otherwise), fair value for the security shall be

determined pursuant to the methodologies established by our board of directors. Our board of directors will regularly review and evaluate our valuation methodology and any such valuation service it uses and the historical accuracy of such valuation methodologies. Our board of directors will also review valuations of such investments provided by the Advisor and will assign the valuation they determine to best represent the fair value of such investments.

- The fair value for publicly-traded equity securities and equity-related securities will be determined by using readily available market quotations from the principal market, if available. For equity and equity-related securities that are freely tradable and listed on a securities exchange or over the counter market, fair value will be determined using the last sale price on that exchange or over-the-counter market on the measurement date. If the security is listed on more than one exchange, we will use the price of the exchange that we consider to be the principal exchange on which the security is traded. If a security is traded on the measurement date, then the last reported sale price on the exchange or OTC market on which the security is principally traded, up to the time of valuation, will be used. If there were no reported sales on the security's principal exchange or OTC market on the measurement date, then the average between the last bid price and last asked price, as reported by the pricing service, will be used. We will obtain direct written broker-dealer quotations if a security is not traded on an exchange or quotations are not available from an approved pricing service.

- An equity security of a publicly traded company acquired in a private placement transaction is subject to restrictions on resale that can affect the security's liquidity and fair value. Such securities that are convertible into publicly traded common stock or securities that may be sold pursuant to Rule 144 shall generally be valued based on the fair value of the freely tradable common stock counterpart, less an applicable discount. Generally, the discount will initially be equal to the discount at which we purchased the securities. To the extent that such securities are convertible or otherwise become freely tradable within a time frame that may be reasonably determined, an amortization schedule may be determined for the discount.

- Our board of directors uses the services of one or more regionally or nationally recognized independent valuation firms to aid it in determining the fair value of these securities. The methods for valuing these securities may include: fundamental analysis (sales, income or earnings multiples, etc.), discounts from market prices of similar securities, purchase price of securities, subsequent private transactions in the security or related securities, or discounts applied to the nature and duration of restrictions on the disposition of the securities, as well as a combination of these and other factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may

fluctuate over short periods of time, and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our NAV could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

- Fixed income securities (other than the short-term securities as described below) are valued by (i) using readily available market quotations based upon the last updated sale price or a market value from an approved pricing service generated by a pricing matrix based upon yield data for securities with similar characteristics; or (ii) by obtaining a direct written broker-dealer quotation from a dealer who has made a market in the security. A fixed income security acquired in a private placement transaction without registration is subject to restrictions on resale that can affect the security's liquidity and fair value. Among the various factors that can affect the value of a privately placed security are (i) whether the issuing company has freely trading fixed income securities of the same maturity and interest rate (either through an initial public offering or otherwise); (ii) whether the company has an effective registration statement in place for the securities; and (iii) whether a market is made in the securities.

- Short-term securities, including bonds, notes, debentures and other fixed income securities and money market instruments such as certificates of deposit, commercial paper, bankers' acceptances and obligations of domestic and foreign banks, with remaining maturities of 60 days or less, for which reliable market quotations are readily available are valued on an amortized cost basis at

current market quotations as provided by an independent pricing service or principal market maker. Short-term securities normally will be valued at amortized cost unless market condition or other factors lead to a determination of fair value at a different amount.

- Other assets, including equity investments for which there is no market, will be valued at market value pursuant to written valuation procedures adopted by our board of directors, or if a market value cannot be obtained (including with respect to classes of investments noted above) or if our Advisor determines that the value of a security as so obtained does not represent a fair value as of the measurement date (due to a significant development subsequent to the time its price is determined or otherwise), fair value shall be determined pursuant to the methodologies established by our board of directors. In making these determinations, our board of directors intends to engage an independent valuation firm from time to time to assist in determining the fair value of our investments. The methods for valuing these investments may include fundamental analysis,

discounts from market prices of similar securities, purchase price of securities, subsequent private transactions in the security or related securities, or discounts applied to the nature and duration of restrictions on the disposition of the securities, as well as a combination of these and other factors. We intend for such a third-party valuation firm to provide valuation advice with respect to approximately 25% of our investment portfolio each quarter.

Valuations of public company securities determined pursuant to fair value methodologies will be presented to our board of directors or a designated committee thereof for approval at the next regularly scheduled board meeting. See “Risk Factors— Risks Related to Our Advisor and/or its Affiliates.”

DIVIDEND REINVESTMENT PLAN

We have a dividend reinvestment plan for our stockholders. Our plan is an “opt out” dividend reinvestment plan. As a result, if a stockholder’s shares are registered directly with us or with a brokerage firm that participates in our Automatic Dividend Reinvestment Plan (“Plan”) through the facilities of the Depository Trust Company (“DTC”), and such stockholder’s account is coded for dividend reinvestment by such brokerage firm, all distributions are automatically reinvested for stockholders by Computershare Trust Company, N.A., as Plan agent (the “Plan Agent”), in additional common stock (unless a stockholder is ineligible or elects otherwise). If a stockholder opts out of the Plan, such stockholder’s account is not coded dividend reinvestment by such brokerage firm, and such stockholder receives distributions in cash. If a stockholder’s shares are registered with a brokerage firm that does not participate in the Plan through the facilities of DTC, a stockholder will need to ask its investment professional to determine what arrangements can be made to set up its account to participate in the Plan if desired, and, until such arrangements are made, a stockholder receives distributions in cash.

In the case that newly issued shares of our common stock are used to implement the Plan, the number of shares of common stock to be delivered to a participating stockholder is determined by dividing the total dollar amount of the dividends payable to such stockholder by 97% of the average market prices per share of common stock at the close of regular trading on the NASDAQ Global Select Market (or such other exchange or quotation system on which the common stock is primarily traded) for the five trading days immediately prior to the valuation date fixed by our board of directors. In the case that shares repurchased on the open market are used to implement the Plan, the number of shares of common stock to be delivered to a participating stockholder is determined by dividing the total dollar amount of the dividends payable to such stockholder by the weighted average purchase price of such shares.

Stockholders who elect not to participate in the Plan will receive all distributions payable in cash paid by check mailed directly to the stockholder of record (or, if the shares are held in street or other nominee name, then to such nominee) by Computershare Trust Company, N.A., as dividend paying agent. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by giving notice in writing to, or by calling, the Plan Agent. Stockholders may elect not to participate in the Plan by notifying the Plan Agent in writing so that it is received by the Plan Agent no later than 5 days prior to the applicable

dividend record date. Any such election will remain in effect until the stockholder notifies the Plan Agent in writing of the withdrawal of such election, which withdrawal must be received by the Plan Agent no later than 5 days prior to the applicable dividend record date. A stockholder that holds its shares through a broker or other nominee must make any such election or termination through its broker or nominee.

Whenever we declare a distribution payable in cash, non-participants in the Plan will receive cash, and participants in the Plan will receive the equivalent in common stock.

We will use primarily newly-issued common stock to implement the Plan, whether our shares are trading at a premium or at a discount to NAV. However, we reserve the right to instruct the Plan Agent to purchase shares in the open market in connection with its obligations under the Plan. The number of shares to be issued to a stockholder will be determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of our common stock at the close of regular trading on the NASDAQ Global Select Market on the distribution payment date. The market price per share on that date will be the closing price for such shares on the NASDAQ Global Select Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. If distributions are reinvested in shares purchased on the open market, then the number of shares received by a stockholder will be determined by dividing the total dollar amount of the distribution payable to such stockholder by the weighted average price per share (net of brokerage commissions and other related costs) for all shares purchased by the Plan Agent on the open-market in connection with such distribution.

We cannot establish the number of shares of our common stock to be outstanding after giving effect to payment of the dividend or other distribution until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. Stockholders who do not elect to receive dividends in shares of common stock will experience dilution over time. The level of discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the dividend payable to a stockholder.

The Plan Agent will maintain all stockholders’ accounts in the Plan and will furnish written confirmation of each acquisition made for the participant’s account as soon as practicable, but in no event later than 60 days after the date thereof. Shares in the account of each Plan participant will be held by the Plan Agent in non-certificated form in the Plan Agent’s name or that of its nominee, and each stockholder’s proxy will include those shares

purchased or received pursuant to the Plan. The Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held pursuant to the Plan in accordance with the instructions of the participants.

There will be no brokerage charges with respect to shares issued directly by us as a result of distributions payable in shares. If the participant elects to have the Plan Agent sell part or all of his or her common stock and remit the proceeds, such participant will be charged his or her pro rata share of brokerage commissions, fees and transaction costs incurred for the transaction, and the Plan Agent is entitled to deduct a $15 transaction fee. The automatic reinvestment of distributions will not relieve participants of any federal, state or local income tax that may be

payable (or required to be withheld) on such distributions. The Plan proceeds to non-U.S. persons may be subject to withholding tax. See "U.S. Federal Income Tax Considerations."

Experience under the Plan may indicate that changes are desirable. Accordingly, we reserve the right to amend or terminate the Plan if in the judgment of our board of directors such a change is warranted. We may terminate the Plan upon notice in writing mailed to each participant at least 60 days prior to the effective date of the termination. Upon any termination, the Plan Agent will cause a certificate or certificates to be issued for the full shares held by each participant under the Plan and cash adjustment for any fraction of a share of common stock at the then current market value of the common stock to be delivered to him, her or it. If preferred, a participant may request the sale of all of the common stock held by the Plan Agent in his or her Plan account in order to terminate participation in the Plan. If such participant elects in advance of such termination to have the Plan Agent sell part or all of his or her shares, the Plan Agent is authorized to deduct from the proceeds the brokerage commissions, fees and transaction costs incurred for the transaction. If a participant has terminated his or her participation in the Plan but continues to have common stock registered in his or her name, he or she may re-enroll in the Plan at any time by notifying the Plan Agent in writing at the address below. The terms and conditions of the Plan may be amended by us at any time, except when necessary or appropriate to comply with applicable law or the rules or policies of the SEC or any other regulatory authority, only by mailing to each participant appropriate written notice at least 30 days prior to the effective date thereof. The amendment shall be deemed to be accepted by each participant unless, prior to the effective date thereof, the Plan Agent receives notice of the termination of the participant's account under the Plan. Any such amendment may include an appointment by the Plan Agent of a successor Plan Agent, subject to the prior written approval of the successor Plan Agent by us.

All correspondence concerning the Plan should be directed to Computershare Trust Company, N.A., 250 Royall Street, Canton, Massachusetts 02021.

DESCRIPTION OF COMMON STOCK

The following descriptions of our shares, certain provisions of Delaware law and certain provisions of our certificate of incorporation and our bylaws are summaries and are qualified by reference to Delaware law and our certificate of incorporation and bylaws, copies of which are available from us upon request.

General

Our certificate of incorporation provides that our board of directors (without any further vote or action by our stockholders) may cause us to issue up to 40,000,000 shares of common stock, par value $0.001 per share, and up to 10,000,000 shares of undesignated preferred stock, par value $0.001 per share. As of the date of this prospectus, there are 4,698,011 shares of common stock outstanding and no shares of preferred stock outstanding. All references to "stock" or "shares" herein refer to common stock, unless otherwise indicated. Each share of common stock has equal voting, dividend, distribution and liquidation rights. The shares outstanding are, and, when issued, the shares offered by this prospectus will be, fully paid and

non-assessable. Shares are not redeemable and have no preemptive, conversion or cumulative voting rights. The number of shares outstanding as of June 30, 2014 was 4,698,011.

The following information regarding our authorized shares is as of June 30, 2014.

Title of Class	Amount Authorized	Amount Held by the Company for its Account	Amount Outstanding (Exclusive of Amount Held by the Company for its Account)
Common Stock, par value $0.001	40,000,000	0	4,698,011
Preferred Stock, par value $0.001	10,000,000	0	0

Common Stock

Voting Rights

The holders of common stock are entitled to one vote per share held of record on all matters submitted to a vote of our stockholders. Generally, except with respect to extraordinary corporate transactions, certain amendments to our certificate of incorporation, any amendment to our bylaws, liquidation and the election and removal of directors, all matters to be voted on by our stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes cast by all common stock present in person or represented by proxy. Removal of directors for cause must be approved by at least a majority of the votes entitled to be cast by our stockholders generally in the election of directors. See "—Certificate of Incorporation and Bylaws —Amendment of Our Certificate of Incorporation and Bylaws" for a discussion of approval rights with regard to such amendments.

Dividend Rights

Holders of common stock share ratably (based on the number of shares of common stock held) in any dividend declared by our board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of

dividends imposed by the terms of any preferred stock we may issue in the future.

Preemptive Rights

No holder of common stock is entitled to preemptive, redemption or conversion rights, sinking fund or cumulative voting rights.

Liquidation Rights

Upon our dissolution, liquidation or winding up, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation

preferences, if any, the holders of our common stock are entitled to receive an equal amount per share of all our remaining assets available for distribution.

Listing

Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol “BANX.”

Preferred Stock

Under our certificate of incorporation, our board of directors (without any further vote or action by our stockholders) is authorized to provide for the issuance from time to time of up to 10,000,000 shares of preferred stock consisting of one or more classes or series of preferred stock. Unless required by law or by any stock exchange, if applicable, any such authorized preferred stock will be available for issuance without further action by our common stockholders. Our board of directors is authorized to fix the number of shares, the relative powers, preferences and rights, and the qualifications, limitations or restrictions applicable to each class or series thereof by resolution authorizing the issuance of such class or series. As of the date of this offering, no preferred stock is outstanding and we have no current plans to issue any preferred stock.

We may issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of holders of common stock might believe to be in their best interests or in which holders of common stock might receive a premium for their common stock.

The Investment Company Act requires that the total aggregate liquidation value and outstanding principal amount of all our preferred stock and debt securities not exceed 50% of the amount of our total assets (including the proceeds of preferred stock and debt securities) less liabilities and indebtedness not represented by our preferred stock and debt securities.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N. A.

Certificate of Incorporation and Bylaws

Organization and Duration

We were formed on February 7, 2013 as StoneCastle Financial Corp. and will remain in existence until dissolved in accordance with our certificate of incorporation.

Purpose

Under our certificate of incorporation, we are permitted to engage in any business activity that lawfully may be conducted by a corporation organized under Delaware law and, in

connection therewith, to exercise all of the rights and powers conferred upon us pursuant to the agreement relating to such business activity.

Duties of Officers and Directors

Our certificate of incorporation provides that, except as may otherwise be provided by the certificate of incorporation or by our bylaws, our property, affairs and business shall be managed under the direction of our board of directors. Pursuant to our bylaws, our board of directors has the power to elect or appoint our officers and such officers have the authority to exercise the powers and perform the duties specified in our bylaws or as may be specified by our board of directors or delegated by our chief executive officer.

Our certificate of incorporation provides that we indemnify our directors and officers for acts or omissions to the fullest extent permitted by law. Under the Delaware General Corporation Law (“DGCL”), a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation and, in a criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful.

Size and Election of Board of Directors

Our certificate of incorporation and bylaws provide that the number of directors may be established, increased or decreased by our board of directors but may not be fewer than one. Our certificate of incorporation will provide that our board of directors is divided into three classes. Each class of directors

will hold office for a three-year term. The initial members of the three classes have staggered terms of one, two and three years, respectively. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualified. Except as may be provided by our board of directors in setting the terms of any class or series of preferred stock, any and all vacancies on our board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred and until a successor is elected and qualifies.

Removal of Members of Our Board of Directors

The DGCL provides that directors may be removed, but only for cause, by an affirmative vote of at least a majority of the votes entitled to be cast by our stockholders generally in the election of our directors. Our certificate of incorporation states that directors may be removed at any time, but only for cause, by at least two-thirds of the votes entitled to be cast by our stockholders generally in the election of our directors.

Advance Notice of Director Nominations and New Business

Our certificate of incorporation provides that special meetings of stockholders may only be called by our board of directors, the chairman of our board of directors or our chief executive officer.

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to our board of directors and the proposal of business to be considered by stockholders may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of our board of directors or the chairman of the board of directors or (iii) by any stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws. Our bylaws provide that with respect to special meetings of our stockholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of persons for election to our board of directors may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of our board of directors or (iii) *provided* that our board of directors has determined that directors shall be elected at the meeting, by any stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws.

The purpose of requiring stockholders to give advance notice of nominations and other proposals is to afford our board of directors the opportunity to consider the qualifications of the proposed nominees or the advisability of the other proposals and, to the extent considered necessary by our board of directors, to inform stockholders and make recommendations regarding the nominations or other proposals. The advance notice procedures also permit a more orderly procedure for conducting our stockholder meetings.

Limitations on Liability and Indemnification of Our Directors and Officers

Our certificate of incorporation provides that our directors will not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the DGCL. Our bylaws provide that our directors, officers, employees and agents, as well as persons serving as a director, officer, partner, trustee, member, manager, employee or agent of another enterprise at our request, will be indemnified, and may have their expenses of defense advanced, in each case to the full extent permitted under the DGCL.

The DGCL empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if (i) such person acted in good faith, (ii) in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and (iii) with respect to any criminal action or proceeding, such person had no reasonable cause to believe the person's conduct was unlawful.

The DGCL further empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the corporation, and except that no indemnification may be made in respect of any claim, issue or matter as to which such person has been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court deems proper.

To the extent a present or former director or officer is successful in the defense of any action, suit or proceeding noted above, or in defense of any claim, issue or matter therein, such person will be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with such action, suit or proceeding. We are further authorized to pay expenses incurred by an officer or director in advance of the final disposition of a proceeding upon our receipt of an undertaking by or on behalf of the person to whom the advance will be made, to repay the advances if it is ultimately determined that he or she was not entitled to indemnification.

Amendment of Our Certificate of Incorporation and Bylaws

Amendments to our certificate of incorporation may be proposed only by or with the consent of our board of directors. To adopt a proposed amendment, our board of directors is required to seek written approval of the holders of the number of shares required to approve the amendment or call a meeting of our stockholders to consider and vote upon the proposed amendment. Generally, an amendment must be approved by at least a majority of the

votes entitled to be cast by our stockholders generally in the election of directors and, in general, to the extent that such amendment would have a material adverse effect on the holders of any class or series of shares, by the holders of a majority of the holders of such class or series. Amendments pertaining to removal of directors, indemnification of directors or amendment of certain provisions of the certificate of incorporation or any provision of the bylaws, however, require the approval of the holders of two-thirds of our voting stock then outstanding.

Our board of directors has the power to adopt, alter or repeal our bylaws. Our certificate of incorporation provides that our stockholders may adopt, alter or repeal our bylaws upon approval of at least two-thirds of the common stock then outstanding.

Merger, Sale or Other Disposition of Assets

Our board of directors is generally prohibited, without the prior approval of at least a majority of the votes entitled to be cast by our stockholders generally in the election of directors,

from causing us to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, or approving on our behalf the sale, exchange or other disposition of all or substantially all of our assets, *provided* that our board of directors may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets without the approval of any stockholder.

Termination and Dissolution

Our existence is perpetual unless we are dissolved as provided by the DGCL.

Books and Reports

We are required to keep appropriate books of our business at our principal offices. The books will be maintained for both tax and financial reporting purposes a basis that permits the preparation of financial statements in accordance with US GAAP. For financial reporting purposes and tax purposes, our fiscal year and our tax year are the calendar year, unless otherwise determined by our board of directors in accordance with the Code.

We are required to file periodic reports, proxy statements and other information with the SEC. This information will be available at the SEC's public reference room in Washington, D.C. and on the SEC's website at www.sec.gov.

Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws

The following is a summary of certain provisions of our certificate of incorporation and bylaws that may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including those attempts that might result in a premium over the market price for the interests held by stockholders.

Authorized but Unissued Stock

Our certificate of incorporation provides for authorized but unissued shares that our board of directors may use without the approval of any holders of our shares. Future issuances of common and preferred stock may be utilized for a variety of purposes, including future public offerings to raise additional capital, acquisitions and employee benefit plans. Our ability to issue additional shares and other equity securities could render more difficult or discourage an attempt to obtain control over us by means of a proxy contest, tender offer, merger or otherwise.

Delaware Business Combination Statute—Section 203

Some provisions of the DGCL law may delay or prevent a transaction that would cause a change in our control. Section 203 of the DGCL, which restricts certain business combinations with interested stockholders in certain situations, generally applies to a corporation unless otherwise set forth in the corporation's certificate of incorporation. We have not opted out of Section 203. In general, this statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction by which that person became an interested stockholder, unless

the business combination is approved in a prescribed manner. For purposes of Section 203, a business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an interested stockholder is a person who, together with affiliates and associates, owns, or within three years prior, did own, 15% or more of voting stock.

Classified Board of Directors

Our board of directors is divided into three classes of directors serving staggered three-year terms, with the term of office of only one of the three classes expiring each year. A classified board of directors may render a change in control of us or removal of our incumbent management more difficult. This provision could delay for up to two years the replacement of a majority of our board of directors. We believe, however, that the longer time required to elect a majority of a classified board of directors helps to ensure the continuity and stability of our management and policies.

Number of Directors; Removal; Vacancies

Our certificate of incorporation provides that the number of directors will be set only by our board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. Under the DGCL, unless the certificate of incorporation provides otherwise (which our certificate of incorporation does not), directors on a classified board of directors such as our board of directors may be removed only for cause by a majority vote of our stockholders. Under our certificate of incorporation and bylaws, any vacancy on our

board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of the directors then in office. The limitations on the ability of our stockholders to remove directors and fill vacancies could make it more difficult for a third-party to acquire, or discourage a third-party from seeking to acquire, control of us.

Advance Notice Bylaw

Our bylaws provide that, in order for any matter to be considered properly brought before a meeting or for a stockholder to nominate a candidate for director, a stockholder must comply with requirements regarding advance notice to us, including the timing of such notice and the information that such notice must contain. Our certificate of incorporation provides that stockholders may not act by written consent without a meeting of stockholders. These provisions could delay until the next stockholders' meeting stockholder actions which are favored by the holders of a majority of our outstanding voting securities. These provisions may also discourage another person or entity from making a tender offer for our common stock, because such person or entity, even if it acquired a majority of our outstanding voting securities, would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders meeting, and not by written consent. Furthermore, stockholders do not have the ability to call a special meeting.

Amendment of Our Certificate of Incorporation and Bylaws

The DGCL generally provides that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or

bylaws, unless a corporation's certificate of incorporation or bylaws requires a greater percentage. Under our certificate of incorporation, the affirmative vote of the holders of at least 66 2/3% of the shares of our capital stock entitled to vote will be required to amend or repeal any of the provisions of our bylaws or certain provisions of our certificate of incorporation. In addition, our certificate of incorporation permits our board of directors to amend or repeal our bylaws by a majority vote of the board of directors.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the material U.S. federal income tax considerations relating to the acquisition, holding and disposition of our common stock. For purposes of this section, under the heading "U.S. Federal Income Tax Considerations," references to "we," "us" or "our" mean only StoneCastle Financial Corp. and not any subsidiaries or other lower-tier entities that we may organize or invest in, except as otherwise indicated. This summary is based upon the Code, the regulations promulgated by the U.S. Treasury Department ("Treasury regulations"), current administrative interpretations and practices of the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as currently in effect and all of which may be subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. No advance ruling has been or will be sought from the IRS regarding any matter discussed in this summary. This summary does not purport to discuss all aspects of U.S. federal income taxation that may be important to stockholders subject to special tax rules, such as:

- former U.S. citizens or long-term residents subject to Code section 877 or section 877A;
- persons who mark-to-market our common stock; subchapter S corporations;
- U.S. Stockholders (as defined below) whose functional currency is not the U.S. Dollar;
- financial institutions; insurance companies;
- broker-dealers;
- trusts and estates;
- holders who receive our common stock through the exercise of employee stock options or otherwise as compensation;
- persons holding our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment; and
- tax-exempt organizations.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of such partnership. A partner of a partnership holding our common stock should consult its tax adviser regarding the U.S. federal income tax consequences to the partner of the acquisition, ownership and disposition of our common stock by the partnership.

This summary assumes that stockholders will hold our common stock as capital assets, which generally means as property held for investment. This discussion does not address U.S. estate and gift tax rules, U.S. state or local taxation, the alternative minimum tax, or foreign taxes.

For purposes of the following discussion, a "U.S. Stockholder" is a stockholder that is (i) a citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation) created or organized under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (a) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (b) it has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. A "Non-U.S. Stockholder" is a person that is neither a U.S. Stockholder nor an entity treated as a partnership for U.S. federal income tax purposes.

THE U.S. FEDERAL INCOME TAX TREATMENT OF OUR STOCKHOLDERS DEPENDS IN SOME INSTANCES ON DETERMINATIONS OF FACT AND INTERPRETATIONS OF COMPLEX PROVISIONS OF U.S. FEDERAL INCOME TAX LAW. IN ADDITION, THE TAX CONSEQUENCES OF HOLDING OUR COMMON STOCK TO ANY PARTICULAR STOCKHOLDER WILL DEPEND ON THE STOCKHOLDER'S PARTICULAR TAX CIRCUMSTANCES. YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES TO YOU, IN LIGHT OF YOUR PARTICULAR CIRCUMSTANCES, OF HOLDING AND DISPOSING OF OUR COMMON STOCK.

Qualification as a RIC

We have [elected to be treated], and intend to comply with the requirements to qualify annually, as a RIC under Subchapter M of the Code. In order to qualify as a RIC, we must be registered as a management company under the Investment Company Act at all times during each taxable year and meet (i) an income test, (ii) a diversification/asset test and (iii) certain distribution requirements. Failure to meet any of these requirements would disqualify us from RIC tax treatment for the entire year. However, in certain situations we may be able to take corrective action which would allow us to remain qualified as a RIC.

The Income Test. At least 90% of our gross income in each taxable year must be derived from dividends; interest; payments with respect to securities loans; gains from the sale or other disposition of stock, securities or foreign currencies; other income (including gains from options, futures or forward contracts) derived with respect to our business of investing in such stock, securities or currencies; or net income from a "qualified publicly traded partnership."

The Diversification/Asset Test. At the end of each quarter of our taxable year, at least 50% of the value of our assets must be invested in cash and cash items (such as receivables); government securities; securities of other RICs; and securities of other issuers, provided that no investment in any such issuer exceeds 5% of the value of our assets or 10% of the issuer's outstanding voting securities. In addition, at the end of each quarter of our taxable year,

generally no more than 25% of the value of our assets may be invested in (i) the securities (other than U.S. Government securities or the securities of other RICs) of any one issuer, (ii) the securities (other than the securities of other RICs) of any two or more issuers that we control (i.e., ownership of 20% or more of the total combined voting power of all classes of stock entitled to vote) and that are engaged in the same or related trades or businesses or (iii) the securities of one or more qualified publicly traded partnerships.

Distribution Requirements. Our deduction for dividends paid to our stockholders during the taxable year must equal or exceed 90% of the sum of (i) our investment company taxable income (which includes, among other items, dividends, interest and the excess of any net short-term capital gain over net long-term capital loss and other taxable income, other than any net capital gain (excess of net long-term capital gain over net short-term capital loss), reduced by deductible expenses) determined without regard to the deduction for dividends paid, and (ii) our net tax-exempt interest, if any (the excess of our gross tax-exempt interest over certain disallowed deductions).

Taxation of a RIC

RICs generally are not subject to U.S. corporate income tax on the part of their net ordinary income and net realized capital gains that they distribute to their stockholders, provided that they comply with the requirements to be a RIC and meet applicable distribution requirements.

Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% excise tax at the RIC level. To avoid the tax, we must distribute during each calendar year an amount at least equal to the sum of (i) 98% of our ordinary income (taking into account certain deferrals and elections) for the calendar year, (ii) 98.2% of our capital gains in excess of our capital losses (adjusted for certain ordinary losses) for the one-year period ending on the last day of our taxable year (or October 31st, if applicable) and (iii) certain undistributed amounts from previous years on which we paid no U.S. federal income tax. While we intend to distribute any income and capital gain in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of our taxable income and capital gain will be distributed to avoid entirely the imposition of the tax. In that event, we will be liable for the tax only on the amount by which we do not meet the foregoing distribution requirement.

A RIC is limited in its ability to deduct expenses in excess of its "investment company taxable income" (which is, generally, ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses). If our expenses in a given year exceed our investment company taxable income, we would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years and such net operating losses do not pass through to its stockholders. In addition, expenses can be used only to offset investment company taxable income, not net capital gain (excess of net long-term capital gain over net short-term capital loss). A RIC may not use any net capital losses (that is, realized capital losses in excess of realized capital gains) to offset the RIC's investment company taxable income, but may carry forward such losses, and use them to offset capital gains, indefinitely. Due to these limits on the deductibility of expenses and net capital losses, we

could for tax purposes have aggregate taxable income that we are required to distribute and that is taxable to our stockholders even if such income is greater than the aggregate net income we actually earned during those years.

Similarly, we may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind interest or, in certain cases, increasing interest rates or that were issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the distribution requirements, even though we will not have received any corresponding cash amount.

As a RIC, we will be subject to the alternative minimum tax, or "AMT." Any items that are treated differently for AMT purposes must be apportioned between us and our U.S. Stockholders, and this may affect the U.S. Stockholders' AMT liabilities. Although Treasury regulations explaining the precise method of apportionment have not yet been issued, such items will generally be apportioned in the same proportion that dividends paid to each U.S. Stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless a different method for a particular item is warranted under the circumstances.

Taxation of a U.S. Stockholder

Distributions. Distributions by a RIC generally are taxable to U.S. Stockholders as ordinary income or capital gains.

Distributions of our "investment company taxable income" (which is, generally, our ordinary income plus net short-term capital gains in excess of net long-term capital losses) will be taxable as ordinary income to U.S. Stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional shares of common stock. However, distributions to noncorporate stockholders attributable to dividends received by us from U.S. and certain foreign corporations will generally be eligible for the maximum federal income tax rate of 20% applicable to qualified dividend income, as long as certain other requirements are met. For these lower rates to apply, the noncorporate stockholders must have owned our shares for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date and we must also have owned the underlying stock for this same period beginning 60 days before the ex-dividend date for the stock. The amount of our distributions that otherwise qualify for these lower rates may be reduced as a result of our securities lending activities or a high portfolio turnover rate and may also be reduced as a result of certain derivative transactions entered into by us.

Distributions derived from our dividend income that would be eligible for the dividends received deduction if we were not a RIC may be eligible for the dividends received deduction for corporate stockholders. The dividends received deduction, if available, is reduced to the extent the shares with respect to which the dividends are received are treated as debt-financed under

federal income tax law and is eliminated if the shares are deemed to have been held for less than a minimum period, generally 46 days. The dividends received deduction also may be reduced as a result of our securities lending activities or a high portfolio turnover rate or as a result of certain derivative transactions entered into by us.

Distributions of our net capital gains (which is generally our net long-term capital gains in excess of net short-term capital losses) properly designated by us as "capital gain dividends" will be taxable to a non-corporate U.S. Stockholder (including individuals) as long-term capital gains which are generally subject to a maximum federal income tax rate of 20%, to the extent of our current or accumulated earnings and profits, regardless of the U.S. Stockholder's holding period for his, her or its stock and regardless of whether paid in cash or reinvested in additional stock. Distributions in excess of our earnings and profits first will reduce a U.S. Stockholder's adjusted tax basis in our stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. Stockholder. Such capital gain will be long-term capital gain and thus will be generally taxed at a maximum federal income tax rate of 20%, if the distributions are attributable to stock held for more than one year by a non-corporate U.S. Stockholder (including individuals).

If we designate any of our retained capital gains as a deemed distribution, we will pay tax on the retained amount, and each U.S. Stockholder will be required to include the U.S. Stockholder's share of the deemed distribution in income as if it had been actually distributed to the U.S. Stockholder. The U.S. Stockholder may be entitled to claim a credit equal to the U.S. Stockholder's allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. Stockholder's tax basis for his, her or its common stock. Since we expect to pay tax on any retained capital gains at our regular corporate tax rate, and since that rate is in excess of the maximum rate currently payable by non-corporate U.S. Stockholders (including individuals) on long-term capital gains, the amount of tax that non-corporate U.S. Stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. Stockholder's other federal income tax obligations or may be refunded to the extent it exceeds a stockholder's liability for federal income tax. A stockholder that is not subject to U.S. federal income tax or otherwise required to file a federal income tax return would be required to file a federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year.

For purposes of determining (i) whether the distribution requirements are satisfied for any year and (ii) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. Stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. Stockholders on December 31 of the year in which the dividend was declared.

Sale of Stock. Upon the sale, exchange or other taxable disposition of our common stock, a U.S. Stockholder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the U.S. Stockholder's adjusted tax basis in our stock. Any such capital gain or loss will generally be a long-term capital gain or loss if the U.S. Stockholder has held the stock for more than one year at the time of disposition and such shares of common stock are held as capital assets. Otherwise, the gain would be classified as short-term capital gain. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less (determined by applying the holding period rules contained in Code Section 852(b)(4)(C)) will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such stock. In addition, all or a portion of any capital loss arising from the sale or disposition of shares of our common stock may be disallowed to the extent the U.S. Stockholder acquires other shares of our common stock (through reinvestment of dividends or otherwise) within 30 days before or after the sale or disposition. In such case, any disallowed loss is generally added to the U.S. Stockholder's adjusted tax basis of the acquired stock.

Long-term capital gains of non-corporate U.S. Stockholders (including individuals) are generally subject to U.S. federal income taxation at a maximum rate of 20%. The deductibility of capital losses is subject to limitations under the Code.

Dividend Reinvestment Plan. Under the dividend reinvestment plan, if a U.S. Stockholder's common stock is registered directly with us or with a brokerage firm that participates in our Plan, the U.S. Stockholder will have all cash distributions automatically reinvested in additional shares of common stock unless the U.S. Stockholder opts out of the dividend reinvestment plan. See "Dividend Reinvestment Plan." Any distributions reinvested under the Plan will nevertheless remain taxable to the U.S. Stockholder. To the extent that a U.S. Stockholder receives distributions in the form of additional shares of our common stock purchased in the market, the U.S. Stockholder should be treated for U.S. federal income tax purposes as receiving a distribution in an amount equal to the amount of money that the stockholders receiving cash distributions will receive, and should have a cost basis in the shares received equal to such amount. To the extent that a U.S. stockholder receives a distribution in newly issued shares of our common stock, the U.S. stockholder should be treated as receiving a distribution equal to the fair market value of the shares received on the date of the distribution, and should have a cost basis in the shares received

equal to such amount. The additional shares of common stock will have a new holding period commencing on the day following the day on which the stock is credited to the U.S. Stockholder's account.

Tax on Net Investment Income. Non-corporate U.S. Stockholders (including individuals) whose income exceeds certain thresholds are subject to a 3.8% tax on "net investment income," subject to certain limitations and exceptions. For this purpose, net investment income generally includes dividends and capital gains from the sale or other disposition of stock, such as our common stock, including qualified dividend income and long-term capital gains that are generally subject to the 20% maximum federal income tax rate otherwise applicable to such income. U.S. Stockholders should consult their tax advisers regarding the effect, if any, of this tax on their ownership and disposition of our stock.

Taxation of a Non-U.S. Stockholder

Distributions. Distributions by us will be treated as dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Dividends paid to a Non-U.S. Stockholder generally will be subject to U.S. withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. If a Non-U.S. Stockholder is eligible for a reduced rate of withholding tax under an applicable tax treaty, the Non-U.S. Stockholder will be required to provide an applicable IRS Form W-8 certifying its entitlement to benefits under the treaty in order to obtain a reduced rate of withholding tax. However, if the distributions are effectively connected with a U.S. trade or business of the Non-U.S. Stockholder (or, if an income tax treaty applies, attributable to a permanent establishment in the United States of the Non-U.S. Stockholder), then the distributions will be subject to U.S. federal income tax at the rates applicable to U.S. persons, plus, in certain cases where the Non-U.S. Stockholder is a corporation, a branch profits tax at a 30% rate (or lower rate provided in an applicable treaty). If the Non-U.S. Stockholder is subject to such U.S. income tax on distribution, then we are not required to withhold U.S. federal tax if the Non-U.S. Stockholder complies with applicable certification and disclosure requirements. Special certification requirements apply to a Non-U.S. Stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisers.

Code section 871(k) (scheduled to expire for taxable years of RICs beginning after December 31, 2013) provides certain "look-through" treatment to Non-U.S. Stockholders, permitting interest-related dividends and short-term capital gains not to be subject to U.S. withholding tax. However, even if the rule is extended, depending on the circumstances, we may designate all, some or none of our potentially eligible dividends as eligible for the exemption, and a portion of our distributions (e.g. interest from non-U.S. sources or any foreign currency gains) would be ineligible for this potential exemption. If this temporary "look-through" rule is extended, then dividends that are designated as interest income and net short-term capital gain will not be subject to U.S. withholding tax. If the temporary "look-through" rule is not extended, then all dividends (including interest income and the excess of net short-term capital gain over net long-term capital losses) will generally be subject to U.S. withholding tax as discussed in the preceding paragraph.

If the amount of a distribution exceeds our current and accumulated earnings and profits, such excess will be treated for U.S. federal income tax purposes as a tax-free return of capital to the extent of the Non-U.S. Stockholder's tax basis in our common stock. To the extent that any distribution received by a Non-U.S. Stockholder exceeds the Non-U.S. Stockholder's tax basis in our common stock and our current and accumulated earnings and profits, the excess will be treated as gain from the sale of the common stock and will be taxed as described in "Sales of Stock" below.

Sales of Stock. A Non-U.S. Stockholder generally will not be subject to U.S. federal income tax on gain realized on the sale, exchange or other non-redemption disposition of our common stock, unless (i) the gain is effectively connected with a trade or business of the Non-U.S. Stockholder in the United States (or, if the Non-U.S. Stockholder is eligible for the benefits of a U.S. tax treaty, the gain is attributable to a permanent establishment in the United States of the Non-U.S. Stockholder); (ii) the Non-U.S. Stockholder is an individual who is present in the

United States for 183 days or more in the taxable year of disposition and who has a "tax home" in the United States; or (iii) we are or have been a U.S. real property holding corporation at any time within the five-year period preceding the date of disposition of our common stock or, if shorter, within the period during which the Non-U.S. Stockholder has held our common stock. Generally, a corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests, as defined in the Code and applicable regulations, equals or exceeds 50% of the aggregate fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. We do not expect to be treated as a U.S. real property holding corporation.

Dividend Reinvestment Plan. Under the dividend reinvestment plan, if a Non-U.S. Stockholder's common stock is registered directly with us or with a brokerage firm that participates in our Plan, the Non-U.S. Stockholder will have all cash distributions automatically reinvested in additional shares unless the Non-U.S. Stockholder opts out of the Plan. If the distribution is a distribution of our investment company taxable income, is not designated by us as a short-term capital gain dividend or interest-related dividend (if applicable and to the extent that the temporary "look-through" rule described above is extended), and is not effectively connected with a U.S. trade or business of the Non-U.S. Stockholder (or, if required by an applicable income tax treaty, is not attributable to a U.S. permanent establishment of the Non-U.S. Stockholder), the amount distributed (to the extent of our current or accumulated earnings and profits) will be subject to withholding of federal income tax at a 30% rate (or lower rate provided by an applicable income tax treaty) and only the net after-tax amount will be reinvested in our shares. If the distribution is effectively connected with a U.S. trade or business of the Non-U.S. Stockholder (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the Non-U.S. Stockholder), the full amount of the distribution generally will be reinvested in our common stock and will nevertheless be subject to federal income tax at the ordinary income rates applicable to U.S. persons. The Non-U.S. Stockholder will have an adjusted tax basis in the additional shares of our common stock purchased through the plan equal to the amount of the reinvested distribution. The additional shares of our common stock will have a new holding period commencing on the day following the day on which the shares of our common stock are credited to the Non-U.S. Stockholder's account.

FATCA

Under Code sections 1471 through 1474 (the Foreign Account Tax Compliance Act, or "FATCA"), a person who makes a withholdable payment (as defined in Code Section 1473) to a foreign financial institution ("FFI") or a non-financial foreign entity ("NFFE") must withhold at a 30% rate unless the FFI or NFFE meets certain requirements or provides certain information to the U.S. person making the payment. Withholdable payments generally include fixed

or determinable annual or periodical ("FDAP") payments (such as our dividends) and gross proceeds from the sale or other disposition of any property of a type which can produce U.S.-source interest or dividends (such as our stock) and certain capital gain dividends. FATCA withholding on U.S.-source FDAP payments (such as our dividends) is generally scheduled to commence July 1, 2014, and FATCA withholding on payments of gross proceeds (such as sales of our common stock) is generally scheduled to commence January 1, 2017. As a result of FATCA, we are likely to require certain information, representations or both from stockholders that are considered FFIs or NFFEs in order for them to avoid withholding under FATCA.

Because of the fact-specific impact of the applicable U.S. tax rules and their interaction with tax treaties, Non-U.S. Stockholders are urged to consult their own tax adviser regarding the U.S. federal income tax and estate tax consequences of the holding, sale, exchange or other disposition of our common stock.

Backup Withholding

We are required in certain circumstances to backup withhold on certain payments paid to non-corporate stockholders of our common stock who do not furnish us with their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

Failure to Qualify or Maintain Status as a RIC

If, in any taxable year, we fail to qualify as a RIC, we would be taxed in the same manner as a regular, or "C," corporation and our stockholders would be taxed as stockholders in such a regular, or "C," corporation.

The Company

If we were to fail to qualify as a RIC, we would be subject to U.S. federal income tax on our taxable income at the graduated rates applicable to corporations, currently at a maximum rate of 35%. We would generally recognize gain or loss on the sale, exchange or other taxable disposition of an equity security equal to the difference between the amount we realize on the sale, exchange or other taxable disposition and our adjusted tax basis in such equity security. To the extent that we had a net capital loss in any tax year, the net capital loss could be carried back three years and forward five years to reduce our capital gains, subject to certain limitations. Unlike capital gains realized by individuals which may be eligible for preferential tax rates, our net capital gain generally would be subject to U.S. federal income tax at the regular graduated corporate rates. Although we generally would be subject to tax on the dividends, interest, and other income we receive from our investments, we would be taxed on only a portion (generally 30%) of the dividends we receive that are eligible for the dividends received deduction of section 243 of the Code, subject to the restrictions of sections 246 and 246A of the Code. In particular, to the extent that any of our borrowings caused us to hold "debt financed portfolio stock" subject to the rules of section 246A of the Code, the dividends received deduction (generally 70%) would be reduced to reflect the proportion of debt financed portfolio stock.

If we elect to become a RIC after operating as a C corporation, either because we do not qualify as a RIC in our first taxable year or because we fail to maintain RIC status following an election, that election to become a RIC will have U.S. federal income tax consequences to us and our stockholders. First, RICs are not permitted to have any earnings and profits that preceded their becoming a RIC. Accordingly, pursuant to section 852(a)(2) of the Code, we will be required to distribute all of our earnings and profits to our stockholders prior to becoming a RIC. This may result in larger distributions, and more taxable income to our stockholders, than we

would otherwise have made. Second, we will generally be taxed on the appreciated assets we own prior to becoming a RIC. We must pay tax at U.S. corporate income tax rates on these deemed gains, and the resulting tax will reduce the amounts that will be available for distribution to our stockholders in the future.

U.S. Stockholders

Distributions. Distributions by us in respect of our common stock would be treated as dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). This would be the case regardless of whether a stockholder receives cash or additional shares of our common stock pursuant to the Plan. Any such dividend would be eligible for the dividends received deduction if received by an otherwise qualifying corporate U.S. Stockholder that meets the holding period and other requirements for the dividends received deduction.

Dividends paid to certain non-corporate U.S. Stockholders (including individuals) would be eligible for U.S. federal income taxation at the rates generally applicable to long-term capital gains for individuals (generally at a maximum federal income tax rate of 20%), provided that the U.S. Stockholder receiving the dividend satisfies applicable holding period and other requirements applicable to qualified dividend income. If we made a distribution that exceeds our current and accumulated earnings and profits, that excess would be treated first as a tax-free return of capital to the extent of the U.S. Stockholder's tax basis in our common stock, and thereafter as capital gain. Any such capital gain generally would be long-term capital gain if the U.S. Stockholder has held the applicable common stock for more than one year.

Sales of Stock. As discussed above, upon the sale, exchange or other taxable disposition of our common stock, a U.S. Stockholder generally would recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the U.S. Stockholder's adjusted tax basis in our stock. Any such capital gain or loss generally would be a long-term capital gain or loss if the U.S. Stockholder has held the common stock for more than one year at the time of disposition. Long-term capital gains of certain non-corporate U.S. Stockholders (including individuals) are generally subject to U.S. federal income taxation at a maximum rate of 20%. The deductibility of capital losses is subject to limitations under the Code.

Tax on Net Investment Income. Non-corporate U.S. Stockholders (including individuals) whose income exceeds certain thresholds are subject to a 3.8% tax on "net investment income," subject to certain limitations and exceptions. For this purpose, net investment income generally includes dividends and capital gains from the sale or other disposition of stock, such as our common stock, including qualified dividend income and long-term capital gains that are generally subject to the 20% maximum federal income tax rate otherwise applicable to such income.

Non-U.S. Stockholders

Distributions. As discussed above under "U.S. Stockholders-Distributions," distributions by us would be treated as dividends for U.S. federal income tax purposes to the extent paid from

our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Dividends paid to a Non-U.S. Stockholder generally would be subject to U.S. withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. If a Non-U.S. Stockholder is eligible for a reduced rate of withholding tax under an applicable tax treaty, the Non-U.S. Stockholder would be required to provide an applicable IRS Form W-8certifying its entitlement to benefits under the treaty in order to obtain a reduced rate of withholding tax. However, if the distributions are effectively connected with a U.S. trade or business of the Non-U.S. Stockholder (or, if an income tax treaty applies, attributable to a permanent establishment in the United States of the Non-U. S. Stockholder), then the distributions would be subject to U.S. federal income tax at the rates applicable to U.S. persons, plus, in certain cases where the Non-U.S. Stockholder is a corporation, a branch profits tax at a 30% rate (or lower rate provided in an applicable treaty). If the Non-U.S. Stockholder is subject to such U.S. income tax on distribution, then we are not required to withhold U.S. federal tax if the Non-U.S. Stockholder complies with applicable certification and disclosure requirements.

If the amount of a distribution exceeded our current and accumulated earnings and profits, such excess would be treated for U.S. federal income tax purposes as a tax-free return of capital to the extent of the Non-U.S. Stockholder's tax basis in our common stock. To the extent that any distribution received by a Non-U.S. Stockholder exceeded the Non-U.S. Stockholder's tax basis in our common stock and our current and accumulated earnings and profits, the excess would be treated as gain from the sale of the common stock and will be taxed as described in "Sales of Stock" below.

Sales of Stock. A Non-U.S. Stockholder generally would not be subject to U.S. federal income tax on gain realized on the sale, exchange or other non-redemption disposition of our common stock, unless (i) the gain is effectively connected with a trade or business of the Non-U.S. Stockholder in the United States (or, if the Non-U.S. Stockholder is eligible for the benefits of a U.S. tax treaty, the gain is attributable to a permanent establishment in the United States of the Non-U.S. Stockholder); (ii) the Non-U.S. Stockholder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and who has a "tax home'' in the United States; or (iii) we are or have been a U.S. real property holding corporation at any time within the five-year period preceding the date of disposition of our common stock or, if shorter, within the period during which the Non-U.S. Stockholder has held our common stock. Generally, a corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests, as defined in the Code and applicable regulations, equals or exceeds 50% of the aggregate fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. We do not expect to be treated as a U.S. real property holding corporation.

FATCA

FATCA would generally apply in the same manner as discussed above.

CERTAIN ERISA CONSIDERATIONS

The following is a general summary of certain considerations applicable to an investment in us by an employee benefit plan subject to ERISA (as defined below) or Section 4975 of the Code.

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities whose underlying assets include the assets of such plans (collectively, "ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions that involve the assets of an ERISA Plan and of other "plans" that are subject to Section 4975 of the Code (together with ERISA Plans, "Plans"), and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, except to the extent that a statutory or administrative exemption applies. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

ERISA, as well as a regulation promulgated by the U.S. Department of Labor, as modified by Section 3(42) of ERISA (the "DOL Plan Asset Regulation"), generally provides as relevant here that, when a Plan acquires an equity interest in an entity that is issued by an investment company registered under the Investment Company Act, the Plan's assets include the equity interest, but not, solely by reason of such investment, any of the underlying assets of the entity.

Even if our assets are not "plan assets" for purposes of the fiduciary responsibility and prohibited transaction rules under ERISA or Section 4975 of the Code, a prohibited transaction could arise in connection with a Plan's acquisition of our common stock. Consequently, the fiduciary of an ERISA Plan contemplating an investment in our common stock in the offering should consider, for example, whether we, any other person associated with the issuance of our common stock or any of their affiliates, is or might become a "party in interest" or "disqualified person" with respect to the ERISA Plan, and, if so, whether an exemption from such prohibited transaction rules is needed and is applicable.

Each purchaser of our common stock in the offering will be deemed to have represented, warranted and agreed that its purchase and holding of our common stock do not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

THE PRECEDING DISCUSSION IS MERELY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN OUR COMMON STOCK AND DOES NOT PURPORT TO BE COMPLETE IN ANY RESPECT. ANY PROSPECTIVE INVESTOR CONSIDERING

AN INVESTMENT IN OUR COMMON STOCK IS STRONGLY URGED TO CONSULT ITS OWN LEGAL, TAX AND OTHER ADVISORS REGARDING THE CONSEQUENCES OF SUCH AN INVESTMENT UNDER ERISA AND SECTION 4972 OF THECODE IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

CLOSED-END FUND STRUCTURE

We are registered as a non-diversified, closed-end management investment company under the Investment Company Act, commonly referred to as a "closed-end fund." Closed-end management investment companies differ from open-end management investment companies (commonly referred to as "mutual funds") in that closed-end funds generally list their shares for trading on a stock exchange and do not redeem their stock at the request of the stockholder. This means that if a stockholder wishes to sell shares of a closed-end management investment company, he or she must trade them on the market like any other stock at the prevailing market price at that time. In a mutual fund, if the stockholder wishes to sell shares of the company, the mutual fund will redeem, or buy back, the shares at NAV. Mutual funds also generally offer new shares on a continuous basis to new investors, and closed-end management investment companies generally do not. The continuous inflows and outflows of assets in a mutual fund can make it difficult to manage the company's investments. By comparison, closed-end management investment companies are generally able to stay more fully invested in securities that are consistent with their investment objectives and also have greater flexibility to make certain types of investments and to use certain investment strategies, such as financial leverage and investments in illiquid securities.

When shares of closed-end management investment companies are traded, they frequently trade at a discount to their NAV. See "Risk Factors—Risks Related to this Offering." This characteristic of shares of closed-end management investment companies is a risk separate and distinct from the risk that the closed-end management investment company's NAV may decrease as a result of investment activities. Our conversion to an open-end mutual fund would require an amendment to our Charter. Our shares of common stock are listed on the NASDAQ Global Select Market under the symbol "BANX."

UNDERWRITING

Keefe, Bruyette & Woods, Inc. is acting as the representative of the Underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement, each of the Underwriters named below has severally agreed to purchase from us the aggregate number of shares of common stock set forth opposite their respective names below:

Underwriters (2)	Number of Shares
Keefe, Bruyette & Woods, Inc.	[ ]
Robert W. Baird & Co. Incorporated	[ ]
Total	[ ]

(2) Note: to be updated as additional Underwriters enter the Syndicate.

The underwriting agreement provides that the obligations of the several Underwriters are subject to various conditions, including approval of legal matters by counsel. The nature of the Underwriters' obligations commits them to purchase and pay for all of the shares of common stock (other than those covered by the over-allotment option described below) listed above if any are purchased.

The underwriting agreement provides that we will indemnify the Underwriters against liabilities specified in the underwriting agreement under the Securities Act, or will contribute to payments that the Underwriters may be required to make relating to these liabilities.

Keefe, Bruyette & Woods, Inc. expects to deliver the shares of common stock to purchasers on or about [ ], 2014.

Over-Allotment Option

We have granted a 45-day over-allotment option to the Underwriters to purchase up to a total of [·] additional shares of our common stock from us at the public offering price, less the sales load payable by us, as set forth on the cover page of this prospectus. If the Underwriters exercise this option in whole or in part, then each of the Underwriters will be separately committed, subject to the conditions described in the underwriting agreement, to purchase the additional shares of our common stock in proportion to their respective commitments set forth in the table above.

Commissions and Discounts

The Underwriters propose to offer the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus, and at this price less a concession not in excess of $[ ] per share of common stock to other dealers specified in a master agreement among Underwriters who are members of the National Association of Securities Dealers, Inc. The sales load we will pay of $[] is equal to []% of the public offering price. The Underwriters may allow, and the other dealers specified may reallow, concessions not in excess of $[] per share of common stock to these other dealers. After this offering, the offering price, concessions, and other selling terms may be changed by the Underwriters. Our common stock is offered subject to receipt and acceptance by the Underwriters and to the other conditions, including the right to reject orders in whole or in part.

The following table summarizes the compensation to be paid to the Underwriters by us and the proceeds, before expenses, payable to us:

		Total	
	Per Share	Without Over-Allotment	With Over-Allotment
Public offering price	$ [ ]	$ [ ]	$ [ ]
Sales load	[ ]	[ ]	[ ]

Proceeds, before expenses, to us	[ ]	[ ]	[ ]

As part of our payment of our offering expenses, we have agreed to pay expenses related to the filing fees incident to, and the reasonable fees in connection with this offering, including the review by Financial Industry Regulatory Authority, Inc. ("FINRA") of the terms of the sale of the common stock and the transportation and other expenses incurred in connection with presentations to prospective purchasers of the common stock.

Indemnification of Underwriters

We will indemnify the Underwriters against some civil liabilities, including liabilities under the Securities Act and liabilities arising from breaches of our representations and warranties contained in the underwriting agreement. If we are unable to provide this indemnification, we will contribute to payments the Underwriters may be required to make in respect of those liabilities.

No Sales of Similar Securities

The Underwriters will require all of our directors and officers to agree not to offer, sell, agree to sell, directly or indirectly, or otherwise dispose of any shares of common stock or any securities convertible into or exchangeable for shares of common stock except for the shares of common stock offered in this offering without the prior written consent of Keefe, Bruyette & Woods, Inc. for a period of 90 days after the date of this prospectus.

We have agreed that, for a period of 90 days after the date of this prospectus, we will not, without the prior written consent of Keefe, Bruyette & Woods, Inc., offer, sell or otherwise dispose of any shares of common stock. Keefe, Bruyette & Woods, Inc., in its sole discretion, may release any of the securities subject to these agreements at any time without notice.

NASDAQ Global Select Market Listing

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "BANX."

Short Sales, Stabilizing Transactions, and Penalty Bids

In order to facilitate this offering, persons participating in this offering may engage in transactions that stabilize, maintain, or otherwise affect the price of our common stock during and after this offering. Specifically, the Underwriters may engage in the following activities in accordance with the rules of the SEC.

Short sales. Short sales involve the sales by the Underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are short sales made

in an amount not greater than the Underwriters' over-allotment option to purchase additional shares from us in this offering. The Underwriters may close out any covered short position by either exercising their over-allotment option to purchase shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the Underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Naked short sales are any short sales in excess of such over-allotment option. The Underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering.

Stabilizing transactions. The Underwriters may make bids for or purchases of the shares for the purpose of pegging, fixing, or maintaining the price of the shares, so long as stabilizing bids do not exceed a specified maximum.

Penalty bids. If the Underwriters purchase shares in the open market in a stabilizing transaction or syndicate covering transaction, they may reclaim a selling concession from the Underwriters and selling group members who sold those shares as part of this offering. Stabilization and syndicate covering transactions may cause the price of the shares to be higher than it would be in the absence of these transactions. The imposition of a penalty bid might also have an effect on the price of the shares if it discourages presales of the shares.

The transactions above may occur on the NASDAQ Global Select Market or otherwise. Neither we nor the Underwriters makes any representation or prediction as to the effect that the transactions described above may have on the price of the shares. If these transactions are commenced, they may be discontinued without notice at any time.

A prospectus in electronic format may be made available on the websites maintained by one or more of the Underwriters. Other than the prospectus in electronic format, the information on any such Underwriter's website is not part of this prospectus. The representative may agree to allocate a number of shares of common stock to Underwriters for sale to their online brokerage account holders. In addition, common stock may be sold by the Underwriters to securities dealers who resell common stock to online brokerage account holders.

We anticipate that, from time to time, certain Underwriters may act as brokers or dealers in connection with the execution of our portfolio transactions after they have ceased to be Underwriters and, subject to certain restrictions, may act as brokers while they are Underwriters.

Certain Underwriters may, from time to time, engage in transactions with or perform services for our Advisor and its affiliates in the ordinary course of business, including provision of leverage to us and investments by us or affiliates of our Advisor in Underwriters or affiliates of Underwriters.

The principal business address of Keefe, Bruyette & Woods, Inc. is 787 Seventh Ave., New York, New York 10019. The principal business address of Robert W. Baird & Co. Incorporated is 777 East Wisconsin Ave., Milwaukee, Wisconsin 53202.

Notice to Prospective Investors in Switzerland. The shares of common stock may not be distributed (in the sense of article 3 of the Swiss Federal Act on Collective Investment Schemes ("CISA")) in or from Switzerland and will not be listed on the SIX Swiss Exchange (''SIX'') or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for prospectuses under the CISA, the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares of common stock or the offering may be distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering or the shares of common stock have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of common stock will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of the common stock has not been and will not be authorized under the CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the common stock. The shares of common stock may not be distributed to any investors in Switzerland.

Notice to prospective investors in Australia. This document does not constitute a disclosure document under Chapter 6D of the Australian *Corporations Act 2001 (Cth)* (the "Corporations Act") or a product disclosure statement under Chapter 7 of the Corporations Act and will not be lodged with the Australian Securities and Investments Commission. Notwithstanding the above, if this document is received in Australia, any offer pursuant to it is void and incapable of acceptance other than to the extent that it has been received by any person who is:

(a) an existing shareholder, and the offer of Common Stock does not result in a breach of the "20 investors ceiling" nor the "AUD2 million ceiling," in circumstances to which section 708(1) of the Corporations Act applies;
(b) a "sophisticated investor" under section 708(8) (a) or (b) of the Corporations Act;
(c) a "sophisticated investor" under section 708(8) (c) or (d) of the Corporations Act who has provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act;
(d) a "professional investor" within the meaning of section 708(11) of the Corporations Act; or
(e) a "wholesale client" for the purposes of section 761G(7) of the Corporations Act (and related regulations) who has complied with all relevant requirements in this respect.

Shares of Common Stock must not be offered for resale within Australia within 12 months of them being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have selected KPMG as our independent registered public accounting firm. Their principal business address is 4 Becker Farm Road, Roseland, New Jersey 07068.

ADMINISTRATOR, CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

The Bank of New York Mellon, 103 Bellevue Parkway, Wilmington, Delaware 19809, will serve as our administrator. We pay the administrator a monthly fee computed at an annual rate of 0.04% of our first $200 million of average daily Managed Assets, 0.03% of our next $300 million of average daily Managed Assets, 0.02% of our next $500 million of average daily Managed Assets, 0.015% of our next $4 billion of average daily Managed Assets and 0.01% of our average daily Managed Assets in excess of $5 billion.

The Bank of New York Mellon, c/o BNY Mellon Asset Servicing, AIM 111 -0900, Atlantic Terminal Office Tower, 2 Hanson Place, Brooklyn, New York 11217, will serve as our custodian.

Computershare Trust Company, N.A., 250 Royall Street, Canton, Massachusetts 02021, is the transfer agent and registrar for our common stock and serves as our dividend paying agent.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Pepper Hamilton, LLP, Philadelphia, Pennsylvania. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Dechert LLP, Washington, D.C.

TABLE OF CONTENTS OF THE STATEMENT OF ADDITIONAL INFORMATION

STONECASTLE FINANCIAL CORP.

Common Stock

PROSPECTUS

Neither we nor any of the Underwriters have authorized anyone to provide information different from that contained in this prospectus. When you make a decision about whether to invest in our common stock, you should not rely upon any information other than the information in this prospectus. Neither the delivery of this prospectus nor the sale of our common stock means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy these shares of common stock in any circumstances under which the offer or solicitation is unlawful.

APPENDIX A: CURRENT REPORT ON FORM 8-K DATED MAY 13, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **May 12, 2014**

StoneCastle Financial Corp.

(Exact Name of Registrant as Specified in Charter)

Delaware	**333-189307**	**90-0934878**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

152 West 57 th Street, 35 th floor, New York, NY	**10019**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(212) 354-6500**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure .

Results of Operations and Financial Condition .

On May 13, 2014 the registrant issued a press release announcing its financial results for the quarter ended March 31, 2014. The text of the press release is included as Exhibit 99.1 to this Form 8-K.

The information disclosed, including Exhibit 99.1 hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

Other Events.

On May 12, 2014 the Board of Directors of StoneCastle Financial approved an amendment to the Investment Objectives, Strategy and Policies of SCFC based on the recommendation of StoneCastle Asset Management, LLC (the "Advisor"). These changes clarify the investment objective, policy and strategy of the company. The following is the new policy of the Company:

Investment Objectives. Our primary investment objective is to provide stockholders with current income, and to a lesser extent capital appreciation, through preferred equity, subordinated debt and common equity investments in the U.S. community banking sector. See "Community Banking Sector Focus." To lesser extent, we may also invest in similar securities of larger U.S. domiciled banks and companies that provide goods and/or services to banking companies. Together with banks, we refer to these types of companies as banking-related and intend, under normal circumstances, to invest at least 80% of the value of our net assets plus the amount of any borrowings for investment purposes in such businesses. There can be no assurance that we will achieve our investment objectives.

Investment Strategy. We expect to create a portfolio of securities and investments focused on the bank sector, with an emphasis on community banks. We intend to direct investments in numerous issuers differentiated by asset sizes, business models and geographies. In addition, we may indirectly invest in securities issued by banks through structured securities and credit derivatives. We expect that these indirect investments would provide exposure to and focus on the same types of investments that we make in banking companies and accordingly would be complementary to our overall strategy and enhance the diversity of our holdings. We will seek to finance our portfolio primarily with the proceeds of this equity offering and future equity offerings. We may also incur leverage to the extent permitted by the Investment Company Act. See "Leverage". Although we normally seek to invest substantially all of our assets in banking-related securities, we reserve the ability to invest up to 20% of our assets in other types of securities and instruments.

Additionally, we may take temporary defensive positions that are inconsistent with our investment strategy in attempting to respond to adverse market, economic, political or other conditions. If we do so, we may not achieve our investment objective. We may also choose not to take defensive positions.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

Exhibit Number	**Description**
99.1	Press Release, dated May 13, 2014

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STONECASTLE FINANCIAL CORP.

Date: May 13, 2014

By: /s/ Patrick J. Farrell
Name: Patrick J. Farrell
Title: Chief Financial Officer

Exhibit Index

Exhibit Number	Description
99.1	Press Release, Dated May 13, 2014

Exhibit 99.1

StoneCastle Financial Corp. Reports First Quarter 2014 Results

$56.3 Million Invested in First Quarter 2014

New York, NY — May 13, 2014 — StoneCastle Financial Corp. (NASDAQ:BANX) ("StoneCastle Financial" or the "Company"), an investment company registered with the Securities and Exchange Commission ("SEC") announced today it reported the following results for the first fiscal quarter ended March 31, 2014.

"We continue in our mission of seeking investment income and to a lesser extent capital appreciation for our investors. In the past six months, we have been steadily executing on our strategy of deploying capital raised in the initial public offering, as a preferred investor in what we believe to be the country's healthiest community banks", stated Joshua Siegel, StoneCastle Financial's Chairman & Chief Executive Officer. "As of March 31 st , the Company had invested $69.9 million or 66% of the Company's net assets."

First Quarter 2014 Investment Highlights

- Invested $56.3 million in 13 investments during the quarter ended March 31, 2014.
- Received repayment of $12.9 million for 3 investments during the quarter ended March 31, 2014.

Financial Results

The Company's net increase in net assets resulting from operations was $559,204 or $0.12 per share for the quarter ended March 31, 2014.

The net increase in net assets resulting from operations is comprised of net investment income and net realized and unrealized gains on investments. Net investment income includes $721,084 in revenues and $715,158 of expenses, resulting in net income of $5,926. Net realized and unrealized gains on investments totaled $553,278. These gains were comprised of $116,954 in realized gains and $436,324 in net unrealized appreciation, resulting in a gain of $0.12 per share.

The Company paid a quarterly dividend of $0.50 per share on April 1, 2014 to shareholders of record at the close of business on March 17, 2014.

At March 31, 2014, the Company had Net Assets of $106.6 million, and the Company's Net Asset Value was $22.69 per share.

Portfolio and Investment Summary

At March 31, 2014, the Company had Total Assets of $125.6 million, consisting of investments with a fair value of $69 9 million ("Invested Portfolio") and cash, other assets and money market fund investments with a value of $55.7 million Total Assets includes investments, other assets and any proceeds from borrowings used to make a portfolio investment.

During the quarter ended March 31, 2014, the Company completed 13 investments aggregating $56.3 million, and received repayment from mandatory calls on 3 investments aggregating $12.9 million.

Investment highlights in the first quarter included:

- *$15.7 million investment in fixed-rate mezzanine notes issued by Preferred Term Securities, Ltd.*
- *$13.9 million investment in fixed-rate cumulative perpetual preferred stock issued by BNCCORP, Inc.*
- *$6.5 million investment in fixed-rate cumulative perpetual preferred stock issued by Chicago Shore Corp.*

A full listing of investments as of the end of the quarter can be found in the Company's N-Q filed with the SEC.

At March 31, 2014, the Invested Portfolio, which comprised of 66% of Net Assets, was generating an estimated yield of 8.3%. This yield does not reflect the 34% of Net Assets held in cash and cash equivalents which had a nominal yield.

Quarterly Conference Call

StoneCastle Financial will host a webcast and conference call on May 13, 2014 at 5:00 pm Eastern time.

The conference call can be accessed by dialing 1-877-407-9039 for domestic callers or 1-201-689-8470 for international callers. Participants may also access the call via live webcast by visiting StoneCastle Financial's investor relations website at www.stonecastle-financial.com. To listen to a live broadcast, go to the website at least 15 minutes prior to the scheduled start time in order to register, download and install any necessary audio software.

A replay will be available shortly after the call and be available through midnight (Eastern Time) on May 27, 2014. The replay can be accessed by dialing 1-877-870-5176 for domestic callers or 1-858-384-5517 for international callers. The passcode for the replay is 13579705. The archive of the webcast will be available on the Company's website for a limited time.

About StoneCastle Financial

StoneCastle Financial is an investment company established to serve as an investor in community banks seeking capital for organic growth, acquisitions, share repurchases and other refinancing activities. With the experience and knowledge gained from its senior management team, StoneCastle Financial was formed to provide investors with exposure to community banks. StoneCastle Financial is focused on investing its capital in long-term, passive, non-control investments and is proud to expand access to capital for publicly traded and privately-held community banking institutions across the country. StoneCastle Financial is managed by StoneCastle Asset Management LLC. StoneCastle Financial's investment objective is to provide current income, and to a lesser extent capital appreciation, through preferred equity, subordinated debt and common equity investments primarily in U.S. domiciled community banks. StoneCastle Financial is an SEC registered non- diversified closed-end investment company listed on the NASDAQ Global Select Market under the symbol "BANX". Shares of closed-end investment companies may trade above (a premium) or below (a discount) their net asset value. There is no assurance that StoneCastle Financial will achieve its investment objective. StoneCastle Financial is subject to numerous risks, including investment risks. Shares of StoneCastle Financial may not be appropriate for all investors. Investors should review and consider carefully the StoneCastle Financial's investment objective, risks, charges and expenses. Past performance does not guarantee future results. Investment return and market value of an investment in the Company will fluctuate. Shares, when sold, may be worth more or less than their original cost. Learn more at www.stonecastle-financial.com.

Forward-Looking Statements

This report contains statements that are not historical facts but are forward-looking statements based on current management expectations that involve substantial risks and uncertainties that could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Actual future results may differ significantly from those stated in any forward-looking statement, depending on factors such as changes in securities or financial markets or general economic conditions, the volume of sales and purchases of shares of common stock, the continuation of investment advisory, administrative and service contracts, and other risks discussed from time to time in StoneCastle Financial's filings with the SEC.

The Annual Report and other regulatory filings of the Company with the SEC are accessible on the SEC's website at **www.sec.gov** and on the Company's website at **www.stonecastle-financial.com ,** and may discuss these or other factors that affect the Company.

CONTACT:

Investor Contact:
Stephen Swett, ICR
347-887-0399

Media Contact:
Brian Ruby, ICR
203-682-8268
brian.ruby@icrinc.com

STONECASTLE FINANCIAL CORP.
Statement of Assets and Liabilities
(unaudited)

	March 31, 2014	December 31, 2013
ASSETS		
Long-Term investments, at fair value	$ 69,932,562	$ 26,590,879
Cash and cash equivalents	55,388,812	82,578,183

Interest receivable, including accrued interest	278,636	59,861
Receivable from investments redeemed	—	1,047,746
Total assets	**125,600,010**	**110,276,669**
LIABILITIES		
Promissory Note payable	15,000,000	—
Payable for offering costs	90	191,659
Securities purchased not settled	1,012,250	—
Dividend payable	2,348,082	1,314,893
Investment advisory fee payable	292,798	81,261
Directors' fees payable	39,686	31,158
Administrator expense payable	109,373	50,476
Accrued expenses	246,222	269,121
Total liabilities	**19,048,501**	**1,938,568**
NET ASSETS	**$ 106,551,509**	**$ 108,338,101**
NET ASSETS consist of:		
Par value ($0.001 per share)	4,696	4,696
Paid in capital	110,146,147	110,020,998
Distributions in excess of net investment income	(3,662,959)	(1,314,893)
Net unrealized appreciation on investments	63,624	(372,700)
Total Net Assets	**$ 106,551,509**	**$ 108,338,101**
Common Stock Outstanding	**4,696,131**	**4,696,048**
Net asset value per common share	**$ 22.69**	**$ 23.07**
Market price per share	**$ 24.58**	**$ 24.56**
Market price premium to net asset value per share	**7.69%**	**6.07%**

STONECASTLE FINANCIAL CORP.
Statement of Operations
(unaudited)

	For the Three Months Ended March 31, 2014	Period Ended December 31, 2013*
INVESTMENT INCOME		
Dividend income	$ 259,882	$ 2,906
Interest income	461,202	3,376
Total Investment Income	**721,084**	**6,282**
EXPENSES		
Investment advisory fees	292,798	81,261
ABA marketing and licensing fees	123,288	83,333
Directors' fees	47,999	31,158
Administrator fees	92,703	50,476
Audit fees	11,712	47,500
Professional fees	21,192	32,094
Transfer agent and custodian fees	18,000	13,398
Miscellaneous fees	107,466	92,796
Total expenses	**715,158**	**432,016**
Net Investment Income (Loss)	**5,926**	**(425,734)**
Net Realized and Unrealized Gain (Loss)		
Net realized gain on investments	116,954	136,541
Net change in unrealized appreciation (depreciation) on investments	436,324	(372,700)
Net realized and unrealized gain (loss) on investments	553,278	(236,159)
Net Increase (Decrease) in Net Assets Resulting From Operations	**$ 559,204**	**$ (661,893)**

*** Commencement date November 13, 2013.**

STONECASTLE FINANCIAL CORP.
Financial Highlights
(unaudited)

	For the Three Months Ended March 31, 2014	Period Ended December 31, 2013 (1)
PER SHARE OPERATING PERFORMANCE:		

Net Asset Value, beginning of period	**$ 23.07**	**$ 23.49**(2)
Net investment income (loss)	—	(0.09)
Net realized and unrealized gain (loss) on investments	0.12	(0.05)
Total from investment operations	0.12	(0.14)
Distributions to shareholders in excess of net investment income	(0.50)	(0.28)
Net Asset Value, end of period	**$ 22.69**	**$ 23.07**
Net Assets, end of period	**$ 106,551,509**	**$ 108,338,101**
Market value, end of period	$ 24.58	$ 24.56
Total investment return based on market value (3)	2.11%	-0.62%
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS: (4)		
Ratio of operating expenses	2.70%	3.04%
Ratio of net investment income	0.02%	-3.00%
SUPPLEMENTAL DATA:		
Portfolio turnover rate (5)	27%	81%

(1) Commencement date November 13, 2013
(2) Net asset value at beginning of period reflects a deduction of $1.51 per share of sales load and offering expenses from the initial public offering price of $25 per share.
(3) Assumes the return for a shareholder from January 1, 2014 including $0.50 dividend participating in the Dividend Reinvestment Program. Not Annualized.
(4) Annualized
(5) Not annualized

APPENDIX B: PRESS RELEASE DATED JUNE 30, 2014

Appendix B

June 30, 2014

StoneCastle Financial Corp. Completes Deployment of Initial Capital and Secures Credit Facility

NEW YORK, June 30, 2014 (GLOBE NEWSWIRE) — StoneCastle Financial Corp. (Nasdaq:BANX) (“StoneCastle Financial” or the “Company”), an investment company registered with the Securities and Exchange Commission (“SEC”), announced today it has completed the deployment of the capital raised in its initial public offering into investments.

The Company also closed a $45 million revolving credit facility (the “Facility”) of which $25 million has been committed. A substantial portion of the committed funds have been deployed pursuant to the Company’s investment objective and strategies. The Facility closed on June 9, 2014, has a five-year term and a stated maturity in June 2019, and was priced at 3-month LIBOR + 2.85%. The Facility is secured by substantially all of the assets of the Company. “The proceeds from the Facility will be used to continue investing in attractive community banks,” said Joshua Siegel, Chairman and Chief Executive Officer of StoneCastle Financial.

“We are pleased to report that we have invested the net proceeds of the capital raised in our initial public offering, in accordance with our projected time horizon and stated investment objectives. This confirms our belief that the combination of our deep industry experience, and the unique benefits of StoneCastle Financial as a publicly traded investment company, is meeting a significant need in the community banking industry,” said Siegel.

“We are particularly pleased with the number of investments we’ve completed this quarter, including a $10 million preferred equity investment in Katahdin Bankshares Corp. of Maine. In addition to Katahdin, StoneCastle Financial completed $41.6 million of additional investments since March 31, 2014,” said Siegel. The Company’s current regional concentrations are the Midwest 47%, South 26%, Northeast 25%, and the West 2%.

A breakdown of StoneCastle Financial’s portfolio investments as of June 30, 2014 consisted of the following investments:

	Amount (in millions)	% of Total Investments
Long Term Investments	$ 121.5	91.6%

Cash and Short-Term Investments	$	11.1	8.4%
Total	$	132.6	100.0%

About StoneCastle Financial Corp.

StoneCastle Financial is an SEC registered non-diversified, closed-end investment company listed on the NASDAQ Global Select Market under the symbol “BANX.” StoneCastle Financial intends to make long-term, passive, non-control investments in community banks seeking capital for organic growth, acquisitions, share repurchases and other refinancing activities. Its investment objective is to provide current income and, to a lesser extent, capital appreciation. StoneCastle Financial is managed by StoneCastle Asset Management LLC.

Disclaimer and Risk Factors:

There is no assurance that StoneCastle Financial will achieve its investment objective. StoneCastle Financial is subject to numerous risks, including investment and market risks, management risk, income and interest rate risks, banking industry risks, preferred stock risk, convertible securities risk, debt securities risk, liquidity risk, valuation risk, leverage risk, non-diversification risk, credit and counterparty risks, market discount from net asset value risk and market disruption risk. Shares of closed-end investment companies may trade above (a premium) or below (a discount) their net asset value. Shares of StoneCastle Financial may not be appropriate for all investors. Investors should review and consider carefully StoneCastle Financial’s investment objective, risks, charges and expenses. Past performance does not guarantee future results. Learn more at www.stonecastle-financial.com.

The Company’s annual report and regulatory filings with the SEC are accessible on the SEC’s website at www.sec.gov and on the Company’s website at www.stonecastle-financial.com, and may discuss these or other factors affecting the Company.

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Source: StoneCastle Financial Corp.

The information in this preliminary Statement of Additional Information (“SAI”) is not complete and may be changed. This SAI is not a prospectus. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary SAI is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion
Dated , 2014

STONECASTLE FINANCIAL CORP.

STATEMENT OF ADDITIONAL INFORMATION

, 2014

In this Statement of Additional Information (“SAI”), unless the context suggests otherwise, references to “we,” “us,” “Company,” “our company” or “our” refer to StoneCastle Financial Corp., a Delaware corporation and its subsidiaries. We are a non-diversified, closed-end management investment company. References to “Advisor” mean StoneCastle Asset Management LLC, a Delaware limited liability company; references to “StoneCastle Partners” mean Stone Castle Partners, LLC, the parent of StoneCastle Asset Management LLC, our Advisor; and references to “common stock “ or “shares” mean the common stock of StoneCastle Financial Corp.

This SAI, relating to our common stock, does not constitute a prospectus, but should be read in conjunction with our prospectus dated [ ], 2014. This SAI does not include all information that a prospective investor should consider before purchasing common stock, and investors should obtain and read our prospectus prior to purchasing common stock. You may obtain a copy of the prospectus from us without charge by calling (212) 354-6500. You also may obtain a copy of our prospectus on the Securities and Exchange Commission’s (the “SEC”) web site (http://www.sec.gov). Capitalized terms used but not defined in this SAI have the meanings ascribed to them in the prospectus. This SAI is dated , 2014.

No person has been authorized to give any information or to make any representations not contained in the prospectus or in this SAI in connection with the offering made by the prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by us. The prospectus and this SAI do not constitute an offering by us in any jurisdiction in which such offering may not lawfully be made. Capitalized terms not defined herein have the meanings assigned to such terms in the prospectus.

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DISCUSSION OF MANAGEMENT'S OPERATIONS

A discussion of our management's plans for our operations is set forth in the prospectus under "Discussion of Management's Operations."

INVESTMENT POLICIES AND TECHNIQUES

Our primary investment objective is to provide stockholders with current income, and to a lesser extent capital appreciation, through investment in preferred equity, subordinated debt, convertible securities and, to a lesser extent, common equity in the U.S. community bank sector. See "—Community Banking Sector Focus." To a lesser extent, we may also invest in similar securities of larger U.S. domiciled banks and companies that provide goods and/or services to banking companies.

Community Banking Sector Focus

We intend to pursue our investment objective by continuing to invest principally in public and privately-held community banks located throughout the United States. For the purpose of our investment objective, this SAI and the prospectus, we define "community bank" to mean banks, savings associations and their holding companies with less than $10 billion in consolidated assets that serve local markets. As of March 31, 2014, the community banking sector is a highly fragmented $2.9 trillion industry, comprised of over 6,600 banks located throughout the United States, including underserved rural, semi-rural, suburban and other niche markets. Community banks generally have simple, straightforward business models and geographically concentrated credit exposure. Community banks typically do not have exposure to non-U.S. credit and are focused on lending to borrowers in their distinct communities. As a result, we believe that community banks frequently have a better understanding of the local businesses they finance than larger banking organizations. Many of these community banks are well established, have been in business on average for more than 75 years and have survived many economic cycles, including the most recent financial crisis. We expect to continue to focus our investments in the bank sector, with an emphasis on community banks. We intend to continue to direct investments in numerous issuers differentiated by asset sizes, business models and geographies.

Targeted Investment Characteristics

Our business strategy focuses on minimizing risk by using a disciplined underwriting process in providing capital to community banks. We expect to continue to focus on investing in community banks that exhibit the following characteristics:

- *Experienced Management.* We seek to invest in community banks with management teams or sponsors that are experienced in running local banking businesses and managing risk. We seek community banks that have a particular market focus, expertise in that market and a track record of success. Further, we actively seek to invest in banks with senior management teams with significant ties to their local communities.
- *Stability of Earnings.* We seek to invest in community banks with the potential to generate stable cash flows over long periods of time, and therefore we presently seek out institutions that have a defined lending strategy and predictable sources of interest revenues, stable sources of deposits and predictable expenses.
- *Stability of Market.* We seek to invest in community banks whose core business is conducted in one or more geographic markets that have sustainable local economies. The market characteristics we seek include stable or growing employment bases and favorable long-term demographic trends, among other characteristics.
- *Growth Opportunities.* We seek to invest in healthy community banks headquartered in markets which provide significant organic growth opportunities or headquartered in highly fragmented markets where industry consolidation is likely providing the opportunity for community banks to grow through acquisitions of smaller competitors.
- *Strong Competitive Position.* We focus on community banks that have developed strong market positions within their respective markets and that are well positioned to capitalize on growth opportunities. We seek to invest in companies that demonstrate competitive

advantages that should help to protect and potentially expand their market position and profitability. Typically, we do not expect to invest in newly organized institutions or community banks having highly speculative business plans.

- *Visibility of Exit.* When investing in common equity, we seek investments that we expect to result in an exit opportunity. Exits may come through the conversion of an investment into public shares, an initial public offering of shares by the bank, the sale of the bank or the repurchase of shares by the bank or another financial investor.

Investments

We primarily invest in securities issued by public and privately held community banks, initially in amounts generally ranging between approximately $3 million to $20 million (unless our investment size is otherwise constrained or expanded by applicable law, rule or regulation). We have an existing pipeline of potential investments of up to $250 million in the aggregate that meet our criteria, consisting primarily of preferred stock, subordinated debt, convertible securities and, to a lesser extent, common equity. We invest in accordance with our Advisor's investment policy in primarily the following assets:

TARP Assets: We own and may continue to own one or more portfolios of perpetual preferred stock issued by community banks under the U.S. Department of the Treasury's ("U.S. Treasury") Troubled Asset Relief Program ("TARP") Capital Purchase Plan. Under TARP, more than 450 community banks issued in excess of $10 billion of perpetual preferred stock in 2008 and 2009 ("TARP Preferred") and approximately $840 million in TARP Preferred issued by approximately 73 institutions remains outstanding. The U.S. Treasury is in the process of selling its TARP Preferred holdings through an auction process in which we will seek to participate. We intend to purchase these securities through secondary market transactions. We believe that there are approximately 35 issuers in this program that meet our investment criteria, totaling approximately $350 million of target assets.

Preferred and Common Equity Assets: We continue to receive capital requests from numerous community banks regarding potential investments initially in amounts ranging from $3 million to $20 million per investment. Preferred stock may have fixed or variable dividend rates, which may be subject to rate caps and collars. In connection with our investments, we may also receive options or warrants to purchase common or preferred equity.

Regardless of the type of capital security, we intend to invest the majority of our portfolio in institutions that are currently paying dividends or interest on their securities, that our Advisor believes have the ongoing ability to pay dividends or interest on their securities, and that are not currently a party to any regulatory enforcement actions that would limit or hinder their ability to pay dividends or interest. While we do not intend to invest a significant portion of our funds in institutions that do not meet these criteria, we may invest in institutions that our Advisor believes have the ability to emerge from such conditions, pay any accrued interest or cumulative unpaid dividends at emergence and begin the normalized payment of interest or dividends in arrears and/or as frequently stipulated by the issuance in question.

From time to time, we may also invest in Tier 2 qualifying debt securities (long term subordinated debt securities) and other debt securities or hybrid instruments issued by community banks or their holding companies. Additionally, we may invest in Tier 1 qualifying debt securities. These debt securities may have fixed or floating interest rates.

Regulatory capital regulations adopted in response to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and the Third Basel Accord of the Basel Committee on Banking Supervision ("Basel III") require banks to increase their Tier 1 capital and reduce their leverage ratios. These regulations also generally require that, in order to qualify as Tier 1 capital, preferred stock must be non-cumulative in nature (only TARP Preferred and certain securities issued by small bank holding companies, defined as holding companies with less than $500 million in consolidated assets, may be cumulative and qualify as Tier 1 capital). We expect that the majority of the new issue preferred stock in which we invest will be non-cumulative. While these existing and any future regulatory capital requirements may cause community banks to raise additional capital, these

regulations may make some community banks less likely to pay dividends on preferred stock and common stock.

In addition, future changes in regulatory capital regulations may negatively or positively affect our investments and may subject us to additional pre-payment and capital redeployment risk.

Most of our assets are and, we expect, will be illiquid, and their fair value may not be readily determinable. Accordingly, there can be no assurance that we will be able to realize the value at which we carry such assets if we need to dispose of them. As a result, we can provide no assurance that any given asset could be sold at a price equal to the value at which we carry it. We believe that a majority of the investments we will make will not be rated by a nationally recognized statistical rating organization ("NRSRO"). If such investments were rated by a NRSRO, we believe they would be rated below investment grade.

Investment Selection

Our Advisor uses an investment selection process modeled after the selection process utilized by our Advisor and its affiliates for the various funds they manage. Both of our Advisor's senior investment professionals, Messrs. Siegel and Shilowitz are responsible for negotiating, structuring and managing of our investments, and operate under the oversight of our board of directors and the Advisor's investment committee. Messrs. Siegel and Shilowitz are also both members of our board of directors, and may be subject to conflicts of interest. See "Certain Relationships and Related Party Transactions—Conflicts of Interest Within StoneCastle Partners" in the prospectus.

Current Yield Plus Growth Potential

We intend to focus on securities issued by community banks that generate substantial current income in the form of dividends or interest. See "Risk Factors—Risks Related to Our Operations" in the prospectus. In the case of investments with fixed dividends or interest, the continuity of these payments is paramount, and consequently we seek issuers that have business models that we believe will be stable over long periods of time. We also continue to seek to generate capital gains by investing in banks using various equity strategies, including common equity, warrants, convertible securities and options. We

continue to seek to invest in equity-related instruments in circumstances where we believe a company has the potential to generate above average growth or is undervalued. To a lesser extent, we may also generate revenue in the form of commitment, origination or structuring fees.

Target Portfolio Company Characteristics

We have identified several quantitative, qualitative and relative value criteria that we believe are important in identifying and investing in prospective community banks. While these criteria provide general guidelines for our investment decisions, each prospective community bank in which we choose to invest may not meet all of these criteria. Generally, we intend to utilize our access to information generated by our Advisor's investment professionals to identify prospective portfolio companies and to structure investments efficiently and effectively.

Qualified Management Team

We generally require that the community banks we invest in have management teams that are experienced in running banking businesses and managing risk. We seek management teams that have expertise in their market, thorough knowledge of the loans held by their institution and a track record of success. Further, we seek senior management teams with significant ties to their local communities. These management teams may have strong technical, financial, managerial and operational capabilities, established governance policies and incentive structures to encourage management to succeed while acting in the best long-term interests of their investors.

Undervalued Investments

We focus on those investments that appear undervalued.

Sensitivity Analyses

We typically perform sensitivity analyses to determine the effects of changes in market conditions on any proposed investment. These sensitivity analyses may include, among other things, simulations of changes in interest rates, changes in unemployment rates, changes in home prices, changes in economic activity and other events that would affect the performance of our investment. In general, we do not commit to any proposed investment that will not provide at least a minimum return under any of these analyses and, in particular, the sensitivity analysis relating to changes in interest rates and unemployment rates.

Business Combinations

We seek to invest in community banks whose business models and expected future cash flows make them attractive business combination transaction candidates, either as buyer or seller. These companies include candidates for strategic acquisition by other industry participants and companies that may conduct an initial public offering of common stock.

Investment Process and Due Diligence

In conducting due diligence, our Advisor typically uses and intends to continue to use available public information, including "call reports" and other quarterly filings required by bank regulators, due diligence questionnaires and discussions with the management teams at the respective institutions. In many cases, our Advisor will also compile private information obtained pursuant to confidentiality agreements about the institution, its portfolio of loans and securities, its customers and related deposits, compliance information, regulatory information and any such additional information that could be necessary to complete its due diligence on the company. Although our Advisor may use research provided by third parties when available, primary emphasis is placed on proprietary analysis and valuation models conducted and maintained by our Advisor's investment professionals.

The due diligence process followed by our Advisor's investment professionals is highly detailed and follows a structure they have developed over the past decade. Our Advisor seeks to exercise discipline with respect to the pricing of its investments and institute appropriate structural protections in our investment agreements to the extent banking regulations permit. After our Advisor's investment professionals undertake initial due diligence of a prospective investment, our Advisor's investment committee determines whether to approve the initiation of more extensive due diligence. At the conclusion of the diligence process, our Advisor's investment committee is informed of critical findings and conclusions. The due diligence process typically includes many of the following:

- review of historical and prospective financial information;
- review of regulatory filings and history of relevant regulatory actions or other legal proceedings against the institution;
- review and analysis of financial models and projections;
- review of due diligence questionnaires that include detail on loans and other assets;
- interviews with management and key employees of the prospective bank;
- review of the prospective bank's geographic footprint and competitive and economic conditions within the operating area; and
- review of contingent liabilities.

Additional due diligence with respect to any investment may be conducted on our behalf by our legal counsel and accountants, as well as by other outside advisers and consultants, as appropriate.

Upon the conclusion of the due diligence process, our Advisor's investment professionals present a detailed investment proposal to our Advisor's investment committee. All decisions to invest in a company must be approved by the unanimous decision of our Advisor's investment committee.

Investment Structure

Once we have determined that a prospective community bank is suitable for a newly originated direct investment, we work with the management of that company to structure an investment that the parties believe is suitable from an economic and regulatory perspective.

We anticipate structuring our direct investments in a variety of forms to meet our investment criteria and to meet the capital needs of the community banks in which we invest. Banking is a highly regulated industry and investments in these institutions must be tailored to adhere to various regulatory standards, which change from time to time.

Typically, FDIC-insured banks are wholly-owned by a regulated holding company, and the primary asset of the holding company is the stock of the bank(s). We intend to invest in both community banks and their holding companies.

We anticipate structuring the majority of our direct investments as preferred stock, subordinated debt, convertible securities and common equity that pay cash dividends and interest on a recurring or customized basis. In conjunction with our preferred stock (and to a lesser extent, our debt investments), we intend to obtain warrants or equity conversion options by which we may increase our investments in banks. We do not intend to become regulated as a bank holding company or savings and loan holding company and intend to structure our investments such that they represent less than 24.9% of any portfolio bank's equity capital and thereby avoid causing us to be deemed a bank holding company. See "Risk Factors—Bank Regulatory Risk" in the prospectus.

The types of securities in which we may invest include, but are not limited to, the following:

- *Preferred Stock.* We anticipate structuring these investments as perpetual preferred stock to allow our portfolio company issuers to treat our investment in them as Tier 1 capital under current regulatory capital standards. We believe that nearly all newly issued preferred stock will be non-cumulative in order for it to qualify as Tier 1 capital of the portfolio company. Such preferred stock may also include rights to convert the preferred stock into common stock under specified circumstances and on specified terms. While we do not intend to invest a significant portion of the proceeds of this offering in the preferred stock of institutions that are not current in their dividends, we may invest in them to some extent if we believe their institutions have the ability to become current in their dividend payments in the future.

- *TARP Preferred.* We will also seek to invest in cumulative and non-cumulative, preferred stock issued under the TARP Capital Purchase Program. While a number of community banks that have issued TARP Preferred have deferred one or more schedule payments on a cumulative basis, we believe numerous institutions exhibit fundamentally strong characteristics and may be attractive investment candidates for us. While these attractive candidates will generally be those that are current on their dividend payments, we may in certain instances invest in TARP Preferred of community banks that are not current if we believe they will become current in the future and by contract have an obligation to pay all dividend payments that were not previously paid. While the majority of TARP Preferred is cumulative, a portion of TARP Preferred currently outstanding is non-cumulative in nature. Presently, we do not intend to invest in non-current, non-cumulative TARP Preferred.

- *Subordinated Debt.* We anticipate structuring these investments as subordinated unsecured debt. Subordinated loans are expected to have maturities often years or longer with no amortization until loan maturity to allow our portfolio company borrowers to treat the investment as Tier 2-qualifying capital. Under current market conditions, we expect that the interest rate on subordinated loans ranges between 8-10%, excluding any equity warrants we may receive.

- *Common Stock.* We will also seek to make minority common equity investments in publicly-traded and select privately-held institutions. We will target internal rates of return between 15%-20%, including dividends. Under market conditions as of the date of the prospectus, the dividend rate on common stock [of community banks] ranges between 2-4%.

- *Warrants and Options.* We may receive warrants or options to buy minority equity interests in connection with our direct subordinated debt and preferred equity investments. As a result, as a portfolio company appreciates in value, we may achieve additional investment return from these equity interests. We may structure such warrants to include provisions protecting our rights as a minority-interest holder. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

Monitoring of Investments

The investment professionals of our Advisor and its affiliates maintain a continuous relationship with the management teams of the companies in which we invest and will monitor each individual portfolio company relative to performance benchmarks set by our investment professionals. This monitoring may be accomplished by review of quarterly regulatory filings, other financial data, local and national economic data, news reports, and regulatory actions and changes to bank regulations, tax laws and US GAAP that may impact the banks in which we invest. Our Advisor has adopted a grading scale developed by StoneCastle Partners that is designed to provide initial and on-going support. Our Advisor uses this scale to assess investment performance and highlight investments that may require additional attention.

Our Advisor monitors and, when appropriate, changes the investment ratings assigned to each investment in our portfolio. Our Advisor reviews these investment ratings on at least a quarterly basis and may modify a rating at any time.

Valuation Process

We value our assets in accordance with US GAAP and rely on multiple valuation techniques, reviewed on a quarterly basis by our board of directors. As most of our investments are not expected to have market quotations, our board of directors undertakes a multi-step valuation process each quarter, as described below and as described in more detail in "Net Asset Value" below:

- *Investment Team Valuation.* Each investment will be valued by the investment professionals of our Advisor.
- *Third Party Valuation.* We have retained an independent valuation firm to provide a valuation report for each investment at least once per fiscal year.
- *Investment Committee.* The investment committee of our Advisor will review the valuation report provided by the investment team and the independent valuation firm.

- *Final Valuation Determination.* Our board of directors discusses and reviews the valuations with our Advisor's investment committee and, where warranted, with the independent valuation firm. Our board of directors then determines the fair value of each investment in our portfolio in good faith.

Competition

Our primary competitors in providing financing and capital to community banks include public and private funds, commercial banks, investment banks, correspondent banks, commercial financing companies, high net worth individuals, private equity funds and hedge funds. Some of our competitors are substantially larger and may have considerably greater financial, technical and marketing resources than we do. For example, we believe that some competitors have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assumptions, which could allow them to consider a wider variety of investments than us. Also, certain

of our competitors may be better able to hedge against these risks due to having a more diversified portfolio or being registered as a commodity pool operator. We also believe that many of our competitors are established bank holding companies, which allows them to make investments that are in excess of 24.9% ownership interest, investments that are not feasible for us since we do not intend to become a bank holding company. Further, many of our competitors are not subject to the regulatory restrictions that the Investment Company Act of 1940, as amended (the "Investment Company Act") imposes on us as an investment company or to the source-of-income, asset diversification and distribution requirements we intend to satisfy to qualify as a regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code of 1986 (the "Code").

Brokerage Allocation and Other Practices

Because we expect that most of the assets that we hold will be illiquid, we will generally acquire and dispose of our investments in privately negotiated transactions, and we may use brokers in the course of our business. Subject to policies established by our board of directors, we do not expect to execute transactions through any particular broker or dealer, but we will seek to obtain the best net results for us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, operational facilities of the firm, the firm's risk and skill in positioning blocks of securities. While we generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly on brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided. Based upon management's prior experience, we may receive up-front fee revenue from the community bank issuers in connection with newly originated securities. Such fees range from 0% to 3% of the amount we invest and may be paid in cash or in kind.

INVESTMENT RESTRICTIONS

The restrictions listed below are policies of the Company. Except as described herein, the Company may not alter these policies without the approval of the holders of a majority of its outstanding shares. For purposes of the foregoing, "a majority of the outstanding shares" means (i) 67% or more of such shares present at a meeting, if the holders of more than 50% of such shares are present or represented by proxy, or (ii) more than 50% of such shares, whichever is less. Unless otherwise indicated, all limitations applicable to our investments (as stated below and elsewhere in the prospectus and this SAI) apply only at the time a transaction is entered into. Any subsequent change in the percentage of our assets invested in certain securities or other instruments resulting from market fluctuations or other changes in our total assets, will not require us to dispose of an investment.

1. We may borrow money, make loans or issue senior securities to the fullest extent permitted by the Investment Company Act, the rules or regulations thereunder or applicable orders of the SEC, as such statute, rules, regulations or orders may be amended from time to time.

2. Except with respect to the banking industry, no more than 25% of our total assets may be invested in a particular industry or group of industries. Securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities or securities issued by other investment companies are not considered to represent an industry.

3. We may purchase or sell commodities, commodities contracts, futures contracts and related options, options, forward contracts or real estate to the fullest extent permitted by the Investment Company Act , the rules or regulations thereunder or applicable orders of the SEC, as such statute, rules, regulations or orders may be amended from time to time.

4. We may underwrite securities to the fullest extent permitted by the Investment Company Act, the rules or regulations thereunder or applicable orders of the SEC, as such statute, rules, regulations or orders may be amended from time to time.

The investment restrictions set forth above limit our ability to engage in certain practices and purchase securities and other instruments other than as permitted by, or consistent with, the Investment Company Act. Relevant limitations of the Investment Company Act as they presently exist are described below. These limitations are based either on the Investment Company Act itself, the rules or regulations thereunder or applicable orders of the SEC. In addition, interpretations and guidance provided by the SEC staff may be taken into account, where deemed appropriate by the Company, to determine if a certain practice or the purchase of securities or other instruments is permitted by the Investment Company Act, the rules or regulations thereunder or applicable orders of the SEC. As a result, the foregoing investment policies may be interpreted differently over time as the statute, rules, regulations or orders (or, if applicable, interpretations) that relate to the meaning and effect of these policies change, and no stockholder vote will be required or sought.

Investment Restriction (1). Under the Investment Company Act, we may only borrow up to one-third of the value of our total assets. For more information on leverage and the risks relating thereto, see "Leverage" in the prospectus.

The Investment Company Act also restricts the ability of closed-end investment companies to lend. Under the Investment Company Act, we may only make loans if expressly permitted to do so by our investment policies, and we may not make loans to persons who control us or are under common control with us. Thus, the Investment Company Act effectively prohibits us from making loans to certain persons when conflicts of interest or undue influence are most likely

present. We may, however, make other loans which, if made, would expose stockholders to additional risks, such as the failure of the other party to repay the loan. We retain the flexibility to make loans to the extent permitted by our investment policies, other than loans of securities, which will be limited to 33 1/3% of our total assets.

The ability of a closed-end investment company to issue senior securities is subject to various limitations under the Investment Company Act that restrict, for instance, the amount, timing, and form of senior securities that may be issued. Certain portfolio management techniques, such as reverse repurchase agreements, credit default swaps, futures contracts, dollar rolls, the purchase of securities on margin, short sales, or the writing of puts on portfolio securities, may be considered senior securities unless appropriate steps are taken to segregate our assets or otherwise cover its obligations. To the extent we cover our commitment under these transactions, including by the segregation of liquid assets, such instrument will not be considered a "senior security", and therefore will not be subject to the 300% asset coverage requirement otherwise applicable to borrowings by us (or, as the case may be, the 200% asset coverage requirement applicable to preferred stock).

Although we have no present intention to do so, we may also issue any class of senior security that is a stock. Under the Investment Company Act, the issuance of any other type of senior security by a closed-end investment company is subject to a requirement that provision is made that, (i) if on the last business day of each of 12 consecutive calendar months the asset coverage with respect to the senior security is less than 100%, the holders of such securities voting as a class shall be entitled to elect at least a majority of our board of directors, with such voting right to continue until the asset coverage for such class of senior security is at least 110% on the last business day of each of 3 consecutive calendar months or, (ii) if on the last business day of each of 24 consecutive calendar months the asset coverage for such class of senior security is less than 100%, an event of default shall be deemed to have occurred.

Under the Investment Company Act, a "senior security" does not include any promissory note or evidence of indebtedness where such loan is for temporary purposes only and in an amount not exceeding 5% of the value of the total assets of the issuer at the time the loan is made. A loan is presumed to be for temporary purposes if it is repaid within sixty days and is not extended or renewed.

Investment Restriction (2). We have a policy to invest 25% or more of our total assets in the banking industry. Accordingly, because we concentrate in a particular industry, we are exposed to greater risks because our performance is largely dependent on the performance of the banking industry. For purposes of determining compliance with Investment Restriction (2), we will not consider portfolio investments held by other investment companies in which we invest.

Investment Restriction (3). This restriction would permit investment in commodities, commodities contracts, futures contracts and related options, options, forward contracts or real estate to the extent permitted under the Investment Company Act. Commodities, as opposed to commodity futures, represent the actual underlying bulk goods, such as grains, metals and foodstuffs. Real estate-related instruments include real estate investment trusts, commercial and residential mortgage-backed securities, and real estate financings, and such instruments are generally sensitive to factors such as changes in real estate values and property taxes, interest rates, the cash flow of underlying real estate assets, overbuilding, and the management skill and creditworthiness of the issuer.

MANAGEMENT

Board of Directors

Our business and affairs are managed under the direction of our board of directors. Accordingly, our board of directors provides broad supervision over our affairs, including supervision of the duties performed by our Advisor. Our Advisor is responsible for our day-to-day operations. The names, ages and addresses of our directors and officers and specified employees of our Advisor, together with their principal occupations and other affiliations during the past five years, are set forth below. Each director and officer will hold office for the term to which he is elected and until his successor is duly elected and qualifies, or until he resigns or is removed in the manner provided by law. Unless otherwise indicated, the address of each director is c/o StoneCastle Partners, 152 West 57th Street, 35th Floor, New York, New York 10019. Our board of directors consists of three directors who are not "interested persons" (as defined in the Investment Company Act) of our Advisor or its affiliates and two directors who are "interested persons." Our directors who are not interested persons are also independent pursuant to the NASDAQ stock exchange listing standards, and we refer to them as "independent directors." We refer to the directors who are "interested persons" (as defined in the Investment Company Act) are referred to as "interested directors." Under our certificate of incorporation, the board of directors is divided into three classes. Each class of directors will hold office for a three-year term. However, the initial members of the three classes have initial terms of one, two and three years, respectively. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualified.

Independent Directors

Name	Age	Position(s) Held with Company	Term End	Principal Occupation(s) Last 5 Years	Other Directorships Last 5 Years
Alan Ginsberg	53	Director, Member of Audit Committee and Risk Management Committee	2016	Managing Director, Bank America Securities until 5/08; Partner, CChange Investments 5/08 to 8/09; Senior Advisor, StoneCastle Partners 5/10 to 5/13	Chairman, External Advisory Board of Peabody Museum at Yale University
Emil Henry, Jr.	54	Director, Member of Audit Committee and Risk Management Committee	2015	CEO and Founder of Tiger Infrastructure Partners	Chairman, Tiger Cool Express, LLC (temperature controlled distribution)
Clara Miller	64	Director, Member of Audit Committee and Risk Management Committee	2017	Non-Profit Finance Fund 10/84-3/11; The F.B. Heron Foundation 3/11-present	GuideStar, The Robert Sterling Clark Foundation, and Family Independence Initiative

Interested Directors

Name	Age	Position(s) Held with Company	Term End	Principal Occupation(s) Last 5 Years	Other Directorships Last 5 Years
Joshua Siegel	43	Chairman of the Board & Chief Executive Officer	2015	Managing Partner and CEO of Stone Castle Partners, LLC	Stone Castle Partners, LLC; Stone Castle Cash Management, LLC; Stone Castle LLC

George Shilowitz	49	Director & President	2017	Managing Partner and Senior Portfolio Manager of Stone Castle Partners, LLC	Stone Castle Partners, LLC

Responsibilities of the Board of Directors

Our board of directors is responsible under applicable state law for overseeing generally our management and operations. Our board of directors oversees our operations by, among other things, meeting at its regularly scheduled meetings and as otherwise needed with our management and evaluating the performance of our service providers including our Advisor, our custodian and our transfer agent. As part of this process, our directors consult with our independent auditors and may consult with their own separate independent counsel.

Our directors review our financial statements, performance, net asset value and market price and the relationship between them, as well as the quality of the services being provided to us. As part of this process, our directors review our fees and expenses in light of the nature, quality and scope of the services being received while also seeking to ensure that we continue to have access to high quality services in the future.

Our board of directors has four regularly scheduled meetings each year, and additional meetings may be scheduled as needed. In addition, our board of directors has a standing Audit Committee and Risk Management Committee that meet periodically and whose responsibilities are described below.

For the fiscal period ended December 31, 2013, each director attended at least 75% of the aggregate number of meetings of the board of directors and the committees for which he or she was eligible. We do not have a formal policy regarding attendance by directors at annual meetings of stockholders.

Each of the Audit Committee and Risk Management Committee is composed of all directors who have been determined not to be “interested persons” of us, our Advisor or their affiliates within the meaning of the Investment Company Act, and who are “independent” as defined in the NASDAQ stock exchange listing standards, and is chaired by an independent director. The board of directors in its discretion from time to time may establish ad hoc committees.

The appointment of Mr. Siegel as Chairman reflects the board of director’s belief that his experience, familiarity with the our day-to-day operations and access to individuals with responsibility for our management and operations provides the board of directors with insight into our business and activities and, with his access to appropriate administrative support, facilitates the efficient development of meeting agendas that address our business, legal and other needs and the orderly conduct of board meetings. Alan Ginsberg serves as lead independent director. The Chairman develops agendas for board meetings in consultation with the lead independent director and presides at all meetings of the board of directors. The lead independent director, among other things, chairs executive sessions of the independent directors, serves as a spokesperson for the independent directors and serves as a liaison between the independent directors and our management between board meetings. The independent directors regularly meet outside the presence of management and are advised by independent legal counsel. The board of directors also has determined that its leadership structure, as described above, is appropriate in light of our size and complexity, the number of independent directors and the general oversight responsibility of the board of directors. The board of directors also believes that its leadership structure not only facilitates the orderly and efficient flow of information to the independent directors from management, including our Advisor, but also enhances the independent and orderly exercise of its responsibilities.

Biographical Information

The following sets forth certain biographical information for our independent directors (the “Independent Directors”):

Alan Ginsberg. Mr. Ginsberg has more than 25 years of experience in providing financial advisory services to financial institutions. Mr. Ginsberg began his investment banking career at Salomon Brothers Inc in 1983, followed by being a key member of a group that moved to UBS Financial Services Inc. in 1995 and to Donaldson, Lufkin & Jenrette in 1998. He remained at DLJ through the merger with Credit Suisse First Boston until 2004, when he was recruited to Head HSBC Bank USA’s Financial Institutions Group Americas, remaining there until mid-2006. Following HSBC, Mr. Ginsberg was a senior member of the Banc of America Securities Financial Institutions Group. Mr. Ginsberg has advised on more than 65 strategic transactions and advisory assignments during his tenure as an investment banker. Mr. Ginsberg received his B.A. in Economics from Yale University. He currently serves as Chairman of Yale’s Peabody Museum Advisory Board, and he served as a Senior Advisor to StoneCastle Partners from 2010 until May 2013.

Emil W. Henry, Jr. Mr. Henry is the former Assistant Secretary of the U.S. Treasury for Financial Institutions, is the CEO and Founder of Tiger Infrastructure Partners, a private equity firm focused on global infrastructure investment opportunities. Prior to founding Tiger Infrastructure Partners, he was Global Head of the Lehman Brothers Private Equity Infrastructure businesses, where he oversaw global infrastructure investments. In 2005, Mr. Henry was appointed Assistant Secretary of the Treasury for Financial Institutions by the President of the United States. Until his departure in 2007, he was a key advisor to two Treasury Secretaries on economic, legislative and regulatory matters affecting U.S. financial institutions and markets. Before joining the Treasury, Mr. Henry was a partner of Gleacher Partners LLC, an investment banking and investment management firm, where he served as Chairman of Asset Management, and Managing Director, and where he oversaw the firm’s investment activities. Before attending business school, Mr. Henry was a member of the principal investing arm of Morgan Stanley, where he was involved in the execution of leveraged buyouts on the firm’s behalf. He holds an M.B.A. from Harvard Business School and a B.A. in Economics from Yale University. Mr. Henry serves as Chairman of the Board of Directors of Tiger Cool Express, LLC.

Clara Miller. Clara Miller is President of The F. B. Heron Foundation, which helps people and communities help themselves out of poverty. Prior to assuming the Foundation's presidency, Ms. Miller was President and CEO of Nonprofit Finance Fund which she founded and ran from 1984 through 2010. Ms. Miller was named to The NonProfit Times "Power and Influence Top 50" for the five years from 2006 through 2010. She was awarded a Bellagio Residency in 2010 by The Rockefeller Foundation. In addition to serving on The F. B. Heron Foundation's board, Ms. Miller is on the boards of GuideStar, The Robert Sterling Clark Foundation, and Family Independence Initiative. She is also a member of Social Investment Committee of the Kresge Foundation. In 2010, Ms. Miller became a member of the first Nonprofit Advisory Committee of the Financial Accounting Standards Board. In 1996, Ms. Miller was appointed by President Clinton to the U.S. Treasury's first Community Development Advisory Board for the then-newly-created Community Development Financial Institutions Fund. She later served as its Chair. She chaired the Opportunity Finance Network board for six years and was a member of the Community Advisory Committee of the Federal Reserve Bank of New York for eight years. Other prior board affiliations include Grantmakers for Effective Organizations, Enterprise Community Loan Fund, Community Wealth Ventures and Working Today. Ms. Miller speaks and writes extensively about nonprofit capitalization and finance and has been published in The Financial Times, Stanford Social Innovation Review, The Nonprofit Quarterly and the Chronicle of Philanthropy.

The following sets forth certain biographical information for our Interested Directors:

Joshua S. Siegel. Chief Executive Officer & Chairman of the board of directors. Mr. Siegel is the founder and Managing Partner of StoneCastle Partners and serves as its Chief Executive Officer. With over 21 years of experience in financial services, 17 of which have been spent advising clients and investing in financial institutions or assets, he is widely regarded as a leading expert and investor in the banking industry and is often quoted in financial media, including The Wall Street Journal, The New York Times, American Banker, and CNNMoney. In addition, he speaks frequently at industry events, including those hosted by the American Bankers Association, Conference of State Bank Supervisors, FDIC, Federal Reserve Bank and SNL Financial. A creative instructor with a passion for teaching, Joshua has regularly been invited to educate government regulators about the specialized community banking sector. He also serves as Adjunct Professor at the Columbia Business School in New York City. Immediately prior to co-founding StoneCastle, Joshua was a co-founder and Vice President of the

Global Portfolio Solutions Group at Citigroup, a group organized to finance portfolios of financial assets for corporations and to invest in the sector as a principal and market maker. He later assumed responsibility for developing new products, including pooled investment strategies for the community banking sector. Joshua originally joined Salomon Brothers in 1996 (which was merged into Travelers in 1998 and into Citigroup in 1999) in the tax and lease division, providing financing and advisory services to government-sponsored enterprises and Fortune 500 corporations. Prior to his tenure at Citigroup, Joshua worked at Sumitomo Bank where he served as a corporate lending officer, as a banker managing equipment lease and credit derivative transactions, and as a member of the New York Credit Committee and at Charterhouse, carrying out merchant banking and private equity transactions. Joshua has provided strategic advice to the Global Food Banking Network. He also provides annual economic support to Prep for Prep to make sure academic brilliance is recognized and nurtured without regard to a student's economic, demographic or sociological impediments. He holds a B.S. in Management and Accounting from Tulane University.

George Shilowitz. President and Director. Mr. Shilowitz is a Managing Partner of StoneCastle Partners and serves as the Senior Portfolio Manager of StoneCastle Partners. Mr. Shilowitz has over two decades of fixed income and principal investment experience. Mr. Shilowitz worked with StoneCastle since its founding in 2003 and became a partner in 2007. Prior to joining StoneCastle, Mr. Shilowitz was a senior executive at Shinsei Bank and participated in its highly successful turnaround, sponsored by J.C. Flowers & Co. and Ripplewood Partners. At Shinsei, Mr. Shilowitz managed various business units, including Merchant Banking and Principal Finance and was the President of its wholly-owned subsidiary, Shinsei Capital (USA) Limited. Prior to Shinsei, Mr. Shilowitz was a senior member of the Principal Transactions Group at Lehman Brothers in Asia from 1997-2000, focusing on proprietary investments and debt portfolio acquisitions from distressed financial institutions. From 1995-1997, he was a member of Salomon Brothers' asset finance group where he met and first collaborated with Mr. Siegel. Mr. Shilowitz began his career in 1991 at First Boston Corporation (now Credit Suisse) as a member of the fixed income mortgage arbitrage group and also held positions in the financial engineering group and in asset finance investment banking where he focused on banks and specialty finance companies. He holds a B.S. in Economics from Cornell University.

Audit Committee

The audit committee of our board of directors is responsible for selecting, engaging and discharging our independent accountants, reviewing the plans, scope and results of the audit engagement with our independent accountants, approving professional services provided by our independent accountants (including compensation therefor), reviewing the independence of our independent accountants, overseeing our accounting and reporting processes, overseeing the quality and integrity of our financial statements and the independent audit thereof and reviewing the adequacy of our internal controls over financial reporting. The members of the audit committee are Messrs. Ginsberg and Henry and Ms. Miller, all of whom are independent directors and none of whom are interested persons in the Company. Mr. Ginsberg serves as the chairman of the audit committee. The board of directors has determined that Mr. Ginsberg is an "audit committee financial expert" as defined under SEC rules. During the period from November 13, 2013 (commencement of operations) through December 31, 2013, the Audit Committee met once.

Risk Management Committee

The risk management committee of our board of directors is responsible for overseeing our risk management policies and procedures for our investments and for reviewing all new products proposed for investment by the Company. The risk management committee is comprised of Messrs. Henry and Ginsberg and Ms. Miller. Mr. Henry serves as the chairman of the risk management committee. During the period from November 13, 2013 (commencement of operations) through December 31, 2013, the Risk Management Committee met once.

Risk Oversight

The board of directors' role in our risk oversight reflects its responsibility under applicable state law to oversee generally, rather than to manage, our operations. In line with this oversight

responsibility, the risk management committee of our board of directors receives reports and makes inquiry as needed regarding the nature and extent of significant risks we face (including investment, compliance and valuation risks) that potentially could have a materially adverse impact on our business operations, investment performance or reputation. In addition, the risk management committee reports to the board of directors at its regular meetings, and the board of directors may also make inquiries at its regular meetings to assess and address the risks we face on an ongoing basis. The risk management committee and the board of directors rely upon our management (including our portfolio managers) and Chief Compliance Officer, who reports directly to the board of directors and the risk management committee, and our Advisor to assist them in identifying and understanding the nature and extent of such risks and determining whether, and to what extent, such risks may be eliminated or mitigated. In addition to reports and other information received from our management and our Advisor regarding our investment program and activities, the board of directors and the risk management committee as part of their risk oversight efforts meet regularly and as needed with the our Chief Compliance Officer to discuss, among other things, risk issues and issues regarding our policies, procedures and controls. Our board of directors and the risk management committee may be assisted in performing aspects of its role in risk oversight by the audit committee and such other standing or special committees as may be established from time to time by the board of directors. For example, the audit committee regularly meets with our independent public accounting firm to review, among other things, reports on our internal controls for financial reporting.

Our board of directors and the risk management committee believe that not all risks that may affect us can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve our goals, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. As a result of the foregoing and other factors, the board of directors' and the risk management committee's risk management oversight is subject to substantial limitations.

Security Ownership of Management

The following table shows the dollar range of equity securities owned by our directors in us [and in other investment companies overseen by the directors within the family of investment companies managed by our Advisor and its affiliates] as of December 31, 2013. As of the date of this SAI, there were no other investment companies that are considered to be in the same family of investment companies.

Name of Director	Dollar Range of Equity Securities in the Company	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by the Director in the Family of Investment Companies
Independent Directors		
Alan Ginsberg		
Emil Henry	None	None
Clara Miller	None	None
Interested Directors	None	None
Joshua Siegel(1)	Over $100,000	Over $100,000
George Shilowitz(1)	Over $100,000	Over $100,000

(1) Includes shares of the Company held by StoneCastle Partners, of which Messrs. Siegel and Shilowitz are partners.

None of the independent directors nor their family members owned beneficially or of record securities issued by our Advisor, or any person directly or indirectly controlling, controlled by, or under common control with Advisor as of the date of this SAI.

Compensation Table

During the fiscal period from November 13, 2013 (commencement of operations) through December 31, 2013, the Company paid director's fees of $29,809. The table below sets forth the

estimated compensation paid to each of our directors for the period beginning on the commencement of operations and ending on December 31, 2013.

Name and Position with the Company	Aggregate Compensation from the Company(1)	Pension or Retirement Benefits Accrued as Part of Company Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation From Company and Complex Paid to Directors
Independent Directors				
Alan Ginsberg	$ 10,384	None	None	$ 10,384
Emil Henry	$ 10,384	None	None	$ 10,384
Clara Miller(1)	$ 9,041	None	None	$ 9,041
Interested Directors(2)				
Joshua Siegel	None	None	None	None
George Shilowitz	None	None	None	None

(1) Ms. Miller intends to donate all after-tax income received in conjunction with her directorship with us to one or more 501(c)(3) eligible charitable organizations.
(2) Interested directors are not compensated by us for their service as directors.

Officers

Our executive officers are chosen each year at a regular meeting of the board of directors to hold office until their respective successors are duly elected and qualified, or until he resigns or is removed in the manner provided by law. Unless otherwise indicated, the address of each officer is 152 West 57th Street, 35th Floor, New York, New York 10019. In addition to Joshua Siegel, our chairman of the board of directors and chief executive officer, and George Shilowitz, our president, our executive officers currently are:

Officers

Name	Age	Position(s) Held with Company	Term Served	Principal Occupation(s) Last 5 Years
Patrick J. Farrell	54	Chief Financial Officer	Since April 1, 2014	Chief Financial Officer and Chief Operating Officer of Emerging Managers Group, LP
Rachel Schatten	44	General Counsel, Chief Compliance Officer and Secretary	Since July 2013	General Counsel and Chief Compliance Officer of Hardt Group, General Counsel and Chief Compliance Officer of StoneCastle Partners

The following sets forth certain biographical information for our executive officers who are not directors:

Patrick J. Farrell. Chief Financial Officer. Mr. Farrell has over 30 years of hands-on management experience in finance and accounting, specifically focused on domestic and offshore mutual funds, bank deposit account programs, investment advisory and broker dealer businesses. Prior to joining StoneCastle Partners as Chief Financial Officer in February 2014, Mr. Farrell was CFO/COO of the Emerging Managers Group, LP, a specialty asset management firm focused on offshore mutual funds. Prior to that, Mr. Farrell was CFO at Reserve Management, where he oversaw all financial activities for the company. Earlier in his career, he held financial positions at Lexington Management, Drexel Burnham, Alliance Capital and New York Life Investment Management, all focused on investment advisory and mutual fund activities. He began his career at Peat Marwick Mitchell & Co. Mr. Farrell holds a B.S. in Business Administration-Accounting from Manhattan College

Rachel Schatten. General Counsel, Chief Compliance Officer and Secretary. Ms. Schatten had over 12 years of investment adviser experience prior to joining StoneCastle Partners as General Counsel and Chief Compliance Officer in 2013. From 2004 to 2013, she served as the U.S. General Counsel and Chief Compliance Officer of a subsidiary of Hardt Group Investments AG, an international fund of funds, and the General Securities Principal of its affiliated broker-dealer since its inception through its subsequent sale. Prior to her tenure at the Hardt Group, Ms. Schatten was an Associate in the investment management group of Schulte Roth & Zabel LLP, where she counseled investment advisers

on developing and structuring new hedge funds, including domestic and offshore entities, master feeder funds, and funds of funds. She holds Series 7, 63 and 24 licenses and is admitted to practice law in New York. She graduated Cum Laude from Albany Law School of Union University, where she was an associate editor of the Albany Law Review and a member of the Justinian Society.

Management Agreement

Management Services

StoneCastle Asset Management LLC serves as our investment adviser, subject to the overall supervision and review of our board of directors. Pursuant to a management agreement, our Advisor provides us with investment research, advice and supervision and furnishes us continuously with an investment program, consistent with our investment objective and policies. Our Advisor also determines from time to time what securities we shall purchase, and what securities shall be held or sold, what portions of our assets shall be held uninvested as cash or in other qualified short-term investments or liquid assets, maintains books and records with respect to all of our transactions and will report to our board of directors on our investments and performance. Our Advisor was formed in November 2012. Our Advisor's affiliate, StoneCastle Advisors, LLC, is a registered investment adviser formed in 2004 which manages the assets of six long-term investment vehicles—U.S. Capital Funding I, Ltd., U.S. Capital Funding II, Ltd., U.S. Capital Funding III, Ltd., U.S. Capital Funding IV, Ltd., U.S. Capital Funding V, Ltd. and U.S. Capital Funding VI, Ltd. The U.S. Capital Funding companies are securitization vehicles created to invest primarily in trust preferred securities issued by public and private community banks in the United States. As of March 31, 2014, StoneCastle Advisors also managed the investments of several separate accounts. StoneCastle Partners and its subsidiaries currently manage over $5 billion of assets focused on community banks, including approximately $1.7 billion of capital invested in more than 220 banking institutions and over $3.3 billion of institutional cash in over 500 banks. Our Advisor has no full time employees and relies on the officers, employees and resources of certain affiliated entities pursuant to the Staffing Agreement. All of the members of the investment committee of our Advisor are affiliates of, but not employees of, our Advisor, and each has other significant responsibilities with StoneCastle Partners and its subsidiaries.

Our Advisor's services to us under the management agreement are not exclusive, and while it is not currently contemplated, our Advisor is free to furnish the same or similar services to other entities, including businesses which may directly or indirectly compete with us, so long as our Advisor's services to us are not impaired by the provision of such services to others. Our Advisor intends to allocate investment opportunities in a fair and equitable manner consistent with our investment objective and strategies so that we will not be disadvantaged in relation to any other client of the Advisor.

Administration Services

Pursuant to the management agreement, our Advisor also furnishes us with office facilities and clerical and administrative services necessary for our operation (other than services provided by our custodian, accounting agent, administrator, dividend and interest paying agent and other service providers). Our Advisor is authorized to cause us to enter into agreements with third parties to provide such services. To the extent we request, our Advisor:

- oversees the performance and payment of the fees of our service providers and make such reports and recommendations to our board of directors concerning such matters as the parties deem desirable;
- responds to inquiries and otherwise assists such service providers in the preparation and filing of regulatory reports, proxy statements and stockholder communications, and the preparation of materials and reports for our board of directors;
- establishes and oversees the implementation of borrowing facilities or other forms of leverage authorized by our board of directors; and
- supervise any other aspect of our administration as may be agreed upon by us and our Advisor.

Management Fee

Pursuant to the management agreement, we have agreed to pay our Advisor a fee for the management and administration services described above. The management fee is 0.4375% (1.75% annualized) of our Managed Assets (defined below), calculated and paid quarterly in arrears within fifteen days of the end of each calendar quarter, except that, until November 13, 2014 we have agreed to reduce the management fee otherwise charged at 0.4375% per quarter to 0.375% per quarter (1.5% annualized). The term "Managed Assets" as used in the calculation of the management fee means our total assets (including cash and cash equivalents and any assets purchased with or attributable to any borrowed funds). The management fee for any partial quarter will be appropriately prorated. Our Advisor is not paid an incentive fee and does not participate in our profits in its capacity as Advisor. However, our Advisor and/or its affiliates and certain of their employees participate in our profits through ownership of our common stock, which is less than 1% of our outstanding common stock as of the date of the prospectus and this SAI. For the fiscal period from November 13, 2013 (commencement of operations) through December 31, 2013, we paid our Advisor $81,261.

Management Fee Waiver

Our Advisor has agreed to waive the management fee that would otherwise be payable in respect of the net proceeds to the Company obtained through the issuance of shares in this offering through August 30, 2015. Subject to certain conditions, we may reimburse our Advisor for any waived management fees following any quarter in which our "Net Increase in Net Assets" (defined below) exceeds the amount of our distributions paid to our stockholders in such calendar quarter (the "Excess Net Increase in Net Assets"). "Net Increase in Net Assets" shall mean the sum of (i) our net investment income, (ii) taxable net capital gains/losses (whether short-term or long-term), and (iii) other distributions paid to us on account of our investments (to the extent such amounts are not included in clauses (i) and (ii) above). If payable, the amount of the reimbursement payment for any calendar quarter shall equal the lesser of (i) the Excess Net Increase in Net Assets in such calendar quarter and (ii) the amount of all waived fees made by the Advisor to the Company for such quarter (the "Reimbursement Payment"). Our Advisor's agreement to waive fees may be terminated by us and will automatically terminate in the event of (i) the termination by us of the Management Agreement or (ii) our dissolution or liquidation.

Payment of Our Expenses

StoneCastle Asset Management LLC serves as our investment adviser in accordance with the terms of the management agreement. Subject to the overall supervision of our board of directors, our Advisor manages our day-to-day operations and provides us with investment management services. Under the terms of the management agreement, StoneCastle Asset Management LLC does and will:

- determine the composition of our portfolio, the nature and timing of the changes therein and the manner of implementing such changes;
- identify, evaluate and negotiate the structure of the investments we make (including performing due diligence on our prospective portfolio companies);
- close, monitor and administer the investments we make, including the exercise of any voting or consent rights; and
- provide us with such other investment advisory, research and related services as we may, from time to time, reasonably require for the investment of our assets.

We bear all expenses not specifically assumed by our Advisor and incurred in our operations, and we will bear the expenses related to this offering. We will reimburse our Advisor to the extent our Advisor pays these expenses. The compensation and allocable routine overhead expenses of all investment professionals of our Advisor and its staff, when and to the extent engaged in providing us investment advisory services, will be provided and paid for by our Advisor and not us, although we will reimburse our Advisor an amount equal to our allocable portion of overhead and other expenses incurred by our Advisor in performing its obligations under the management agreement. The fees and expenses borne by us may include, but are not limited to, the following:

- other than as provided under "Management Fee" above, expenses of maintaining and continuing our existence and related overhead, including, to the extent such services are provided by personnel of our Advisor or its affiliates, office space and facilities and personnel compensation, training and benefits;
- commissions, spreads, fees and other expenses connected with the acquisition, holding and disposition of securities and other investments including sales loads and similar fees;
- auditing, accounting and legal expenses;
- taxes and interest;
- governmental fees;
- expenses of listing our shares with a stock exchange, and expenses of issue, sale, repurchase and redemption (if any) of our securities, including expenses of conducting tender offers for the purpose of repurchasing our securities;
- expenses of registering and qualifying us and our securities under federal and state securities laws and of preparing and filing registration statements and amendments for such purposes;
- expenses of communicating with stockholders, including website expenses and the expenses of preparing, printing and mailing press releases, reports and other notices to stockholders and of meetings of stockholders and proxy solicitations therefor;
- expenses of reports to governmental officers and commissions, including, without limitation, our periodic report preparation and filing obligations with the SEC;
- insurance expenses;
- association membership dues;
- fees, expenses and disbursements of custodians and subcustodians for all services to us (including without limitation safekeeping of funds, securities and other investments, keeping of books, accounts and records and determination of NAVs);
- fees, expenses and disbursements of transfer agents, dividend and interest paying agents, stockholder servicing agents and registrars for all services to us;
- fees, expenses and disbursements of CAB Marketing, LLC and CAB, L.L.C. and similar service providers;
- compensation and expenses of our directors who are not members of our Advisor's organization;

- pricing, valuation and other consulting or analytical services employed in considering and valuing our actual or prospective investments;
- all expenses incurred in leveraging of our assets through a line of credit or other indebtedness or issuing and maintaining preferred stock;
- all expenses incurred in connection with our organization and any offering of our common stock, including this offering; and
- such non-recurring items as may arise, including expenses incurred in litigation, proceedings and claims and our obligation to indemnify our directors, officers and stockholders with respect thereto.

Expenses that are reimbursable to our Advisor are submitted to the independent members of our board of directors for their approval prior to reimbursement thereof.

Allocation Policy

Our Advisor and its affiliates allocate investment opportunities among client accounts on a fair and consistent basis, and do not favor any one client or account over any other. In certain cases, investment opportunities may be made by our Advisor other than on a pro rata basis. In determining to which accounts our Advisor will allocate investment opportunities, and in determining the shares to allocate to a particular account, our Advisor and its affiliates do not consider:

- the levels of fees earned from accounts or the fact that certain accounts may pay performance-based fees;
- different compensation payable to portfolio managers based on the performance of certain accounts;

- the ability of particular clients to send business to or otherwise benefit our Advisor in exchange for allocations;
- the identity of account holders (including the fact that certain accounts may be proprietary or maintained on behalf of investment vehicles that our Advisor sponsors);
- in the case of allocations of initial public offerings, market movement generally or the performance of the shares since the execution of the order in question;
- the prior performance of accounts; or
- whether an account is new to our Advisor.

CAB Marketing, LLC and CAB, L.L.C.

We have entered into exclusive investment referral and endorsement relationships with the CAB Marketing, LLC and CAB, L.L.C., subsidiaries of the ABA. Pursuant to the agreements governing these relationships, CAB Marketing, LLC assists us with the promotion and identification of potential investment opportunities. More specifically, CAB Marketing, LLC:

- performs a broad-based review of the capital needs of the financial services industry;
- in coordination with us, develops a community bank marketing campaign with mailings, webinars, and other modes of outreach;
- facilitates prescreening of potential investment candidates through publicly available data and distribution of due diligence questionnaires and introductions to banks that we may select as potential funding targets; and
- provides opportunities to speak at, exhibit at and attend ABA-sponsored conferences and other ABA events.

In addition, CAB, L.L.C. has granted to us a license to use the name “Corporation for American Banking” in connection with the foregoing promotion and identification activities, and:

- administers a members-only web page on the ABA’s website that references our program of investment in community banks;
- announces the availability of our investment platform to the ABA members;
- provides prompt review of our use of the CAB name; and
- communicates objective information about us and CAB’s endorsement to ABA’s members.

Most capital raising activities by community banks are conducted through privately-negotiated transactions that occur outside of traditional institutional investment channels, including the capital markets. We believe that StoneCastle Partners’ and CAB, L.L.C.’s large network of relationships will help us to identify attractive investment opportunities and will provide us with a competitive advantage. As consideration for their exclusive services and endorsement, we have a contract to pay the ABA subsidiaries a series of payments aggregating $500,000 annually for three years ending August 31, 2016. The ABA and its subsidiaries have not endorsed this offering, and you should not construe references to them in the prospectus as such an endorsement.

Duration and Termination

The management agreement with our Advisor will remain in effect for an initial period of two years from November 1, 2013, the date of initial effectiveness, unless earlier terminated, and will continue in effect from year to year thereafter, but only so long as each continuance is specifically approved by (i) our board of directors or the vote of a majority of our voting securities and (ii) the vote of a majority of our independent directors. Our board of directors and sole stockholder approved the management agreement with our Advisor prior to the date of the prospectus. The management agreement with our Advisor was initially approved by our board of directors on September 4, 2013 and by our initial stockholder on November 1, 2013. The management agreement with our Advisor may be terminated at any time, without payment or penalty, by vote of our board of directors, by vote of a majority of our voting securities, or by our Advisor, in each case on 60 days’ written notice. As

required by the Investment Company Act, the management agreement with our Advisor will terminate automatically in the event of its assignment.

Liability of Advisor and Indemnification

The management agreement provides that our Advisor will not be liable to us in any way for any default, failure or defect in any of the securities comprising our portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth in the management agreement. The management agreement further states that we will indemnify the Advisor for any losses, damages, claims, costs, charges, expenses or liabilities except to the extent such amounts result from our Advisor's willful misconduct, bad faith or gross negligence or as otherwise prohibited by applicable law. As a result, our Advisor may not be liable to us for breaches of its duty of care, diligence or skill.

License Agreement

StoneCastle Partners has licensed the "StoneCastle" name to us and our Advisor on a non-exclusive, royalty-free basis. We have the right to use the "StoneCastle" name so long as our Advisor or one of its approved affiliates remains our investment adviser. Other than with respect to this limited right, we will have no legal right to the "StoneCastle" name. This right will automatically terminate if the management agreement were to terminate or be assigned for any reason, including upon its assignment.

Codes of Ethics

Pursuant to Rule 17j-l under the Investment Company Act, we and our Advisor have each adopted codes of ethics that permit their respective personnel to invest in securities for their own accounts, including securities that may be purchased or held by us. All personnel must place the interests of clients first and avoid activities, interests and relationships that might interfere with the duty to make decisions in the best interests of the clients. All personal securities transactions by employees must adhere to the requirements of the codes and must be conducted in such a manner as to avoid any actual or potential conflict of interest, the appearance of such a conflict, or the abuse of an employee's position of trust and responsibility.

Copies of our codes of ethics and our Advisor's code of ethics are on file with the SEC. You can review and copy these codes of ethics at the SEC's Public Reference Room in Washington, D.C. You may obtain information relating to the Public Reference Room by calling the SEC at 1-800-SEC-0330. Such materials are also available on EDGAR on the SEC's website (http://www.sec.gov). You may also e-mail requests for these documents to publicinfo@sec.gov, or make a request in writing to the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102.

PORTFOLIO MANAGERS

Day-to-day management of our portfolio is the responsibility of our Advisor's investment committee, with assistance from our Advisor's portfolio managers who may also be members of our Advisor's investment committee. Ricardo Viloria is presently our Advisor's sole portfolio manager who is not also a member of our Advisor's investment committee. Our Advisor's investment committee is currently comprised of Joshua Siegel, George Shilowitz, Erik Eisenstein and Robert McPherson. George Shilowitz is the chairperson of the investment committee. The investment committee's policy is that unanimous consent is required to approve the committee's decision to invest in a security and the consent of only two members is required to sell a security.

Unless otherwise indicated, the information below is provided as of the date of this SAI. The table below identifies the number of accounts (other than for us) for which our portfolio managers have day-to-day management responsibilities and the total assets in such accounts, within each of the following categories: registered investment companies, other pooled investment vehicles and other accounts. Where the named individual has been assigned primary responsibility, or is a member of a

committee that has been assigned primary responsibly, for oversight of another pooled investment vehicle or other account, that vehicle/account has been allocated to that individual for disclosures purposes. For each category, the number of accounts and total assets in the accounts where fees are based on performance is also indicated as of December 31, 2013.

Portfolio Manager	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Erik Eisenstein	None	None	None
Joshua Siegel	None	6 accounts / $1,607,372,764	3 accounts / $30,317,781
George Shilowitz	None	6 accounts / $1,607,372,764	3 accounts / $30,317,781
Ricardo Viloria	None	6 accounts / $1,607,372,764	3 accounts / $30,317,781
Robert McPherson	None	None	None

Biographical information about each member of our Advisor's investment committee and our Advisor's portfolio managers, in each case who do not serve on our board of directors, is set forth below.

Erik Eisenstein. Mr. Eisenstein is the Senior Bank Analyst and a Director at StoneCastle Partners. Prior to joining StoneCastle in 2007, Mr. Eisenstein was an Equity Analyst for over six years at Standard & Poor's, Criterion Research Group LLC and Morgan Keegan, with a coverage universe of regional and community banks, thrifts and other diversified financial companies. During that time he appeared on various television and print media, including CNBC and The Wall Street Transcript. Prior, he spent three years as Underwriter and Underwriting Manager of management liability insurance products at American International Group and two years as a practicing attorney. Mr. Eisenstein hold a B.S. in Industrial and Labor Relations from Cornell University, a J.D. from Duke University and an M.B.A. from New York University.

Ricardo Viloria. Mr. Viloria is a Co-Portfolio Manager and a Director at StoneCastle Partners. Prior to joining StoneCastle in 2006, Mr. Viloria was a Ratings Analyst at Moody's. For three years at Moody's, Mr. Viloria specialized in financial institution-related transactions and rated a broad range of transactions secured by various assets classes that included leveraged loans, bonds and asset-backed securities. Prior to Moody's, Mr. Viloria was at Fox-Pitt, Kelton, a subsidiary of Swiss Reinsurance at the time, in the Corporate Finance Group where he focused on capital raising and mergers and acquisitions for community banks, insurance and finance companies. Mr. Viloria holds a B.S. in Operations Research from Columbia University and an M.B.A. from New York University.

Robert Wayne McPherson, Esq. Mr. McPherson is a business, banking and securities lawyer with thirty-one years' experience: twenty years in private practice; ten years as Corporate Counsel; and one year of government service. He has worked for the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, and has successfully completed the BAI Graduate School of Bank Financial Management at Vanderbilt University. In private practice, Mr. McPherson has handled business formation, planning, purchase and sale, business litigation, Chapter 11 bankruptcy,

banking and lender liability litigation and regulation, securities and broker dealer litigation and regulation, and private placements. He has also completed the sale of mortgages and other loans on secondary markets. Mr. McPherson has worked on bank mergers and acquisitions and many other facets of banking law. From August 2006 through March of 2010, in conjunction with StoneCastle Partners, Mr. McPherson worked with bank holding companies, community banks, broker-dealers, investment advisors and others to provide Tier 1 and Tier 2 capital to bank holding companies and banks. Mr. McPherson received his undergraduate degree from the University of Alabama, and received his law degree and M.B.A. from the University of Memphis.

Portfolio Manager Compensation

With respect to the compensation of the portfolio managers, our Advisor's compensation system assigns each employee a total compensation "target" and a respective cap, which are derived from annual market surveys that benchmark each role with their job function and peer universe. This method is designed to reward employees with total compensation reflective of the external market value of their skills, experience, and ability to produce desired results.

Standard compensation includes competitive base salaries, employee benefits, and a retirement plan. In addition, employees are eligible for bonuses. These are structured to closely align the interests of employees with those of StoneCastle Asset Management, and are determined by the professional's job function and performance as measured by a formal review process. All bonuses are completely discretionary. One of the principal factors considered is a portfolio manager's investment performance versus appropriate peer groups and benchmarks. Because portfolio managers may be responsible for multiple accounts (including ours) with similar investment strategies, they are compensated on the performance of the aggregate group of similar accounts, rather than a specific account. A smaller portion of a bonus payment is derived from factors that include client service, business development, length of service to our Advisor, management or supervisory responsibilities, contributions to developing business strategy and overall contributions to our Advisor's business.

Finally, in order to attract and retain top talent, all professionals are eligible for additional incentives in recognition of outstanding performance. These are determined based upon the factors described above and may include stock options in our manager and long-term incentives that vest over a set period of time past the award date.

Conflicts of Interest Within StoneCastle Partners

StoneCastle Partners currently does, and our Advisor and StoneCastle Partners in the future may, manage funds and accounts other than ours that have similar investment objectives. The investment policies, advisor compensation arrangements and other circumstances of ours may vary from those of these other funds and accounts. Accordingly, conflicts may arise regarding the allocation of investments or opportunities among us and those other accounts. In certain cases, investment opportunities may be made available to us by our Advisor other than on a pro rata basis. For example, we may desire to retain an asset at the same time that one or more of those other funds or accounts desires to sell, or we may not have additional capital to invest at the same time as such other funds and accounts. Our Advisor intends to allocate investment opportunities to us and those other funds and accounts in a manner that they believe, in their good faith judgment and based upon their fiduciary duties, to be appropriate considering a variety of factors such as the investment objectives, size of transaction, investable assets, alternative investments potentially available, prior allocations, liquidity, maturity, expected holding period, diversification, lender covenants and other limitations of ours and other funds or accounts. To the extent that investment opportunities are suitable for us and for one of these other funds or accounts, our Advisor intends to allocate investment opportunities pro rata among us and them based on the amount of funds each then has available for such investment, taking into account these factors.

There may be situations in which one or more funds or accounts managed by our Advisor or its affiliates might invest in different securities issued by the same company. It is possible that if the target company's financial performance and condition deteriorates such that one or both investments are or could be impaired, our Advisor might face a conflict of interest given the difference in seniority of the respective investments. In such situations, our Advisor would review the conflict on a case-by-case basis and implement procedures consistent with its fiduciary duties to enable it to act fairly to each of its clients in the circumstances. Any steps by our Advisor will take into consideration the interests of each of the affected clients, the circumstances giving rise to the conflict, the procedural efficacy of various methods of addressing the conflict and applicable legal requirements.

Furthermore, two of the members of our Advisor's investment committee are also members of our board of directors. Due to our board composition, it is more likely that our board of directors will approve investments made by the Advisor's investment committee and that our board of directors will value our investments consistent with the valuation recommendations of our Advisor's investment committee. The board of directors utilizes the services of one or more regionally or nationally recognized independent valuation firms to help it determine the value of each investment for which a market price is not available. The board of directors will also review valuations of such investments provided by the Advisor. The board of directors regularly reviews and evaluates our valuation methodology and any such valuation service it uses and the historical accuracy of such valuation methodologies. The board of directors also reviews valuations of such investments provided by the Advisor and assigns the valuation it determines to best represent the fair value of such investments.

Leverage creates risk for holders of our common stock, including the likelihood of greater volatility of our NAV and the value of our shares, and the risk of fluctuations in interest rates on leverage capital, which may affect the return to the holders of our common stock or cause fluctuations in the distributions paid on our common stock. The fees paid to our Advisor will be calculated on the basis of our Managed Assets, including proceeds from leverage capital. During periods in which we use leverage, the fee payable to our Advisor will be higher than if we did not use leverage. Consequently, we and our Advisor may have differing interests in determining whether to leverage our assets.

Approval of Conflicts

Our board of directors, including a majority of our directors who are independent, is responsible for reviewing and approving the terms of all transactions between us and our Advisor or its affiliates or any member of our board of directors, including (when applicable) the economic, structural and other terms of our investments and investment transactions and the review of any investment decisions that may present potential conflicts of interest among our Advisor and its affiliates, on one hand, and us, on the other. Our board of directors, including a majority of our directors who are independent, is also

responsible for reviewing our Advisor's performance and the fees and expenses that we pay to our Advisor. In addition, expenses that are reimbursable to our Advisor will be submitted to the independent members of our board of directors for their approval prior to reimbursement thereof.

In addition, our Advisor's compliance department and legal department will oversee its conflict-resolution system. The program places particular emphasis on the principle of fair and equitable allocation of appropriate opportunities and of common fees and expenses to our Advisor's clients over time. Our Advisor has agreed with us that it will allocate opportunities, fees and expenses among its clients pursuant to its written policies and procedures.

Portfolio Manager Securities Ownership

As of the fiscal period ended December 31, 2013, Messrs. Siegel and Mr. Shilowitz beneficially owned between $100,000 and $ 500,000 of our securities (including shares of the Company held by StoneCastle Partners, of which Messrs. Siegel and Shilowitz are partners).

PORTFOLIO TRANSACTIONS AND BROKERAGE

Our Advisor is responsible for decisions to buy and sell securities for us, the selection of brokers and dealers to effect the transactions and the negotiation of prices and any brokerage commissions. When we purchase securities listed on a stock exchange, those transactions will be effected through brokers who charge a commission for their services. We also may invest in securities that are traded principally in the over-the-counter market. In the over-the-counter market, securities generally are traded on a "net" basis with dealers acting as principal for their own accounts without a stated commission, although the price of such securities usually includes a mark-up to the dealer. Securities purchased in underwritten offerings generally include, in the price, a fixed amount of compensation for the manager, underwriter and dealer. We also purchase securities including fixed income securities directly from an issuer, in which case no commissions or discounts will be paid.

Payments of commissions to brokers who are our affiliates (or "affiliated persons" of such persons, as defined under the Investment Company Act) will be made in accordance with Rule 17e-l under the Investment Company Act. Commissions paid on such transactions would be commensurate with the rate of commissions paid on similar transactions to brokers that are not so affiliated.

Our Advisor may, consistent with our interests, select brokers on the basis of the research, statistical and pricing services they provide to us and our Advisor's other clients. Such research, statistical and pricing services must provide lawful and appropriate assistance to our Advisor's investment decision-making process in order for such research, statistical and pricing services to be considered by our Advisor in selecting a broker. These research services may include information on securities markets, the economy, individual companies, pricing information, research products and services and such other services as may be permitted from time to time by Section 28(e) of the Exchange Act. Information and research received from such brokers will be in addition to, and not in lieu of, the services required to be performed by our Advisor under its contract. A commission paid to such brokers may be higher than that which another qualified broker would have charged for effecting the same transaction, provided that our Advisor determines in good faith that such commission is reasonable in terms either of the transaction or the overall responsibility of our Advisor to us and its other clients and that the total commissions paid by us will be reasonable in relation to the benefits to us over the long-term. The advisory fees that we pay to our Advisor will not be reduced as a consequence of our Advisor's receipt of brokerage and research services. To the extent that portfolio transactions are used to obtain such services, the brokerage commissions paid by us will exceed those that might otherwise be paid by an amount which cannot be presently determined. Such services generally may be useful and of value to our Advisor in serving one or more of its other clients and, conversely, such services obtained by the placement of brokerage business of other clients generally would be useful to our Advisor in carrying out its obligations to us. While such services are not expected to reduce the expenses of our Advisor, our Advisor would, through use of the services, avoid the additional expenses that would be incurred if it should attempt to develop comparable information through their own staff.

One or more of the other investment companies or accounts that our Advisor manages may own from time to time some of the same investments as us. Investment decisions for us are made independently from those of other investment companies or accounts; however, from time to time, the same investment decision may be made for more than one company or account. When two or more companies or accounts seek to purchase or sell the same securities, the securities actually purchased or sold will be allocated among the companies and accounts on a good faith equitable basis by our Advisor in its discretion in accordance with the accounts' various investment objectives. In some cases, this system may adversely affect the price or size of the position obtainable for us. In other cases, however, our ability to participate in volume transactions may produce better execution for us. It is the opinion of our board of directors that this advantage, when combined with the other benefits available due to our Advisor's organization, outweigh any disadvantages that may be said to exist from exposure to simultaneous transactions.

For the period from November 13, 2013 (commencement of operations) through December 31, 2013, we paid no brokerage commissions. No brokerage commissions were paid to broker-dealers that were affiliated persons of the Advisor ("affiliated brokers") in connection with portfolio transactions.

For the period from November 13, 2013 (commencement of operations) through December 31, 2013, our portfolio turnover rate was 81%. In addition, for the six-month period ended June 30, 2014, our portfolio turnover rate was 23%. It is not our policy to engage in transactions with the objective of seeking profits from short-term trading. It is expected that our annual portfolio turnover rate will be less than 20%. Because it is difficult to predict accurately portfolio turnover rates, actual turnover may be significantly higher or lower. Higher portfolio turnover results in increased costs, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of securities and on the reinvestment in other securities.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Persons or organizations beneficially owning 25% or more of our outstanding shares could be presumed to "control" us. As a result, those persons or organizations could have the ability to take action without the consent or approval of other stockholders. As of July 14, 2014, Cede & Co. held approximately 99.91% of our outstanding voting securities. Cede & Co. is the nominee name for The Depository Trust Company, a large clearing house that holds shares in its name for banks, brokers and institutions in order to expedite the sale and transfer of stock. To our knowledge, as of the same date, no other person or entities owned of record or beneficially more than 5% of our outstanding voting securities. Additionally, as of the same date, none of our directors and officers owned individually and together in excess of 1% of our outstanding shares.

DESCRIPTION OF COMMON STOCK

The following descriptions of our shares, certain provisions of Delaware law and certain provisions of our certificate of incorporation and our bylaws are summaries and are qualified by reference to Delaware law and our certificate of incorporation and bylaws, copies of which are available from us upon request.

General

Our certificate of incorporation provides that our board of directors (without any further vote or action by our stockholders) may cause us to issue up to 40,000,000 shares of common stock, par value $0.001 per share, and up to 10,000,000 shares of undesignated preferred stock, par value $0.001 per share. As of the date of this SAI, there are 4,698,011 shares of common stock outstanding and no shares of preferred stock outstanding. All references to "stock" or "shares" herein refer to common stock, unless otherwise indicated. Each share of common stock has equal voting, dividend, distribution and liquidation rights. The shares outstanding are, and, when issued, the shares offered by the prospectus will be, fully paid and non-assessable. Shares are not redeemable and have no preemptive, conversion or cumulative voting rights. The number of shares outstanding as of June 30, 2014 was 4,698,011.

Common Stock

Voting Rights

The holders of common stock are entitled to one vote per share held of record on all matters submitted to a vote of our stockholders. Generally, except with respect to extraordinary corporate transactions, certain amendments to our certificate of incorporation, liquidation and the election and removal of directors, all matters to be voted on by our stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes cast by all common stock present in person or represented by proxy. Extraordinary corporate transactions, liquidation and the removal of directors for cause must be approved by at least a majority of the votes entitled to be cast by our stockholders generally in the election of directors. See "—Certificate of Incorporation and Bylaws—Amendment of Our Certificate of Incorporation and Bylaws" for a discussion of approval rights with regard to such amendments.

Dividend Rights

Holders of common stock share ratably (based on the number of shares of common stock held) in any dividend declared by our board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any preferred stock we may issue in the future.

Preemptive Rights

No holder of common stock is entitled to preemptive, redemption or conversion rights, sinking fund or cumulative voting rights.

Liquidation Rights

Upon our dissolution, liquidation or winding up, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common stock are entitled to receive an equal amount per share of all our remaining assets available for distribution.

Listing

Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol "BANX."

Preferred Stock

Under our certificate of incorporation, our board of directors (without any further vote or action by our stockholders) is authorized to provide for the issuance from time to time of up to 10,000,000 shares of preferred stock consisting of one or more classes or series of preferred stock. Unless required by law or by any stock exchange, if applicable, any such authorized preferred stock will be available for issuance without further action by our common stockholders. Our board of directors is authorized to fix the number of shares, the relative powers, preferences and rights, and the qualifications, limitations or restrictions applicable to each class or series thereof by resolution authorizing the issuance of such class or series. As of the date of this offering, no preferred stock is outstanding and we have no current plans to issue any preferred stock.

We may issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of holders of common stock might believe to be in their best interests or in which holders of common stock might receive a premium for their common stock.

The Investment Company Act requires that the total aggregate liquidation value and outstanding principal amount of all our preferred stock and debt securities not exceed 50% of the amount of our total assets (including the proceeds of preferred stock and debt securities) less liabilities and indebtedness not represented by our preferred stock and debt securities.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N. A.

Certificate of Incorporation and Bylaws

Organization and Duration

We were formed on February 7, 2013 as StoneCastle Financial Corp., and will remain in existence until dissolved in accordance with our certificate of incorporation.

Purpose

Under our certificate of incorporation, we are permitted to engage in any business activity that lawfully may be conducted by a corporation organized under Delaware law and, in connection

therewith, to exercise all of the rights and powers conferred upon us pursuant to the agreement relating to such business activity.

Duties of Officers and Directors

Our certificate of incorporation provides that, except as may otherwise be provided by the certificate of incorporation or by our bylaws, our property, affairs and business shall be managed under the direction of our board of directors. Pursuant to our bylaws, our board of directors has the power to appoint our officers and such officers have the authority and exercise the powers and perform the duties specified in our bylaws or as may be specified by our board of directors.

Our certificate of incorporation provides that we indemnify our directors and officers for acts or omissions to the fullest extent permitted by law. Under the Delaware General Corporation Law ("DGCL"), a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation and, in a criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful.

Size and Election of Board of Directors

Our certificate of incorporation and bylaws provide that the number of directors may be established, increased or decreased by our board of directors but may not be fewer than one. Our certificate of incorporation will provide that our board of directors is divided into three classes. Each class of directors will hold office for a three-year term. The initial members of the three classes have staggered terms of one, two and three years, respectively. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualified. Except as may be provided by our board of directors in setting the terms of any class or series of preferred stock, any and all vacancies on our board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred and until a successor is elected and qualifies.

Removal of Members of Our Board of Directors

The DGCL provides that directors may be removed, but only for cause, by an affirmative vote of at least a majority of the votes entitled to be cast by our stockholders generally in the election of our directors. Our certificate of incorporation states that directors may be removed at any time, but only for cause, by at least two-thirds of the votes entitled to be cast by our stockholders generally in the election of our directors.

Advance Notice of Director Nominations and New Business

Our certificate of incorporation provides that special meetings of stockholders may only be called by our board of directors, the chairman of our board of directors or our chief executive officer.

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to our board of directors and the proposal of business to be considered by stockholders may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of our board of directors or (iii) by any stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws. Our bylaws provide that with respect to meetings of our stockholders, only the business specified in our notice of meeting may be brought before the meeting, and nominations of persons for election to our board of directors may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of our board of directors or (iii) *provided* that our board of directors has determined that directors shall be elected at the meeting, by any stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws.

The purpose of requiring stockholders to give advance notice of nominations and other proposals is to afford our board of directors the opportunity to consider the qualifications of the proposed nominees or the advisability of the other proposals and, to the extent considered necessary by our board of directors, to inform stockholders and make recommendations regarding the nominations or other proposals. The advance notice procedures also permit a more orderly procedure for conducting our stockholder meetings.

Limitations on Liability and Indemnification of Our Directors and Officers

Our certificate of incorporation provides that our directors will not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the DGCL. Our bylaws provide that our directors, officers, employees and agents, as well as persons serving as a director, officer, partner, trustee, member, manager, employee or agent of another enterprise at our request, will be indemnified, and may have their expenses of defense advanced, in each case to the full extent permitted under the DGCL.

The DGCL empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a

director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if (i) such person acted in good faith, (ii) in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and (iii) with respect to any criminal action or proceeding, such person had no reasonable cause to believe the person's conduct was unlawful.

The DGCL further empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the corporation, and except that no indemnification may be made in respect of any claim, issue or matter as to which such person has been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court deems proper.

To the extent a present or former director or officer is successful in the defense of any action, suit or proceeding noted above, or in defense of any claim, issue or matter therein, such person will be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with such action, suit or proceeding. We are further authorized to pay expenses incurred by an officer or director in advance of the final disposition of a proceeding upon our receipt of an undertaking by or on behalf of the person to whom the advance will be made, to repay the advances if it is ultimately determined that he or she was not entitled to indemnification.

Amendment of Our Certificate of Incorporation and Bylaws

Amendments to our certificate of incorporation may be proposed only by or with the consent of our board of directors. To adopt a proposed amendment, our board of directors is required to seek written approval of the holders of the number of shares required to approve the amendment or call a meeting of our stockholders to consider and vote upon the proposed amendment. Generally, an amendment must be approved by at least a majority of the votes entitled to be cast by our stockholders

generally in the election of directors and, in general, to the extent that such amendment would have a material adverse effect on the holders of any class or series of shares, by the holders of a majority of the holders of such class or series. Amendments pertaining to removal of directors, indemnification of directors or amendment of the certificate of incorporation or bylaws, however, require the approval of the holders of two-thirds of our voting stock then outstanding.

Our board of directors has the power to adopt, alter or repeal our bylaws. Our certificate of incorporation provides that our stockholders may adopt, alter or repeal our bylaws upon approval of at least two-thirds of the common stock then outstanding.

Merger, Sale or Other Disposition of Assets

Our board of directors is generally prohibited, without the prior approval of at least a majority of the votes entitled to be cast by our stockholders generally in the election of directors, from causing us to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, or approving on our behalf the sale, exchange or other disposition of all or substantially all of our assets, *provided* that our board of directors may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets without the approval of any stockholder.

Termination and Dissolution

Our existence is perpetual unless we are dissolved as provided by the DGCL.

Books and Reports

We are required to keep appropriate books of our business at our principal offices. The books will be maintained for both tax and financial reporting purposes a basis that permits the preparation of financial statements in accordance with US GAAP. For financial reporting purposes and tax purposes, our fiscal year and our tax year are the calendar year, unless otherwise determined by our board of directors in accordance with the Code.

We are required to file periodic reports, proxy statements and other information with the SEC. This information will be available at the SEC's public reference room in Washington, D.C. and on the SEC's website at www.sec.gov.

Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws

The following is a summary of certain provisions of our certificate of incorporation and bylaws that may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including those attempts that might result in a premium over the market price for the interests held by stockholders.

Authorized but Unissued Stock

Our certificate of incorporation provides for authorized but unissued shares that our board of directors may use without the approval of any holders of our shares. Future issuances of common or preferred stock may be utilized for a variety of purposes, including future public offerings to raise additional capital, acquisitions and employee benefit plans. Our ability to issue additional shares and other equity securities could render more difficult or discourage an attempt to obtain control over us by means of a proxy contest, tender offer, merger or otherwise.

Delaware Business Combination Statute—Section 203

Some provisions of the DGCL law may delay or prevent a transaction that would cause a change in our control. Section 203 of the DGCL, which restricts certain business combinations with interested stockholders in certain situations, generally applies to a corporation unless otherwise set forth in the corporation's certificate of incorporation. We have not opted out of Section 203. In general, this statute prohibits a publicly held Delaware corporation from engaging in a business combination with an

interested stockholder for a period of three years after the date of the transaction by which that person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an interested stockholder is a person who, together with affiliates and associates, owns, or within three years prior, did own, 15% or more of voting stock.

Classified Board of Directors

Our board of directors is divided into three classes of directors serving staggered three-year terms, with the term of office of only one of the three classes expiring each year. A classified board of directors may render a change in control of us or removal of our incumbent management more difficult. This provision could delay for up to two years the replacement of a majority of our board of directors. We believe, however, that the longer time required to elect a majority of a classified board of directors helps to ensure the continuity and stability of our management and policies.

Number of Directors; Removal; Vacancies

Our certificate of incorporation provides that the number of directors will be set only by our board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. Under the DGCL, unless the certificate of incorporation provides otherwise (which our certificate of incorporation does not), directors on a classified board of directors such as our board of directors may be removed only for cause by a majority vote of our stockholders. Under our certificate of incorporation and bylaws, any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of the directors then in office. The limitations on the ability of our stockholders to remove directors and fill vacancies could make it more difficult for a third-party to acquire, or discourage a third-party from seeking to acquire, control of us.

Advance Notice Bylaw

Our bylaws provide that, in order for any matter to be considered properly brought before a meeting or for a stockholder to nominate a candidate for director, a stockholder must comply with requirements regarding advance notice to us, including the timing of such notice and the information that such notice must contain. Our certificate of incorporation provides that stockholders may not act by written consent without a meeting of stockholders. These provisions could delay until the next stockholders' meeting stockholder actions which are favored by the holders of a majority of our outstanding voting securities. These provisions may also discourage another person or entity from making a tender offer for our common stock, because such person or entity, even if it acquired a majority of our outstanding voting securities, would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders meeting, and not by written consent. Furthermore, stockholders do not have the ability to call a special meeting.

Amendment of Our Certificate of Incorporation and Bylaws

The DGCL generally provides that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws requires a greater percentage. Under our certificate of incorporation, the affirmative vote of the holders of at least 66 2/3% of the shares of our capital stock entitled to vote will be required to amend or repeal any of the provisions of our bylaws or certain provisions of our certificate of incorporation. In addition, our certificate of incorporation permits our board of directors to amend or repeal our bylaws by a majority vote of the board of directors.

NET ASSET VALUE

We determine and publish the NAV of our common stock on at least a quarterly basis and at such other times as our board of directors may determine. Our NAV equals the value of our total assets (the value of the securities held plus cash or other assets, including interest accrued but not yet received) less: all of our liabilities and including (i) accrued expenses; (ii) accumulated and unpaid dividends on any outstanding preferred stock; (iii) the aggregate liquidation preference of any outstanding preferred stock; (iv) accrued and unpaid interest payments on any outstanding indebtedness; (v) the aggregate principal amount of any outstanding indebtedness; and (vi) any distributions payable on our common stock. The NAV per share of common stock equals our NAV divided by the number of outstanding shares of common stock.

We determine fair value of our assets and liabilities in accordance with valuation procedures adopted by our board of directors. Generally we seek to obtain market quotes from independent parties for each of our investors. Our board of directors will utilize the services of one or more regionally or nationally recognized independent valuation firms to help it determine the value of each investment for which a market price is not available. The board of directors will also review valuations of such investments provided by the Advisor. Securities for which market quotations are readily available shall be valued at "market value." If a market value cannot be obtained or if our Advisor determines that the value of a security as so obtained does not represent a fair value as of the measurement date (due to a significant development subsequent to the time its price is determined or otherwise), fair value for the security shall be determined pursuant to the methodologies established by our board of directors. The board of directors will regularly review and evaluate our valuation methodology and any such valuation service it uses and the historical accuracy of such valuation methodologies. The board of directors also reviews valuations of such investments provided by the Advisor and assigns the valuation they determine to best represent the fair value of such investments.

- The fair value for publicly-traded equity securities and equity-related securities will be determined by using readily available market quotations from the principal market, if available. For equity and equity-related securities that are freely tradable and listed on a securities exchange or over the counter market, fair value will be determined using the last sale price on that exchange or over-the-counter market on the measurement date. If the security is listed on more than one exchange, we will use the price of the exchange that we consider to be the

principal exchange on which the security is traded. If a security is traded on the measurement date, then the last reported sale price on the exchange or over-the-counter ("OTC") market on which the security is principally traded, up to the time of valuation, will be used. If there were no reported sales on the security's principal exchange or OTC market on the measurement date, then the average between the last bid price and last asked price, as reported by the pricing service, will be used. We will obtain direct written broker-dealer quotations if a security is not traded on an exchange or quotations are not available from an approved pricing service.

- An equity security of a publicly traded company acquired in a private placement transaction is subject to restrictions on resale that can affect the security's liquidity and fair value. Such securities that are convertible into publicly traded common stock or securities that may be sold pursuant to Rule 144, shall generally be valued based on the fair value of the freely tradable common stock counterpart, less an applicable discount. Generally, the discount will initially be equal to the discount at which we purchased the securities. To the extent that such securities are convertible or otherwise become freely tradable within a time frame that may be reasonably determined, an amortization schedule may be determined for the discount.
- Our board of directors may use the services of a nationally recognized independent valuation firm to aid it in determining the fair value of these securities. The methods for valuing these securities may include: fundamental analysis (sales, income, or earnings multiples, etc.), discounts from market prices of similar securities, purchase price of securities, subsequent private transactions in the security or related securities, or discounts applied to the nature and duration of restrictions on the disposition of the securities, as well as a combination of these and other factors. Because such valuations,

and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time, and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

- Fixed income securities (other than the short-term securities as described below) are valued by (i) using readily available market quotations based upon the last updated sale price or a market value from an approved pricing service generated by a pricing matrix based upon yield data for securities with similar characteristics; or (ii) by obtaining a direct written broker-dealer quotation from a dealer who has made a market in the security. A fixed income security acquired in a private placement transaction without registration is subject to restrictions on resale that can affect the security's liquidity and fair value. Among the various factors that can affect the value of a privately placed security are (i) whether the issuing company has freely trading fixed income securities of the same maturity and interest rate (either through an initial public offering or otherwise); (ii) whether the company has an effective registration statement in place for the securities; and (iii) whether a market is made in the securities.
- Short-term securities, including bonds, notes, debentures and other fixed income securities and money market instruments such as certificates of deposit, commercial paper, bankers' acceptances and obligations of domestic and foreign banks, with remaining maturities of 60 days or less, for which reliable market quotations are readily available are valued on an amortized cost basis at current market quotations as provided by an independent pricing service or principal market maker. Short-term securities normally will be valued at amortized cost unless market condition or other factors lead to a determination of fair value at a different amount.
- Other assets, including equity investments for which there is no market, will be valued at market value pursuant to written valuation procedures adopted by our board of directors, or if a market value cannot be obtained (including with respect to classes of investments noted above) or if our Advisor determines that the value of a security as so obtained does not represent a fair value as of the measurement date (due to a significant development subsequent to the time its price is determined or otherwise), fair value shall be determined pursuant to the methodologies established by our board of directors. In making these determinations, our board of directors intends to engage an independent valuation firm from time to time to assist in determining the fair value of our investments. The methods for valuing these investments may include fundamental analysis, discounts from market prices of similar securities, purchase price of securities, subsequent private transactions in the security or related securities, or discounts applied to the nature and duration of restrictions on the disposition of the securities, as well as a combination of these and other factors. We intend for such a third-party valuation firm to provide valuation advice with respect to approximately 25% of our investment portfolio each quarter.

Valuations of public company securities determined pursuant to fair value methodologies will be presented to our board of directors or a designated committee thereof for approval at the next regularly scheduled meeting of the board of directors. See "Risk Factors— Risks Related to Our Advisor and/or its Affiliates" in the prospectus.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the material U.S. federal income tax considerations relating to the acquisition, holding and disposition of our common stock. For purposes of this section, under the heading "U.S. Federal Income Tax Considerations," references to "we," "us" or "our" mean only StoneCastle Financial Corp. and not any subsidiaries or other lower-tier entities that we may organize or invest in, except as otherwise indicated. This summary is based upon the Code, the regulations promulgated by the U.S. Treasury Department ("Treasury regulations"), current administrative interpretations and practices of the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as currently in effect and all of which may be subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. No advance ruling has been or will be sought from the IRS regarding any matter discussed in this summary. This summary does not purport to discuss all aspects of U.S. federal income taxation that may be important to stockholders subject to special tax rules, such as:

- former U.S. citizens or long-term residents subject to Code section 877 or section 877A;
- persons who mark-to-market our common stock;
- subchapter S corporations;
- U.S. Stockholders (as defined below) whose functional currency is not the U.S. Dollar;
- financial institutions;
- insurance companies;
- broker-dealers;

- trusts and estates;
- holders who receive our common stock through the exercise of employee stock options or otherwise as compensation;
- persons holding our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment; and
- tax-exempt organizations.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of such partnership. A partner of a partnership holding our common stock should consult its tax adviser regarding the U.S. federal income tax consequences to the partner of the acquisition, ownership and disposition of our common stock by the partnership.

This summary assumes that stockholders will hold our common stock as capital assets, which generally means as property held for investment. This discussion does not address U.S. estate and gift tax rules, U.S. state or local taxation, the alternative minimum tax, or foreign taxes.

For purposes of the following discussion, a "U.S. Stockholder" is a stockholder that is (i) a citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation) created or organized under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (a) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (b) it has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. A "Non-U.S. Stockholder" is a person that is neither a U.S. Stockholder nor an entity treated as a partnership for U.S. federal income tax purposes.

THE U.S. FEDERAL INCOME TAX TREATMENT OF OUR STOCKHOLDERS DEPENDS IN SOME INSTANCES ON DETERMINATIONS OF FACT AND INTERPRETATIONS OF COMPLEX PROVISIONS OF U.S. FEDERAL INCOME TAX LAW. IN ADDITION, THE TAX CONSEQUENCES OF HOLDING OUR COMMON STOCK TO ANY PARTICULAR STOCKHOLDER WILL DEPEND ON THE STOCKHOLDER'S PARTICULAR TAX CIRCUMSTANCES. YOU ARE URGED TO CONSULT YOUR TAX

ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES TO YOU, IN LIGHT OF YOUR PARTICULAR CIRCUMSTANCES, OF HOLDING AND DISPOSING OF OUR COMMON STOCK.

Qualification as a RIC

We have [elected to be treated], and intend to comply with the requirements to qualify annually, as a RIC under Subchapter M of the Code. In order to qualify as a RIC, we must be registered as a management company under the Investment Company Act at all times during each taxable year and meet (i) an income test, (ii) a diversification/asset test and (iii) certain distribution requirements. Failure to meet any of these requirements would disqualify us from RIC tax treatment for the entire year. However, in certain situations we may be able to take corrective action which would allow us to remain qualified as a RIC.

The Income Test. At least 90% of our gross income in each taxable year must be derived from dividends; interest; payments with respect to securities loans; gains from the sale or other disposition of stock, securities or foreign currencies; other income (including gains from options, futures or forward contracts) derived with respect to our business of investing in such stock, securities or currencies; or net income from a "qualified publicly traded partnership."

The Diversification/Asset Test. At the end of each quarter of our taxable year, at least 50% of the value of our assets must be invested in cash and cash items (such as receivables); government securities; securities of other RICs; and securities of other issuers, provided that no investment in any such issuer exceeds 5% of the value of our assets or 10% of the issuer's outstanding voting securities. In addition, at the end of each quarter of our taxable year, generally no more than 25% of the value of our assets may be invested in (i) the securities (other than U.S. Government securities or the securities of other RICs) of any one issuer, (ii) the securities (other than the securities of other RICs) of any two or more issuers that we control (i.e., ownership of 20% or more of the total combined voting power of all classes of stock entitled to vote) and that are engaged in the same or related trades or businesses or (iii) the securities of one or more qualified publicly traded partnerships.

Distribution Requirements. Our deduction for dividends paid to our stockholders during the taxable year must equal or exceed 90% of the sum of (i) our investment company taxable income (which includes, among other items, dividends, interest and the excess of any net short-term capital gain over net long-term capital loss and other taxable income, other than any net capital gain (excess of net long-term capital gain over net short-term capital loss), reduced by deductible expenses) determined without regard to the deduction for dividends paid, and (ii) our net tax-exempt interest, if any (the excess of our gross tax-exempt interest over certain disallowed deductions).

Taxation of a RIC

RICs generally are not subject to U.S. corporate income tax on the part of their net ordinary income and net realized capital gains that they distribute to their stockholders, provided that they comply with the requirements to be a RIC and meet applicable distribution requirements.

Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% excise tax at the RIC level. To avoid the tax, we must distribute during each calendar year an amount at least equal to the sum of (i) 98% of our ordinary income (taking into account certain deferrals and elections) for the calendar year, (ii) 98.2% of our capital gains in excess of our capital losses (adjusted for certain ordinary losses) for the one-year period ending on the last day of our taxable year (or October 31st, if applicable) and (iii) certain undistributed amounts from previous years on which we paid no U.S. federal income tax. While we intend to distribute any income and capital gain in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of our taxable income and capital gain will be distributed to avoid entirely the imposition of the tax. In that event, we will be liable for the tax only on the amount by which we do not meet the foregoing distribution requirement.

A RIC is limited in its ability to deduct expenses in excess of its "investment company taxable income" (which is, generally, ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses). If our expenses in a given year exceed our investment company taxable income, we would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years and such net operating losses do not pass through to its stockholders. In addition, expenses can be used only to offset investment company taxable income, not net capital gain (excess of net long-term capital gain over net short-term capital loss). A RIC may not use any net capital losses (that is, realized capital losses in excess of realized capital gains) to offset the RIC's investment company taxable income, but may carry forward such losses, and use them to offset capital gains, indefinitely. Due to these limits on the deductibility of expenses and net capital losses, we could for tax purposes have aggregate taxable income that we are required to distribute and that is taxable to our stockholders even if such income is greater than the aggregate net income we actually earned during those years.

Similarly, we may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind interest or, in certain cases, increasing interest rates or that were issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the distribution requirements, even though we will not have received any corresponding cash amount.

As a RIC, we will be subject to the alternative minimum tax, or "AMT." Any items that are treated differently for AMT purposes must be apportioned between us and our U.S. Stockholders, and this may affect the U.S. Stockholders' AMT liabilities. Although Treasury regulations explaining the precise method of apportionment have not yet been issued, such items will generally be apportioned in the same proportion that dividends paid to each U.S. Stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless a different method for a particular item is warranted under the circumstances.

Taxation of a U.S. Stockholder

Distributions. Distributions by a RIC generally are taxable to U.S. Stockholders as ordinary income or capital gains.

Distributions of our "investment company taxable income" (which is, generally, our ordinary income plus net short-term capital gains in excess of net long-term capital losses) will be taxable as ordinary income to U.S. Stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional shares of common stock. However, distributions to noncorporate stockholders attributable to dividends received by us from U.S. and certain foreign corporations will generally be eligible for the maximum federal income tax rate of 20% applicable to qualified dividend income, as long as certain other requirements are met. For these lower rates to apply, the noncorporate stockholders must have owned our shares for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date and we must also have owned the underlying stock for this same period beginning 60 days before the ex-dividend date for the stock. The amount of our distributions that otherwise qualify for these lower rates may be reduced as a result of our securities lending activities or a high portfolio turnover rate and may also be reduced as a result of certain derivative transactions entered into by us.

Distributions derived from our dividend income that would be eligible for the dividends received deduction if we were not a RIC may be eligible for the dividends received deduction for corporate stockholders. The dividends received deduction, if available, is reduced to the extent the shares with respect to which the dividends are received are treated as debt-financed under federal income tax law and is eliminated if the shares are deemed to have been held for less than a minimum period, generally 46 days. The dividends received deduction also may be reduced as a result of our securities lending

activities or a high portfolio turnover rate or as a result of certain derivative transactions entered into by us.

Distributions of our net capital gains (which is generally our net long-term capital gains in excess of net short-term capital losses) properly designated by us as "capital gain dividends" will be taxable to a non-corporate U.S. Stockholder (including individuals) as long-term capital gains which are generally subject to a maximum federal income tax rate of 20%, to the extent of our current or accumulated earnings and profits, regardless of the U.S. Stockholder's holding period for his, her or its stock and regardless of whether paid in cash or reinvested in additional stock. Distributions in excess of our earnings and profits first will reduce a U.S. Stockholder's adjusted tax basis in our stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. Stockholder. Such capital gain will be long-term capital gain and thus will be generally taxed at a maximum federal income tax rate of 20%, if the distributions are attributable to stock held for more than one year by a non-corporate U.S. Stockholder (including individuals).

If we designate any of our retained capital gains as a deemed distribution, we will pay tax on the retained amount, and each U.S. Stockholder will be required to include the U.S. Stockholder's share of the deemed distribution in income as if it had been actually distributed to the U.S. Stockholder. The U.S. Stockholder may be entitled to claim a credit equal to the U.S. Stockholder's allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. Stockholder's tax basis for his, her or its common stock. Since we expect to pay tax on any retained capital gains at our regular corporate tax rate, and since that rate is in excess of the maximum rate currently payable by non-corporate U.S. Stockholders (including individuals) on long-term capital gains, the amount of tax that non-corporate U.S. Stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. Stockholder's other federal income tax obligations or may be refunded to the extent it exceeds a stockholder's liability for federal income tax. A stockholder that is not subject to U.S. federal income tax or otherwise required to file a federal income tax return would be required to file a federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year.

For purposes of determining (i) whether the distribution requirements are satisfied for any year and (ii) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U. S. Stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. Stockholders on December 31 of the year in which the dividend was declared.

Sale of Stock. Upon the sale, exchange or other taxable disposition of our common stock, a U.S. Stockholder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the U.S. Stockholder's adjusted tax basis in our stock. Any such capital gain or loss will generally be a long-term capital gain or loss if the U. S. Stockholder has held the stock for more than one year at the time of disposition and such shares of common stock are held as capital assets. Otherwise, the gain would be classified as short-term capital gain. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less (determined by applying the holding period rules contained in Code Section 852(b)(4)(C)) will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such stock. In addition, all or a portion of any capital loss arising from the sale or disposition of shares of our common stock may be disallowed to the extent the U.S. Stockholder acquires other shares of our common stock (through reinvestment of dividends or otherwise) within 30 days before or after the sale or disposition. In such case, any disallowed loss is generally added to the U.S. Stockholder's adjusted tax basis of the acquired stock.

Long-term capital gains of non-corporate U.S. Stockholders (including individuals) are generally subject to U.S. federal income taxation at a maximum rate of 20%. The deductibility of capital losses is subject to limitations under the Code.

Dividend Reinvestment Plan. Under the dividend reinvestment plan, if a U.S. Stockholder's common stock is registered directly with us or with a brokerage firm that participates in our Plan, the U.S. Stockholder will have all cash distributions automatically reinvested in additional shares of common stock unless the U.S. stockholder opts out of the dividend reinvestment plan. See "Dividend Reinvestment Plan" in the prospectus. Any distributions reinvested under the Plan will nevertheless remain taxable to the U.S. stockholder. To the extent that a U.S. stockholder receives distributions in the form of additional shares of our common stock purchased in the market, the U.S. stockholder should be treated for U.S. federal income tax purposes as receiving a distribution in an amount equal to the amount of money that the stockholders receiving cash distributions will receive, and should have a cost basis in the shares received equal to such amount. To the extent that a U.S. stockholder receives a distribution in newly issued shares of our common stock, the U.S. stockholder should be treated as receiving a distribution equal to the fair market value of the shares received on the date of the distribution, and should have a cost basis in the shares received equal to such amount. The additional shares of common stock will have a new holding period commencing on the day following the day on which the stock is credited to the U.S. Stockholder's account.

Tax on Net Investment Income. Non-corporate U.S. Stockholders (including individuals) whose income exceeds certain thresholds are subject to a 3.8% tax on "net investment income," subject to certain limitations and exceptions. For this purpose, net investment income generally includes dividends and capital gains from the sale or other disposition of stock, such as our common stock, including qualified dividend income and long-term capital gains that are generally subject to the 20% maximum federal income tax rate otherwise applicable to such income. U.S. Stockholders should consult their tax advisers regarding the effect, if any, of this tax on their ownership and disposition of our stock.

Taxation of a Non-U.S. Stockholder

Distributions. Distributions by us will be treated as dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Dividends paid to a Non-U.S. Stockholder generally will be subject to U.S. withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. If a Non-U.S. Stockholder is eligible for a reduced rate of withholding tax under an applicable tax treaty, the Non-U.S. Stockholder will be required to provide an applicable IRS Form W-8 certifying its entitlement to benefits under the treaty in order to obtain a reduced rate of withholding tax. However, if the distributions are effectively connected with a U.S. trade or business of the Non-U.S. Stockholder (or, if an income tax treaty applies, attributable to a permanent establishment in the United States of the Non-U.S. Stockholder), then the distributions will be subject to U.S. federal income tax at the rates applicable to U.S. persons, plus, in certain cases where the Non-U.S. Stockholder is a corporation, a branch profits tax at a 30% rate (or lower rate provided in an applicable treaty). If the Non-U.S. Stockholder is subject to such U.S. income tax on distribution, then we are not required to withhold U.S. federal tax if the Non-U.S. Stockholder complies with applicable certification and disclosure requirements. Special certification requirements apply to a Non-U.S. Stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisers.

Code section 871(k) (scheduled to expire for taxable years of RICs beginning after December 31, 2013) provides certain "look-through" treatment to Non-U.S. Stockholders, permitting interest-related dividends and short-term capital gains not to be subject to U.S. withholding tax. If this temporary "look-through" rule is extended, then dividends that are designated as interest income and net short-term capital gain will not be subject to U.S. withholding tax. However, even if the rule is extended, depending on the circumstances, we may designate all, some or none of our potentially eligible dividends as eligible for the exemption, and a portion of our distributions (e.g. interest from non-U.S. sources or any foreign currency gains) would be ineligible for this potential exemption. If the temporary "look-through" rule is not extended, then all dividends (including interest income and the

excess of net short-term capital gain over net long-term capital losses) will generally be subject to U.S. withholding tax as discussed in the preceding paragraph.

If the amount of a distribution exceeds our current and accumulated earnings and profits, such excess will be treated for U.S. federal income tax purposes as a tax-free return of capital to the extent of the Non-U.S. Stockholder's tax basis in our common stock. To the extent that any distribution received by a Non-U.S. Stockholder exceeds the Non-U.S. Stockholder's tax basis in our common stock and our current and accumulated earnings and profits, the excess will be treated as gain from the sale of the common stock and will be taxed as described in "Sales of Stock" below.

Sales of Stock. A Non-U.S. Stockholder generally will not be subject to U.S. federal income tax on gain realized on the sale, exchange or other non-redemption disposition of our common stock, unless (i) the gain is effectively connected with a trade or business of the Non-U.S. Stockholder in the United States (or, if the Non-U.S. Stockholder is eligible for the benefits of a U.S. tax treaty, the gain is attributable to a permanent establishment in the United States of the Non-U.S. Stockholder); (ii) the Non-U.S. Stockholder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and who has a "tax home" in the United States; or(iii) we are or have been a U.S. real property holding corporation at any time within the five-year period preceding the date of disposition of our common stock or, if shorter, within the period during which the Non-U.S. Stockholder has held our common stock. Generally, a corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests, as defined in the

Code and applicable regulations, equals or exceeds 50% of the aggregate fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. We do not expect to be treated as a U.S. real property holding corporation.

Dividend Reinvestment Plan. Under the dividend reinvestment plan, if a Non-U.S. Stockholder's common stock is registered directly with us or with a brokerage firm that participates in our Plan, the Non-U.S. Stockholder will have all cash distributions automatically reinvested in additional shares unless the Non-U.S. Stockholder opts out of the Plan. If the distribution is a distribution of our investment company taxable income, is not designated by us as a short-term capital gain dividend or interest-related dividend (if applicable and to the extent that the temporary "look-through" rule described above is extended), and is not effectively connected with a U.S. trade or business of the Non-U.S. Stockholder (or, if required by an applicable income tax treaty, is not attributable to a U.S. permanent establishment of the Non-U.S. Stockholder), the amount distributed (to the extent of our current or accumulated earnings and profits) will be subject to withholding of federal income tax at a 30% rate (or lower rate provided by an applicable income tax treaty) and only the net after-tax amount will be reinvested in our shares. If the distribution is effectively connected with a U.S. trade or business of the Non-U.S. Stockholder (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the Non-U.S. Stockholder), the full amount of the distribution generally will be reinvested in our common stock and will nevertheless be subject to federal income tax at the ordinary income rates applicable to U.S. persons. The Non-U.S. Stockholder will have an adjusted tax basis in the additional shares of our common stock purchased through the plan equal to the amount of the reinvested distribution. The additional shares of our common stock will have a new holding period commencing on the day following the day on which the shares of our common stock are credited to the Non-U.S. Stockholder's account.

FATCA

Under Code sections 1471 through 1474 (the Foreign Account Tax Compliance Act, or "FATCA"), a person who makes a withholdable payment (as defined in Code Section 1473) to a foreign financial institution ("FFI") or a non-financial foreign entity ("NFFE") must withhold at a 30% rate unless the FFI or NFFE meets certain requirements or provides certain information to the U.S. person making the payment. Withholdable payments generally include fixed or determinable annual or periodical ("FDAP") payments (such as our dividends) and gross proceeds from the sale or other disposition of any property of a type which can produce U.S.-source interest or dividends (such as our stock) and certain capital gain dividends. FATCA withholding on U.S.-source FDAP payments (such as our dividends) is generally scheduled to commence July 1, 2014, and FATCA withholding on payments of gross proceeds (such as sales of our common stock) is generally scheduled to commence January 1,

2017. As a result of FATCA, we are likely to require certain information, representations or both from stockholders that are considered FFIs or NFFEs in order for them to avoid withholding under FATCA.

Because of the fact-specific impact of the applicable U.S. tax rules and their interaction with tax treaties, Non-U.S. Stockholders are urged to consult their own tax adviser regarding the U.S. federal income tax and estate tax consequences of the holding, sale, exchange or other disposition of our common stock.

Backup Withholding

We are required in certain circumstances to backup withhold on certain payments paid to non-corporate stockholders of our common stock who do not furnish us with their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

Failure to Qualify or Maintain Status as a RIC

If, in any taxable year, we fail to qualify as a RIC, we would be taxed in the same manner as a regular, or "C," corporation and our stockholders would be taxed as stockholders in such as regular, or "C," corporation.

The Company

If we were to fail to qualify as a RIC, we would be subject to U.S. federal income tax on our taxable income at the graduated rates applicable to corporations, currently at a maximum rate of 35%. We would generally recognize gain or loss on the sale, exchange or other taxable disposition of an equity security equal to the difference between the amount we realize on the sale, exchange or other taxable disposition and our adjusted tax basis in such equity security. To the extent that we had a net capital loss in any tax year, the net capital loss could be carried back three years and forward five years to reduce our capital gains, subject to certain limitations. Unlike capital gains realized by individuals which may be eligible for preferential tax rates, our net capital gain generally would be subject to U.S. federal income tax at the regular graduated corporate rates. Although we generally would be subject to tax on the dividends, interest, and other income we receive from our investments, we would be taxed on only a portion (generally 30%) of the dividends we receive that are eligible for the dividends received deduction of section 243 of the Code, subject to the restrictions of sections 246 and 246A of the Code. In particular, to the extent that any of our borrowings caused us to hold "debt financed portfolio stock" subject to the rules of section 246A of the Code, the dividends received deduction (generally 70%) would be reduced to reflect the proportion of debt financed portfolio stock.

If we elect to become a RIC after operating as a C corporation, either because we do not qualify as a RIC in our first taxable year or because we fail to maintain RIC status following an election, that election to become a RIC will have U.S. federal income tax consequences to us and our stockholders. First, RICs are not permitted to have any earnings and profits that preceded their becoming a RIC. Accordingly, pursuant to section 852(a)(2) of the Code, we will be required to distribute all of our earnings and profits to our stockholders prior to becoming a RIC. This may result in larger distributions, and more taxable income to our stockholders, than we would otherwise have made. Second, we will generally be taxed on the appreciated assets we own prior to becoming a RIC. We must pay tax at U.S. corporate income tax rates on these deemed gains, and the resulting tax will reduce the amounts that will be available for distribution to our stockholders in the future.

U.S. Stockholders

Distributions. Distributions by us in respect of our common stock would be treated as dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). This would be the case regardless of whether a stockholder receives cash or additional shares of our common stock pursuant to the Plan. Any

such dividend would be eligible for the dividends received deduction if received by an otherwise qualifying corporate U.S. Stockholder that meets the holding period and other requirements for the dividends received deduction.

Dividends paid to certain non-corporate U.S. Stockholders (including individuals) would be eligible for U.S. federal income taxation at the rates generally applicable to long-term capital gains for individuals (generally at a maximum federal income tax rate of 20%), provided that the U.S. Stockholder receiving the dividend satisfies applicable holding period and other requirements applicable to qualified dividend income. If we made a distribution that exceeds our current and accumulated earnings and profits, that excess would be treated first as a tax-free return of capital to the extent of the U. S. Stockholder's tax basis in our common stock, and thereafter as capital gain. Any such capital gain generally would be long-term capital gain if the U.S. Stockholder has held the applicable common stock for more than one year.

Sales of Stock. As discussed above, upon the sale, exchange or other taxable disposition of our common stock, a U.S. Stockholder generally would recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the U.S. Stockholder's adjusted tax basis in our stock. Any such capital gain or loss generally would be a long-term capital gain or loss if the U.S. Stockholder has held the common stock for more than one year at the time of disposition. Long-term capital gains of certain non-corporate U.S. Stockholders (including individuals) are generally subject to U.S. federal income taxation at a maximum rate of 20%. The deductibility of capital losses is subject to limitations under the Code.

Tax on Net Investment Income. Non-corporate U.S. Stockholders (including individuals) who exceed certain income thresholds are subject to a 3.8% tax on "net investment income," subject to certain limitations and exceptions. For this purpose, net investment income generally includes dividends and capital gains from the sale or other disposition of stock, such as our common stock, including qualified dividend income and long-term capital gains that are generally subject to the 20% maximum federal income tax rate otherwise applicable to such income.

Non-U.S. Stockholders

Distributions. As discussed above under "U.S. Stockholders-Distributions," distributions by us would be treated as dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Dividends paid to a Non-U.S. Stockholder generally would be subject to U.S. withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. If a Non-U.S. Stockholder is eligible for a reduced rate of withholding tax under an applicable tax treaty, the Non-U.S. Stockholder would be required to provide an applicable IRS Form W-8 certifying its entitlement to benefits under the treaty in order to obtain a reduced rate of withholding tax. However, if the distributions are effectively connected with a U.S. trade or business of the Non-U.S. Stockholder (or, if an income tax treaty applies, attributable to a permanent establishment in the United States of the Non-U. S. Stockholder), then the distributions would be subject to U.S. federal income tax at the rates applicable to U.S. persons, plus, in certain cases where the Non-U.S. Stockholder is a corporation, a branch profits tax at a 30% rate (or lower rate provided in an applicable treaty). If the Non-U.S. Stockholder is subject to such U.S. income tax on distribution, then we are not required to withhold U.S. federal tax if the Non-U.S. Stockholder complies with applicable certification and disclosure requirements.

If the amount of a distribution exceeded our current and accumulated earnings and profits, such excess would be treated for U. S. federal income tax purposes as a tax-free return of capital to the extent of the Non-U. S. Stockholder's tax basis in our common stock. To the extent that any distribution received by a Non-U.S. Stockholder exceeded the Non-U.S. Stockholder's tax basis in our common stock and our current and accumulated earnings and profits, the excess would be treated as gain from the sale of the common stock and will be taxed as described in "Sales of Stock" below.

Sales of Stock. A Non-U.S. Stockholder generally would not be subject to U.S. federal income tax on gain realized on the sale, exchange or other non-redemption disposition of our common stock, unless (i) the gain is effectively connected with a trade or business of the Non-U.S. Stockholder in the

United States (or, if the Non-U.S. Stockholder is eligible for the benefits of a U.S. tax treaty, the gain is attributable to a permanent establishment in the United States of the Non-U.S. Stockholder); (ii) the Non-U.S. Stockholder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and who has a "tax home'' in the United States; or (iii) we are or have been a U.S. real property holding corporation at any time within the five-year period preceding the date of disposition of our common stock or, if shorter, within the period during which the Non-U.S. Stockholder has held our common stock. Generally, a corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests, as defined in the Code and applicable regulations, equals or exceeds 50% of the aggregate fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. We do not expect to be treated as a U.S. real property holding corporation.

FATCA

FATCA would generally apply in the same manner as discussed above.

PROXY VOTING POLICIES

We, along with our Advisor, have adopted proxy voting policies and procedures (the "Proxy Policy") that we believe are reasonably designed to ensure that proxies are voted in our best interests and the best interests of our stockholders. Subject to its oversight, our board of directors has delegated responsibility for implementing the Proxy Policy to our Advisor.

In the event requests for proxies are received to vote equity securities on routine matters, such as ratification of auditors, the proxies usually will be voted in accordance with the recommendation of our management unless our Advisor determines it has a conflict or our Advisor determines there are other reasons not to vote in accordance with the recommendation of our management. On non-routine matters, such as elections of directors, amendments to governing instruments, proposals relating to compensation, corporate governance proposals and stockholder proposals, our Advisor will vote, or abstain from voting if deemed appropriate, on a case-by-case basis in a manner it believes to be in the best economic interest of our stockholders. In the event requests for

proxies are received with respect to fixed income securities, our Advisor will vote on a case-by-case basis in a manner it believes to be in the best economic interest of our stockholders.

Our chief executive officer will be responsible for monitoring our actions and ensuring that (i) proxies are received and forwarded to the appropriate decision makers, and (ii) proxies are voted in a timely manner upon receipt of voting instructions. We are not responsible for voting proxies we do not receive, but we will make reasonable efforts to obtain missing proxies. Our chief executive officer will implement and execute procedures designed to identify and monitor potential conflicts of interest that could affect the proxy voting process, including (i) significant client relationships, (ii) other potential material business relationships and (iii) material personal and family relationships. All decisions regarding proxy voting will be determined by our Advisor's investment committee and will be executed by our chief executive officer. Every effort will be made to consult with the portfolio manager and/or analyst covering the security. We may determine not to vote a particular proxy if the costs and burdens exceed the benefits of voting (e.g., when securities are subject to loan or to share blocking restrictions).

If a request for proxy presents a conflict of interest between our stockholders, on one hand, and our Advisor, the underwriters or any of our or their respective affiliated persons, on the other hand, our management may (i) disclose the potential conflict to our board of directors and obtain consent or (ii) establish an ethical wall or other informational barrier between the persons involved in the conflict and the persons making the voting decisions.

Information regarding how the Company voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling 212-354-6500; and on the SEC's website at http://www.sec.gov.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have selected KPMG as our independent registered public accounting firm. Their principal business address is 4 Becker Farm Road, Roseland, New Jersey 07068.

ADMINISTRATOR, CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

The Bank of New York Mellon ("BNY Mellon"), 103 Bellevue Parkway, Wilmington, Delaware 19809, will serve as our administrator. We pay the administrator a monthly fee computed at an annual rate of: 0.04% of our first $200 million of average daily Managed Assets, 0.03% of our next $300 million of average daily Managed Assets, 0.02% of our next $500 million of average daily Managed Assets, 0.015% of our next $4 billion of average daily Managed Assets and 0.01% of our average daily Managed Assets in excess of $5 billion. For the purpose of calculating such fee, our Managed Assets means our total assets (including, but not limited to, any assets attributable to the use of leverage). For the period from November 13, 2013 (commencement of operations) through December 31, 2013, we paid BNY Mellon $50,476 for administrative services.

The Bank of New York Mellon, c/o BNY Mellon Asset Servicing, AIM 111-0900, Atlantic Terminal Office Tower, 2 Hanson Place, Brooklyn, New York 11217, will serve as our custodian.

Computershare Trust Company, N.A. ("Computershare"), 250 Royall Street, Canton, Massachusetts 02021, is the transfer agent and registrar for our common stock and serves as our dividend paying agent. For the period from November 13, 2013 (commencement of operations) through December 31, 2013, we paid Computershare $6,417 for transfer agency, dividend disbursement and registrar services.

FINANCIAL STATEMENTS

The audited financial statements and notes thereto in our Annual Report to Stockholders for the fiscal period ended December 31, 2013 (the "Annual Report") are incorporated by reference into this SAI. The 2013 financial statements included in the Annual Report have been audited by [Rothstein Kass], whose report thereon is also incorporated herein by reference. No other parts of the Annual Report are incorporated by reference herein and are not part of our registration statement, the SAI, or the prospectus.

On June 30, 2014, KPMG LLP ("KPMG") acquired certain assets of ROTHSTEIN-KASS, P.A. (d/b/a Rothstein Kass & Company, P.C.) and certain of its affiliates ("Rothstein Kass"), the independent registered public accounting firm for the Company. As a result of this transaction, effective June 30, 2014, Rothstein Kass resigned as the independent registered public accounting firm for the Company. The Company, by action of its Audit Committee, which was confirmed and approved by its board of directors, approved the engagement of KPMG as the independent registered public accounting firm for the Company for the Company's fiscal year ended December 31, 2014.

The audit report of Rothstein Kass on the Company's financial statements for its initial fiscal year did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles.

During the Company's initial fiscal year, and through the subsequent interim period preceding Rothstein Kass's resignation: (i) there were no disagreements between the Company and Rothstein Kass on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Rothstein Kass would have caused them to make reference thereto in their reports on the Company's financial statements for such years; and (ii) there were no "reportable events" within the meaning set forth in Item 304(a)(1)(v) of Regulation S-K.

The selection of KPMG does not reflect any disagreements with or dissatisfaction by the Company or the board of directors with the performance of the Company's prior independent registered public

accounting firm, Rothstein Kass. During the Company's initial fiscal year, and through the subsequent interim period preceding Rothstein Kass's resignation, neither the Company, nor anyone on its behalf, consulted with KPMG on items which: (i) concerned the application of accounting principles to a specified

transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements; or (ii) concerned the subject of a disagreement (as defined in paragraph (a)(1)(iv) of Item 304 of Regulation S-K) or reportable events (as described in paragraph (a)(1)(v) of said Item 304).

Copies of the Annual Report may be obtained without charge, upon request, by writing to StoneCastle Financial Corp., 152 West 57th Street, New York, NY 10019 or calling us at (212) 354-6500 or on our website at http://ir.stonecastle-financial.com/annuals.cfm.

ADDITIONAL INFORMATION

We have filed with the SEC a Registration Statement on Form N-2 relating to the common stock offered hereby. Our prospectus and this SAI do not contain all of the information set forth in the Registration Statement, including any exhibits and schedules thereto. Please refer to the Registration Statement for further information about us and the offering of the common stock. Statements contained in our prospectus and this SAI as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to a Registration Statement, each such statement being qualified in all respects by such reference. Copies of the Registration Statement may be inspected without charge at the SEC's principal office in Washington, D.C., and copies of all or any part thereof may be obtained from the SEC upon the payment of certain fees prescribed by the SEC.

STONECASTLE FINANCIAL CORP.

STATEMENT OF ADDITIONAL INFORMATION

, 2014

Part C — OTHER INFORMATION

Item 25. ***Financial Statements and Exhibits***

1. Financial Statements:

Part A

None

Part B

The following statements of the Registrant will be incorporated by reference in Part B of the Registration Statement:

(i) Schedule of Investments as of December 31, 2013.

(ii) Statement of Assets and Liabilities as of December 31, 2013.

(iii) Statement of Operations for the period November 13, 2013 to December 31, 2013.

(iv) Statement of Changes in Net Assets for the period November 13, 2013 to December 31, 2013.

(v) Statement of Cash Flows for the period November 13, 2013 to December 31, 2013.

(vi) Notes to the Financial Statements for the fiscal year ended December 31, 2013.

(vii) Report of Independent Registered Public Accounting Firm dated December 31, 2013.

2. Exhibits:

Exhibit No.	Description of Document
a.	Amended and Restated Certificate of Incorporation(1)
b.	Amended and Restated Bylaws(1)
d.	Specimen certificate of the Company's common stock, par value $0.001 per share(1)
e.	Dividend Reinvestment Plan(1)
g.1.	Management Agreement is filed herewith
h.1.	Form of Underwriting Agreement is filed herewith
h.2.	Form of Master Agreement among Underwriters to be filed by amendment
h.3.	Form of Master Selected Dealers Agreement to be filed by amendment
j.	Custody Agreement with The Bank of New York Mellon is filed herewith
k.1.	Stock Transfer Agency Agreement with Computershare Trust Company, N.A. is filed herewith

k.2.	Administration Agreement with The Bank of New York Mellon is filed herewith
k.3.	Staffing Agreement with Stone Castle Partners, LLC and Affiliates is filed herewith
k.4.	Trademark License Agreement with Stone Castle Partners, LLC and Affiliates is filed herewith
k.5.	Credit Agreement among the Registrant, the Lender parties thereto, including Texas Capital Bank, N.A. is filed herewith
k.6.	First Amendment to Credit Agreement is filed herewith
l.1.	Opinion of Pepper Hamilton LLP is filed herewith
n.1.	Consent of Rothstein Kass & Company is filed herewith
n.2.	Letter to Commission from Rothstein Kass & Company pursuant to Item 304(a)(3) of Regulation S-K is filed herewith
r.1.	Code of Ethics of StoneCastle Financial Corp. (1)
r.2.	Code of Ethics of StoneCastle Asset Management LLC(1)

s.1. Powers of Attorney are filed herewith

(1) Incorporated by reference to Pre-Effective Amendment No. 2 to Registrant's Registration Statement on Form N-2 (File No. 333-189307) as filed with the Commission on September 16, 2013.

Item 26. ***Marketing Arrangements***

Reference is made to the form of underwriting agreement as Exhibit h. 1 hereto.

Item 27. ***Other Expenses of Issuance and Distribution***

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this Registration Statement:*

Financial Industry Regulatory Authority, Inc. filing fee	$
Securities and Exchange Commission fees	$
NASDAQ Global Select Market listing fee	$
Accounting fees and expenses	$
Legal fees and expenses	$
Printing expenses	$
Marketing	$
Miscellaneous	$
Total	$ 0

* To be filed by amendment.

Item 28. ***Persons Controlled by or Under Common Control with Registrant***

None.

Item 29. ***Number of Holders of Securities***

As of July 14, 2014, the number of record holders of each class of securities of the Registrant was:

Title of Class	Number of Record Holders
Common Stock ($0.001 par value)	4

Item 30. ***Indemnification***

Subject to the Investment Company Act, or any valid rule, regulation or order of the SEC thereunder, our certificate of incorporation and bylaws provide that we will indemnify any person who was or is a party or is threatened to be made a party to any threatened action, suit or proceeding whether civil, criminal, administrative or investigative, by reason of the fact that he is or was our director or officer, or is or was serving at our request as a director, officer, partner or trustee of another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise to the maximum extent permitted by the Delaware General Corporation Law. The Investment Company Act provides that a company may not indemnify any director or officer against liability to it or its security holders to which he or she might otherwise be subject by reason of his or her willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office unless a determination is made by final decision of a court, by vote of a majority of a quorum of directors who are disinterested, non-party directors or by independent legal counsel that the liability for which indemnification is sought did not arise out of the foregoing conduct. In addition to any indemnification to which our directors and officers are entitled pursuant to our certificate of incorporation and bylaws and the Delaware General Corporation Law, our certificate of incorporation and bylaws and the Delaware General Corporation Law, our certificate of incorporation and bylaws permit us to indemnify our other employees and agents

to the fullest extent permitted by the Delaware General Corporation Law, whether such employees or agents are serving us or, at our request, any other entity. As permitted by the Delaware General Corporation Law, our certificate of incorporation and our by-laws, we have purchased and maintain insurance on behalf of each of our directors and officers.

The management agreement provides that our Advisor will not be liable to us in any way for any default, failure or defect in any of the securities comprising our portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth in the management agreement. The management agreement further states that we will indemnify the Advisor for any losses, damages, claims, costs, charges, expenses or liabilities except to the extent such amounts result from our Advisor's willful misconduct, bad faith or gross negligence or as otherwise prohibited by applicable law. As a result, our Advisor may not be liable to us for breaches of its duty of care, diligence or skill. In addition, under the license agreement, we have agreed to indemnify StoneCastle Partners for any unauthorized use of the "StoneCastle" name and marks by us. Finally, the underwriting agreement provides that we will indemnify the Underwriters against liabilities specified in the underwriting agreement under the Securities Act, or will contribute to payments that the Underwriters may be required to make relating to these liabilities. Reference is made to Article VI of our certificate of incorporation and the Company's by-laws filed hereto as Exhibits a. and b., respectively. Reference is made to Section 18 of the Management Agreement, filed as Exhibit g.1. hereto, for provisions relating to the indemnification of the Advisor by the Company. Reference is made to Section 8(a) of the Form of Underwriting Agreement, filed as Exhibit h.1. hereto, for provisions relating to the indemnification of the Underwriters by the Company.

Item 31. ***Business and Other Connections of Investment Advisor***

The information in the Statement of Additional Information under the caption "Management—Directors and Officers" and the information in the prospectus under the caption "Management—Management Agreement" is hereby incorporated by reference.

Item 32. ***Location of Accounts and Records***

The Registrant's accounts, books, and other documents are maintained at the offices of the Registrant, at the offices of the Registrant's investment adviser, StoneCastle Asset Management LLC, 152 West 57th Street, 35th Floor, New York, New York 10019, at the offices of the custodian, The Bank of New York Mellon, One Wall Street, New York, New York 10286, at the offices of the transfer agent, Computershare Trust Company, N.A., 250 Royall Street, Canton, Massachusetts 02021 or at the offices of the administrator, The Bank of New York Mellon, 103 Bellevue Parkway, Wilmington, Delaware 19809.

Item 33. ***Management Services***

None.

Item 34. ***Undertakings***

1. The Registrant undertakes to suspend the offering of shares until the prospectus is amended if (1) subsequent to the effective date of its registration statement, the net asset value declines more than ten percent from its net asset value as of the effective date of the registration statement or (2) the net asset value increases to an amount greater than its net proceeds as stated in the prospectus.

2. Not applicable.

3. Not applicable.

4. Not applicable.

5. The Registrant is filing this Registration Statement pursuant to Rule 430A under the Securities Act and undertakes that: (a) for the purpose of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant under Rule 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and (b) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

6. The Registrant undertakes to send by first class mail or other means designed to ensure equally prompt delivery, within two business days of receipt of a written or oral request, any Statement of Additional Information.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in this City of New York and State of New York on the 29th day of July, 2014.

STONECASTLE FINANCIAL CORP.

By: /s/JOSHUA S. SIEGEL
Joshua S. Siegel
Chief Executive Officer & Chairman of the Board

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, this registration statement has been signed by the following persons in the capacities and on the date indicated.

Name	Title	Date
/s/ Joshua S. Siegel Joshua S. Siegel	Chief Executive Officer and Director (Principal Executive Officer)	July 29, 2014

/s/ Patrick J. Farrell Patrick J. Farrell	Chief Financial Officer (Principal Financial and Accounting Officer)	July 29, 2014
/s/ George Shilowitz* George Shilowitz	President and Director	July 29, 2014
/s/ Alan Ginsberg* Alan Ginsberg	Director	July 29, 2014
/s/ Emil Henry* Emil Henry	Director	July 29, 2014
/s/ Clara Miller* Clara Miller	Director	July 29, 2014

* By: /s/ Joshua S. Siegel
Joshua S. Siegel
Attorney In-Fact pursuant to a power of attorney signed by each individual on July 23, 2014.

EXHIBIT INDEX

Exhibit No.	Description of Document
g.1.	Management Agreement
h.1.	Form of Underwriting Agreement
j.	Custody Agreement with The Bank of New York Mellon
k.1.	Stock Transfer Agency Agreement with Computershare Trust Company, N.A.
k.2.	Administration Agreement with The Bank of New York Mellon
k.3.	Staffing Agreement with Stone Castle Partners, LLC and Affiliates
k.4.	Trademark License Agreement with Stone Castle Partners, LLC and Affiliates
k.5.	Credit Agreement among the Registrant, the Lender parties thereto, including Texas Capital Bank, N.A.
k.6.	First Amendment to Credit Agreement
l.1.	Opinion of Pepper Hamilton LLP
n.1.	Consent of Rothstein Kass & Company
n.2.	Letter to Commission from Rothstein Kass & Company pursuant to Item 304(a)(3) of Regulation S-K
s.1	Powers of Attorney

MANAGEMENT AGREEMENT
BETWEEN
STONECASTLE FINANCIAL CORP.
AND STONECASTLE ASSET MANAGEMENT LLC

THIS MANAGEMENT AGREEMENT (the "Agreement"), dated November 1, 2013 (the "Effective Date"), is entered into between StoneCastle Financial Corp., a Delaware corporation (the "Company") and StoneCastle Asset Management LLC, a Delaware limited liability company (the "Advisor").

WHEREAS, the Company is a newly organized Delaware corporation registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act").

WHEREAS, the Advisor is a newly organized investment advisor that has registered under the Investment Advisers Act of 1940, as amended (the "Advisers Act");

WHEREAS, the board of directors of the Company (the "Board"), including a majority of directors that are not "interested persons" of the parties hereto and the stockholders of the Company have approved the entry by the Company into this Agreement;

WHEREAS, the Company desires to retain the Advisor to furnish investment advisory and administrative services to the Company on the terms and conditions hereinafter set forth, and the Advisor desires to be retained to provide such services; and

NOW THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Appointment of Advisor.

The Company appoints the Advisor to act as the investment advisor of and to provide certain administrative services to the Company for the period and on the terms herein set forth. The Advisor accepts such appointment and agrees to render the investment advisory and administrative services herein set forth, for the compensation herein provided.

2. Investment Duties of the Advisor.

The Company hereby employs the Advisor to act as the investment advisor to the Company and to manage the investment and reinvestment of the assets of the Company, subject to the supervision of the Board, for the period and upon the terms herein set forth, (a) in accordance with the investment objective, policies and restrictions of the Company that are initially set forth in the Company's registration statement on Form N-2 first filed with the Securities and Exchange Commission on June 14, 2013 (the "Registration Statement"), as may be amended for time to time in the Company's annual report on Form N-CSR/A, as the same may be amended from time to time, (b) in accordance with the Investment Company Act, the Advisers Act and all other applicable federal and state laws and (c) in accordance with the

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Company's certificate of incorporation and bylaws as the same may be amended from time to time. Consistent with the foregoing, the Advisor will regularly provide the Company with investment research, advice and supervision and will furnish continuously an investment program for the Company, consistent with the investment objective and policies of the Company. The Advisor will determine from time to time what securities shall be purchased for the Company, what securities shall be held or sold by the Company and what portion of the Company's assets shall be held as cash or in other liquid assets. Subject to the supervision of the Board, the Advisor shall have the power and authority on behalf of the Company to effectuate its investment decisions for the Company, including the execution and delivery of all documents relating to the Company's investments and the placing of orders for other securities purchase or sale transactions on behalf of the Company. In the event that the Company determines to acquire debt financing, the Advisor will arrange for such financing on the Company's behalf, subject to the approval of the Board. If the Company determines it is necessary or appropriate for the advisor to make investments on behalf of the Company through a special purpose vehicle, the Advisor shall have the authority to create or arrange for the creation of such special purpose vehicle and to make such investments through such special purpose vehicle in accordance with the Investment Company Act. Without limiting the generality of the foregoing, the Advisor shall, during the term and subject to the provisions of this Agreement, (i) determine the composition of the portfolio of the Company, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identify, evaluate and negotiate the structure of the investments made by the Company; (iii) perform due diligence on prospective portfolio companies; (iv) close and monitor the Company's investments; and (v) provide the Company with such other investment advisory, research and related services as the Company may, from time to time, reasonably require for the investment of its assets.

3. Administrative Duties of the Advisor.

Subject to the overall supervision and review of the Board, the Advisor will perform (or oversee or arrange for the performance of) the administrative services necessary for the operation of the Company. Without limiting the generality of the foregoing, the Advisor will furnish office facilities and clerical and administrative services necessary to the operation of the Company (other than services provided by the Company's custodian, accounting agent, administrator, dividend and interest paying agent and other service providers). The Advisor will also, on behalf of the Company, arrange for the services of, and oversee, custodians, depositaries, transfer agents, dividend disbursing agents, underwriters, brokers, dealers, placement agents, banks, insurers, accountants, attorneys, pricing agents, and other persons as it may deem necessary or desirable. The Advisor shall, on behalf of the Company (a) oversee the performance of, and payment of the fees to, the Company's service providers, and make such reports and recommendations to the Board concerning such matters as the parties deem desirable; (b) respond to inquiries and otherwise assist such service providers in the preparation and filing of regulatory reports, proxy statements, shareholder communications and the preparation of Board materials and reports; (c) establish and oversee the implementation of borrowing facilities or other forms of leverage authorized by the Board; and (d) supervise any other aspect of the Company's administration as may be agreed upon by the Board on behalf of the Company and the Advisor.

4. Delegation of Responsibilities.

Subject to the requirements of the Investment Company Act, the Advisor is hereby authorized, but not required, to enter into one or more sub-advisory agreements with other investment advisors (each, a "Sub-Advisor") pursuant to which the Advisor may obtain the services of the Sub-Advisor(s) to assist the Advisor in fulfilling its responsibilities hereunder. Specifically, the Advisor may retain a Sub-Advisor to recommend specific securities or other investments based upon the Company's investment objective and policies, and work, along with the Advisor, in structuring, negotiating, arranging or effecting the acquisition or disposition of such investments and monitoring investments on behalf of the Company, subject in all cases to the oversight of the Advisor and the Company. The Advisor, and not the Company, shall be responsible for any compensation payable to any Sub-Advisor. Any sub-advisory agreement entered into by the Advisor shall be in accordance with the requirements of the Investment Company Act, the Advisers Act and other applicable federal and state laws.

5. Independent Contractors.

The Advisor and any Sub-Advisors shall for all purposes herein be deemed to be independent contractors and shall, except as expressly provided or authorized, have no authority to act for or represent the Company in any way or otherwise be deemed to be an agent of the Company.

6. Compliance with Applicable Requirements.

In carrying out its obligations under this Agreement, the Advisor shall at all times comply with:

a. all applicable provisions of the Investment Company Act, the Advisers Act, the Securities Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended, and any applicable rules and regulations adopted thereunder;

b. the provisions of the Registration Statement of the Company, as the same may be amended from time to time in the Company's annual report on Form N-C5R/A, including without limitation, the investment objectives set forth therein;

c. the provisions of the Company's Amended and Restated Certificate of Incorporation and its By-Laws;

d. all policies, procedures and directives adopted by the Board; and

e. any other applicable provisions of state, federal or foreign law, or rules promulgated by any applicable self-regulating organization or exchange.

7. Policies and Procedures.

The Advisor shall provide the Company, at such times as the Company shall reasonably request, with a copy of all policies and procedures adopted by the Advisor as may reasonably be required to comply with Rule 38a-1 under the Investment Company Act, if applicable, and a

copy of the Advisor's report to the Company in sufficient scope and detail to comply with the Advisor's obligations under Rule 38a-1 under the Investment Company Act.

8. Brokerage.

The Advisor is responsible for decisions to buy and sell securities for the Company, broker-dealer selection, and negotiation of brokerage commission rates. The Advisor's primary consideration in effecting a security transaction (including purchases and sales) will be to obtain best execution. In selecting a broker-dealer to execute a particular transaction, the Advisor will take the following into consideration: the best net price available; the reliability, integrity and financial condition of the broker-dealer; the size of and the difficulty in executing the order; and the value of the expected contribution of the broker-dealer to the investment performance of the Company on a continuing basis. Accordingly, the price to the Company in any transaction may be less favorable than that available from another broker-dealer if the difference is reasonably justified by other aspects of the execution services offered.

Subject to such policies as the Board may from time to time determine, the Advisor shall not be deemed to have acted unlawfully, or to have breached any duty created by this Agreement or otherwise, solely by reason of its having caused the Company to pay a broker or dealer that provides brokerage and research services to the Advisor an amount of commission for effecting a Company investment transaction in excess of the amount of commission another broker or dealer would have charged for effecting that transaction, if the Advisor determines in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided by such broker or dealer, viewed in terms of either that particular transaction or the Advisor's overall responsibilities with respect to the Company and to other clients of the Advisor as to which the Advisor exercises investment discretion. The Advisor is further authorized to allocate the orders placed by it on behalf of the Company to such brokers and dealers who also provide research or statistical material or other services to the Company, the Advisor or to any sub-advisor. Such allocation shall be in such amounts and proportions as the Advisor shall determine and the Advisor will report on said allocations regularly to the Board indicating the brokers to whom such allocations have been made and the basis therefor.

9. Books and Records.

Subject to review by and the overall control of the Board, the Advisor shall keep and preserve for the period required by the Investment Company Act and the Advisers Act any books and records relevant to the provision of its investment advisory services to the Company and shall specifically maintain all books and records with respect to the Company's portfolio transactions and shall render to the Board such periodic and special reports as the Board may reasonably request. The Advisor agrees that all records that it maintains for the Company are the property of the Company and shall surrender promptly to the Company any such records upon the Company's request, provided that the Advisor may retain a copy of such records.

10. Compensation.

a. For the services, payments and facilities to be furnished hereunder by the Advisor, the Advisor shall receive from the Company the following compensation:

i. Management Fee. The Advisor shall receive a management fee (the "Management Fee") calculated quarterly and paid quarterly in arrears, based on Managed Assets at the end of each quarter, within fifteen (15) days of the end of each calendar quarter. Subject to Section 16, the Management Fee will be prorated for any partial calendar quarter and, if more than one rate applies during a quarter, the Management Fee will be adjusted on a pro rata basis based on the number of calendar days and/or category of assets for which each rate applies. The Management Fee shall be calculated as follows:

A) Base Management Fees.

(I) The Management Fee shall equal 0.4375% per quarter (1.75% annualized) of the Company's Managed Assets, except as provided by (II) and (III) below.

(II) Until the date on which the Company is Fully Invested, the Management Fee with respect to that portion of the Company's Managed Assets that are held in cash and cash equivalents shall equal 0.0625% per quarter (0.25% annualized).

(III) During the period from the Closing Date through the first anniversary of the Closing Date, subject to clause (II) above, the Management Fee shall equal 0.375% per quarter (1.5% annualized) of the Company's Managed Assets.

ii. Incentive Fee. The Advisor shall not receive any incentive compensation from the Company.

b. For purposes of this Agreement: (i) "Managed Assets" means the total assets of the Company (including any assets purchased with or attributable to any borrowed funds and cash and cash equivalents except where otherwise expressly provided herein), which shall be computed in accordance with any applicable policies and determinations of the Board; (ii) "Closing Date" means the date of the closing of the initial public offering of the Company's common stock, par value $0,001 per share ("Common Stock"); and (iii) "Fully Invested" means that the Company has invested at least 85% of the net proceeds received by the Company from the sale of the Common Stock on the Closing Date (net of the Company's organizational and offering expenses and Operating Expenses, including Management Fees, paid by the Company).

c. The Advisor may, from time to time, waive or defer all or any part of the compensation described in this Section 10. The parties do hereby expressly authorize and instruct the Company's officers or any third-party administrator to calculate the fee payable hereunder and to remit all payments specified herein to the Advisor.

11. Expenses of the Advisor.

The compensation paid by the Advisor to its investment professionals and the allocable routine overhead expenses of the Advisor and its affiliates, when and to the extent not engaged in providing the investment advisory services described in Section 2 hereof, will be provided and paid for by the Advisor and its affiliates and not by the Company. It is understood that the Company will pay all expenses other than those expressly stated to be payable by the Advisor hereunder, which expenses payable by the Company shall include, without limitation the following (collectively, "Operating Expenses"):

a. other than as set forth in the first sentence of this Section 11, expenses of maintaining the existence of the Company and related overhead, including, to the extent such services are provided by personnel of the Advisor or its affiliates, an allocable portion of the overhead and other expenses incurred by the Advisor in performing its obligations under this Agreement, including without limitation office space and facilities and personnel compensation, training and benefits, provided that any expenses set forth in this clause (a) in excess of 0.05% of Managed Assets shall be approved by a majority of the members of the Board who are not "interested persons" of the Company as defined in the Investment Company Act ("Independent Directors") or a committee of the Board comprised solely of Independent Directors;

b. commissions, spreads, fees and other expenses connected with the acquisition, holding, monitoring and disposition of securities and the Company's other investments, including placement and similar fees in connection with direct placements entered into by or on behalf of the Company or any subsidiary thereof, and performing due diligence on its prospective portfolio companies;

c. auditing, accounting and legal expenses;

d. taxes and interest;

e. governmental fees;

f. expenses of listing shares of the Company with a stock exchange, and expenses of issue, sale, repurchase and redemption (if any) of interests in the Company, including expenses of conducting tender offers for the purpose of repurchasing Company securities;

g. expenses of registering and qualifying the Company and its securities under federal and state securities laws and of preparing and filing registration statements and amendments for such purposes;

h. expenses of communicating with shareholders, including website expenses and the expenses of preparing, printing, and mailing press releases, reports and other notices to shareholders and of meetings of shareholders and proxy solicitations therefor;

i. expenses of reports to governmental officers and commissions;

j. insurance expenses;

k. association membership dues;

l. fees, expenses and disbursements of custodians and subcustodians for all services to the Company (including without limitation safekeeping of funds, securities and other investments, keeping of books, accounts and records, and determination of net asset values);

m. fees, expenses and disbursements of transfer agents, dividend and interest paying agents, stockholder servicing agents and registrars for all services to the Company;

n. fees, expenses and disbursements of CAB Marketing, LLC and CAB, L.L.C. and any other person with whom the Company (or the Advisor on behalf of the Company) enters into an endorsement relationship;

o. compensation and expenses of directors of the Company who are not members of the Advisor's organization;

p. pricing, valuation, and other consulting or analytical services employed in considering and valuing the actual or prospective investments of the Company;

q. all expenses incurred in leveraging of the Company's assets through a line of credit or other indebtedness or issuing and maintaining preferred shares;

r. all expenses incurred in connection with the organization of the Company and any offering of common or preferred shares; and

s. such non-recurring items as may arise, including expenses incurred in litigation, proceedings and claims and the obligation of the Company to indemnify its directors, officers and shareholders with respect thereto.

12. Covenants of the Advisor.

The Advisor represents and warrants to the Company that it is, and covenants to the Company that it shall remain during the term of this Agreement, registered as an investment advisor under the Advisers Act. The Advisor agrees that its activities will at all times be in compliance in all material respects with all applicable federal and state laws governing its operations and investments.

13. Non-Exclusivity.

The Company understands that the services of the Advisor to the Company are not exclusive and the persons employed by the Advisor to assist in the performance of the Advisor's duties under this Agreement may not devote their full time to such services. Nothing contained

in this Agreement shall be deemed to limit or restrict the right of the Advisor or any affiliate of the Advisor to engage in and devote time and attention to other businesses or to render services of whatever kind or nature. Furthermore, the Advisor may furnish the same or similar investment advisory or administrative services described herein to one or more clients other than the Company, including businesses that may directly or indirectly compete with the Company. It is possible that the Advisor may allocate investment opportunities to such other clients, which may reduce the Company's access to such investment opportunities. The Advisor shall allocate investment opportunities between the Company and such other clients in a fair and equitable manner in accordance with its internal allocation policies and procedures (the "Allocation Policy"). Notwithstanding the immediately preceding sentence, prior to such time as the Company is Fully Invested, the Advisor shall allocate to the Company all investment opportunities that are suitable for investment by the Company and consistent with the Company's investment objectives and strategies, as described in the Registration Statement. The Allocation Policy and all amendments thereto will be subject to Board approval.

The Company further understands and agrees that managers and employees of the Advisor and its affiliates may serve as officers or directors of the Company, and that officers or directors of the Company may serve as managers of the Advisor to the extent permitted by law; and that the managers of the Advisor are not prohibited from engaging in any other business activity or from rendering services to any other person, or from serving as partners, officers or directors of any other firm or company, including other investment advisory companies. Notwithstanding the foregoing, the Advisor acknowledges and agrees that Joshua Siegel and George Shilowitz (together, the "Principals") shall devote all of their respective business time and attention to the management and other activities of the Advisor and its affiliates and, furthermore, the Principals shall devote that amount of their respective business time as is reasonably necessary to manage the affairs and activities of the Advisor as they relate to the performance of the Advisor's duties and obligations to the Company under this Agreement. If any person who is a manager, partner, officer or employee of the Advisor is or becomes a director, officer and/or employee of the Company and acts as such in any business of the Company, then such manager, partner, officer or employee of the Advisor shall be deemed to be acting in such capacity solely for the Company and not as a manager, partner, officer or employee of the Advisor or under the control or direction of the Advisor, even if paid by the Advisor.

Subject to any restrictions prescribed by law, by the provisions of the Code of Ethics of the Company and the Advisor and by the Advisor's Allocation Policy, the Advisor and its members, officers, employees and agents shall be free from time to time to acquire, possess, manage and dispose of securities or other investment assets for their own accounts, for the accounts of their family members, for the account of any entity in which they have a beneficial interest or for the accounts of others for whom they may provide investment advisory, brokerage or other services (collectively, "Managed Accounts"), in transactions that may or may not correspond with transactions effected or positions held by the Company or to give advice and take action with respect to Managed Accounts that differs from advice given to, or action taken on behalf of, the Company. The Advisor is not, and shall not be,

obligated to initiate the purchase or sale for the Company of any security that the Advisor and its members, officers, employees or agents may purchase or sell for its or their own accounts or for the account of any other client if, in the opinion of the Advisor, such transaction or investment appears unsuitable or

undesirable for the Company. Moreover, it is understood that when the Advisor determines that it would be appropriate for the Company and one or more Managed Accounts to participate in the same investment opportunity, the Advisor shall seek to execute orders for the Company and for such Managed Account(s) on a basis that the Advisor considers to be fair and equitable over time. In such situations, the Advisor may (but is not required to) place orders for the Company and each Managed Account simultaneously or on an aggregated basis. If all such orders are not filled at the same price, the Advisor may cause the Company and each Managed Account to pay or receive the average of the prices at which the orders were filled for the Company and all relevant Managed Accounts on each applicable day. If all such orders cannot be fully executed under prevailing market conditions, the Advisor may allocate the investment opportunities among participating accounts in a manner that the Advisor considers equitable, taking into account, among other things, the size of each account, the size of the order placed for each account and any other factors that the Advisor deems relevant.

14. Consent of the Use of Name.

The Company has obtained the consent of StoneCastle Partners, LLC to the royalty free use by the Company of the name "StoneCastle" as part of the Company's name and the royalty free use of the related "StoneCastle" logo. The Company acknowledges that the name "StoneCastle" and the related "StoneCastle" logo or any variation thereof may be used from time to time in other connections and for other purposes by the Advisor and its affiliates and other investment companies that have obtained consent to the use of the name "StoneCastle". The Company shall cease using the name "StoneCastle" as part of the Company's name, shall change its legal name so as to not contain the word "StoneCastle" or any variant thereof (and, if required, shall use best efforts to obtain consent of the stockholders of the Company with respect to the foregoing), and shall cease using the related "StoneCastle" logo if the Company ceases, for any reason, to employ the Advisor or one of its approved affiliates as the Company's investment advisor. Future names adopted by the Company for itself, insofar as such names include any trademark of the Advisor or any mark with the potential for confusion with the Advisor may only be used by the Company with the approval of the Advisor. The provisions of this Section 14 shall survive the termination of this Agreement.

15. Closing Date, Term and Approval.

This Agreement shall become effective as of the date first written above. This Agreement shall continue in force and effect for two years from the date of this Agreement, and shall be automatically renewed for successive one year terms so long as such renewal is specifically approved by (a) the Board or the vote of a majority of the Company's voting securities and (b) the vote of a majority of the Company's Directors who are not parties to this Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the Investment Company Act) of any such party, in accordance with the requirements of the Investment Company Act.

16. Effectiveness, Duration and Termination of Agreement.

This Agreement may be terminated at any time, without the payment of any penalty, upon not less than 60 days' written notice, by the vote of a majority of the outstanding voting

securities of the Company, or by the vote of the Company's Board or by the Advisor. This Agreement shall automatically terminate in the event of its "assignment" (as such term is defined for purposes of Section 15(a)(4) of the Investment Company Act). The provisions of Section 18 of this Agreement shall remain in full force and effect, and the Advisor shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement. Further, notwithstanding the termination of this Agreement as aforesaid, the Advisor shall be entitled to any amounts owed under Section 10 through the date of termination and Sections 16, 18 and 21 shall continue in force and effect and apply to the Advisor and its representatives as and to the extent applicable.

17. Amendment.

This Agreement may be amended by mutual consent, but the consent of the Company must be obtained in conformity with the requirements of the Investment Company Act.

18. Limitation of Liability of the Advisor; Indemnification.

The Advisor (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Advisor, including without limitation its general partner) shall not be liable to the Company for any action taken or omitted to be taken by the Advisor in connection with the performance of any of its duties or obligations under this Agreement or otherwise as an investment advisor of the Company, except to the extent specified in Section 36(b) of the Investment Company Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services, and the Company shall indemnify, defend and protect the Advisor (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Advisor) (collectively, the "Indemnified Parties") and hold them harmless from and against all third party damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the Advisor's duties or obligations under this Agreement or otherwise as an investment advisor of the Company. Notwithstanding the preceding sentence of this Paragraph 18 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Company or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of the Advisor's duties or by reason of the reckless disregard of the Advisor's duties and obligations under this Agreement (as the same shall be determined in accordance with the Investment Company Act, the Advisers Act and any interpretations or guidance by the Securities and Exchange Commission or its staff thereunder).

19. Proxy Voting.

The Advisor shall be responsible for voting any proxies solicited by an issuer of securities held by the Company in the best interest of the Company and in accordance with the

Advisor's proxy voting policies and procedures, as any such proxy voting policies and procedures may be amended from time to time. The Advisor's proxy voting policies and procedures, and any amendment thereto will be subject to Board approval. The Company has been provided with a copy of the Advisor's proxy voting policies and procedures and has been informed as to how it can obtain further information from the Advisor regarding proxy voting activities undertaken on behalf of the Company. The Advisor shall be responsible for reporting the Company's proxy voting activities, as required, through periodic filings on Form N-PX.

20. Notices.

Any notices under this Agreement shall be in writing, addressed and delivered, telecopied or mailed postage paid, to the other party entitled to receipt thereof at such address as such party may designate for the receipt of such notice. Until further notice to the other party, it is agreed that the address of the Company and that of the Advisor shall be 152 West 57th Street, 35th Floor, New York, NY 10019.

21. Questions of Interpretation.

This Agreement contains the entire agreement of the parties and supersedes all prior agreements, understandings and arrangements with respect to the subject matter hereof. If the application of any provision(s) of this Agreement to any particular circumstances shall be held to be invalid or unenforceable by any court of competent jurisdiction, then the validity and enforceability of other provisions of this Agreement shall not in any way be affected or impaired thereby. The division of this Agreement into sections, clauses and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement. Any question of interpretation of any term or provision of this Agreement having a counterpart in or otherwise derived from a term or provision of the Investment Company Act or the Advisers Act shall be resolved by reference to such term or provision of the Investment Company Act or the Advisers Act, as applicable, and to interpretations thereof, if any, by the United States courts or in the absence of any controlling decision of any such court, by rules, regulations or orders of the Commission issued pursuant to said Acts. In addition, where the effect of a requirement of the Investment Company Act or the Advisers Act reflected in any provision of this Agreement is revised by rule, regulation or order of the Commission, such provision shall be deemed to incorporate the effect of such rule, regulation or order. Subject to the foregoing, this Agreement shall be governed by and construed in accordance with the laws (without reference to conflicts of law provisions) of the State of New York.

22. Counterparts.

This Agreement may be executed in one or more counterparts with the same effect as if the parties executing the several counterparts had all executed one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate by their respective duly authorized officers on the day and year first written above.

STONECASTLE FINANCIAL CORP.

By: /s/ George Shilowitz
Name: George Shilowitz
Title: President

STONECASTLE ASSET MANAGEMENT LLC

By: /s/ Joshua Siegel
Name: Joshua Siegel
Title: Manager

[Signature Page to Management Agreement]

StoneCastle Financial Corp.

[·] Shares of Common Stock

UNDERWRITING AGREEMENT

[·], 2014

KEEFE, BRUYETTE & WOODS, INC.
As representative of the several Underwriters
named in Schedule I hereto
c/o Keefe, Bruyette & Woods, Inc.
787 Seventh Avenue
New York, NY 10019

Ladies and Gentlemen:

StoneCastle Financial Corp., a Delaware corporation (the "**Company**"), proposes to issue and sell to the several underwriters named in Schedule I hereto (the "**Underwriters**") for whom you are acting as representative (the "**Representative**") an aggregate of [·] shares (the "**Firm Shares**") of the common stock, par value $0.001 per share, of the Company (the "**Common Stock**"). The Company also proposes to sell to the several Underwriters, for the sole purpose of covering over-allotments in connection with the sale of the Firm Shares, at the option of the Underwriters, up to an additional [·] shares of Common Stock (the "**Option Shares**"). The Firm Shares and the Option Shares are hereinafter referred to collectively as the "**Shares**."

The Company understands that the Underwriters propose to make a public offering of the Shares as soon as the Representative deems advisable after this Agreement has been executed and delivered.

Each of the Company, StoneCastle Asset Management LLC, a Delaware limited liability company (the "**Advisor**") and a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), and Stone Castle Partners, LLC, a Delaware limited liability company (the "**Parent**"), agree as follows with the Representative and the several other Underwriters:

1. (a) the Company, the Advisor and the Parent, jointly and severally, represent and warrant to, and agree with, each of the Underwriters that, as of the date hereof and as of the Closing Date and each Option Closing Date (as defined in Section 4 hereof), if any:

(i) the Company meets the requirements for use of Form N-2 under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"); the Company has prepared and filed a registration statement on Form N-2 (File Nos. 333-[·] and 811-22853) under the Securities Act of 1933, as amended (the "**Securities Act**"), and the Investment Company Act in respect of the Shares and one or more pre-effective amendments thereto (together, the "**Initial Registration Statement**") with the Commission, including a related preliminary prospectus for registration under the Securities Act and the Investment

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Company Act of the offering and sale of the Shares; the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore or hereinafter delivered to you, have been or will be declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "**Rule 462(b) Registration Statement**"), filed pursuant to Rule 462(b) under the Securities Act, which became effective upon filing, no other document with respect to the Initial Registration Statement has heretofore been filed with the Commission; no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued, no proceeding for that purpose has been initiated or, to the Company's knowledge, threatened by the Commission and any request on the part of the Commission for additional information from the Company has been satisfied in all material respects; any preliminary prospectus included in the Initial Registration Statement, as originally filed or as part of any amendment thereto, or filed with the Commission pursuant to Rule 497 of the rules and regulations of the Commission under the Securities Act is hereinafter called a "**Preliminary Prospectus**"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all schedules and exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 497 under the Securities Act and deemed by virtue of Rule 430A under the Securities Act to be part of the Initial Registration Statement at the time it was declared effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, each as amended at the time such part of the Initial Registration Statement became effective, are hereinafter collectively called the "**Registration Statement**"; the Preliminary Prospectus relating to the Shares that was included in the Registration Statement immediately prior to the Applicable Time (as defined in Section 1(a) (iv) hereof) is hereinafter called the "**Pricing Prospectus**"; such final prospectus, in the form first filed pursuant to Rule 497 under the Securities Act, is hereinafter called the "**Prospectus**"; and all references to the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("**EDGAR**");

(ii) (1) at the respective times the Initial Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Date (and, if any Option Shares are purchased, at each Option Closing Date), the Initial Registration Statement, any Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the Securities Act, the Investment Company Act and the rules and regulations of the Commission under each of them (collectively, the "**Rules and Regulations**") and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (2) as of the date of the Prospectus or any amendments or supplements thereto and at the Closing Date (and, if any Option Shares are purchased, at each Option Closing Date), neither the Prospectus nor any amendment or supplement thereto included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; **provided that** the representations and warranties in clauses (1) and (2) above shall not apply to statements in or omissions from the Registration Statement or the Prospectus made in reliance upon and in strict conformity with information furnished to the Company in writing

by any Underwriter through the Representative expressly for use in the Registration Statement or the Prospectus, it being understood and agreed that the only such information provided by any Underwriter is that described as such in Section 8(b) hereof. No order preventing or suspending the use of any Preliminary Prospectus or the Pricing Prospectus has been issued by the Commission;

(iii) each Preliminary Prospectus, the Pricing Prospectus and the Prospectus filed as part of the Initial Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 497 under the Securities Act, complied when so filed in all material respects with the requirements of the Securities Act, the Investment Company Act, and the Rules and Regulations and each Preliminary Prospectus, the Pricing Prospectus and the Prospectus delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T;

(iv) for the purposes of this Agreement, the "**Applicable Time**" is [5:00 P.M.] (Eastern time) on the date of this Agreement; each of the Pricing Prospectus as supplemented by the information set forth in Schedule II hereto, taken together (collectively, the "**Pricing Disclosure Package**") as of the Applicable Time, and each electronic road show, together with the Pricing Disclosure Package as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; **provided that** this representation and warranty shall not apply to statements in or omissions from the Pricing Disclosure Package made in reliance upon and in strict conformity with information furnished to the Company in writing by any Underwriter through the Representative expressly for use in the Pricing Disclosure Package, it being understood and agreed that the only such information provided by any Underwriter is that described as such in Section 8(b) hereof;

(v) the Company has filed a notification on Form N-8A (the "**Investment Company Act Notification**") of registration of the Company as an investment company under the Investment Company Act.

(vi) at the time of filing the Initial Registration Statement the Company was not and is not an "ineligible issuer," as defined under Rule 405 under the Securities Act;

(vii) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus and to enter into and perform its obligations under this Agreement and the Transaction Agreements (as defined in Section 1(a)(xi) hereof), and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure so to qualify or be in good standing would not have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company;

(viii) the Company has no subsidiaries;

(ix) the authorized, issued and outstanding capital stock of the Company as of the date hereof is as set forth in the column entitled "Actual" in the corresponding line items under the caption "Capitalization" in the Registration Statement, the Pricing Disclosure Package and the Prospectus; after giving effect to the purchase of the Firm Shares by the Underwriters on the Closing Date, the authorized, issued and outstanding shares of capital stock of the Company is as set forth in the column entitled "As Adjusted for Closing" in the corresponding line items under the caption "Capitalization" in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and all of the issued and outstanding shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and nonassessable and conform to the descriptions thereof contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and none of the issued and outstanding shares of capital stock of the Company are subject to any preemptive or similar rights;

(x) the Shares have been duly and validly authorized and, when issued and delivered to and paid for by the Underwriters in accordance with the terms of this Agreement, will be duly and validly issued and fully paid and nonassessable and will conform to the descriptions thereof contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and the issuance of such Shares is not subject to any preemptive or similar rights;

(xi) each of this Agreement, the Management Agreement by and between the Company and the Advisor, dated November 1, 2013 (the "**Management Agreement**"), the Staffing Agreement by and among the Parent, the Advisor and StoneCastle Cash Management LLC dated November 1, 2013 (the "**Staffing Agreement**"), the Transfer Agency and Services Agreement by and between the Company and Computershare Trust Company, N.A., dated September 9, 2013 (the "**Transfer Agent Agreement**"), the Fund Administration and Accounting Agreement by and between the Company and Bank of New York Mellon, dated October 1, 2013 (the "**Administration Agreement**"), the Trademark License Agreement by and between the Company and the Parent, dated November 1, 2013 (the "**License Agreement**"), the Custody Agreement, by and between the Company and Bank of New York Mellon, dated November 5, 2013 (the "**Custody Agreement**") and the Credit Agreement among the Company, certain lenders, and Texas Capital Bank, National Association, as administrative agent, sole lead arranger and sole book manager ("TCB") dated June 9, 2014 (the "Credit Agreement")(collectively, the "**Transaction Agreements**"), has been duly authorized, executed and delivered by the Company;

(xii) the issue and sale of the Shares, the listing of the Shares for trading on the NASDAQ Global Select Market, the execution of this Agreement by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions herein contemplated, will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject, nor will such action result in any violation of the provisions of the amended

and restated certificate of incorporation or the amended and restated by-laws of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its properties, except, in each case, for any breach, violation or default which would not have a material adverse effect on the Company; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except the registration under the Securities Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under federal or state securities or blue sky laws, the Financial Industry Regulatory Authority, Inc. ("**FINRA**") or the NASDAQ Global Select Market in connection with the purchase and distribution of the Shares by the Underwriters;

(xiii) The financial statements of the Company for the fiscal year ended December 31, 2013 were certified by the independent public accounting firm of Rothstein Kass & Company, P.C. as required by the Securities Act and the Rules and Regulations. The financial statements, together with related schedules and notes, included in the Registration Statement, the Pricing Disclosure Package and the Prospectus comply in all material respects with the requirements of the Securities Act, the Investment Company Act and the Rules and Regulations and present fairly the financial position, results of operations and changes in financial position of the Company on the basis stated in the Registration Statement, the Pricing Disclosure Package and the Prospectus at the respective dates or for the respective periods to which they apply; such statements and related schedules and notes have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein. Other than the financial statements included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, no other financial statements or supporting schedules are required to be included therein;

(xiv) The information set forth in the fee table contained in the section of the Registration Statement, the Pricing Disclosure Package and the Prospectus entitled "Fees and Expenses" has been prepared in all material respects in accordance with the requirements of Form N-2, and interpretations thereunder, and to the extent estimated or projected, such estimates or projections are reasonably believed to be attained and reasonably based.

(xv) the Company has not sustained since the date of the latest audited financial statement included in the Registration Statement, the Pricing Disclosure Package and the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and, since the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (1) there has not been any change in the capital stock or long-term debt of the Company, (2) there has not been any material adverse change, or any development reasonably likely to result in a prospective material adverse change (other than changes resulting from changes in the securities markets generally), in or affecting the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company, (3) there have been no transactions entered into by, and no obligations or

liabilities, contingent or otherwise, incurred by the Company which are material to the Company, and (4) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock, in each case, otherwise than as set forth or contemplated in the Registration Statement, the Pricing Disclosure Package and the Prospectus;

(xvi) the Company is not (1) in violation of its amended and restated certificate of incorporation or amended and restated by-laws as in effect as of the date hereof, (2) in violation of any law, ordinance, administrative or governmental rule or regulation applicable to the Company, (3) in violation of any decree of any court or governmental agency or body having jurisdiction over the Company, or (4) in default in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any agreement, indenture, lease or other instrument to which the Company is a party or by which any of them or any of its respective properties may be bound, except, in the case of clauses (2), (3) and (4), where any such violation or default, individually or in the aggregate, would not have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company;

(xvii) the Company has good and marketable title to all real and personal property owned by it, in each case free and clear of all liens, encumbrances and defects except such as would not reasonably be expected to have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company; and any real property and buildings held under lease by the Company or used by the Company are held under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company or, with respect to the enforceability of such leases, as may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally or public policy limitations relating to principles of good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law);

(xviii) there are no legal or governmental proceedings pending to which the Company is a party or of which any property of the Company is the subject which, if determined adversely to the Company, individually or in the aggregate, would have or would reasonably be expected to have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company, or would prevent or impair the consummation of the transactions contemplated by this Agreement, or which are required to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or others;

(xix) the Company possesses all permits, licenses, approvals, consents and other authorizations (collectively, "**Permits**") issued by the appropriate federal, state, local, foreign government authorities, industry bodies or self regulatory organizations necessary to conduct the businesses now operated by it and as proposed to be operated by it in the Registration Statement, the Pricing Disclosure Package and the Prospectus; the Company is in compliance with the terms and conditions of all such Permits and all of the Permits are valid and in full force and effect, except, in each case, where the failure so to comply or where the

invalidity of such Permits or the failure of such Permits to be in full force and effect, individually or in the aggregate, would not have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company; and the Company has not received any notice of proceedings relating to the revocation or material modification of any such Permits;

(xx) the Company owns or possesses, or can acquire on reasonable terms, all licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names, patents and patent rights (collectively "**Intellectual Property**") material to carrying on its business as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, provided that the Company's right to use the name "StoneCastle" is limited as set forth in the Management Agreement and the License Agreement, and the Company has not received any correspondence relating to any Intellectual Property or notice of infringement of or conflict with asserted rights of others with respect to any Intellectual Property which would render any Intellectual Property invalid or inadequate to protect the interest of the Company and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, individually or in the aggregate, would have or would reasonably be expected to have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company;

(xxi) the Company has no employees. No material labor dispute with those persons who will provide services to the Company directly or indirectly pursuant to the Staffing Agreement exists, or, to the knowledge of the Company, is imminent. The Company is not aware of any existing or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers, customers or contractors, which, individually or in the aggregate, would reasonably be expected to result in a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company;

(xxii) the Company maintains insurance in such amounts against such losses and risks as are prudent and customary in the business in which it is engaged; the Company has not been refused any insurance coverage sought or applied for; and the Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company;

(xxiii) the Company has made and keeps books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (1) transactions are executed in accordance with management's general or specific authorizations; (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (3) access to assets is permitted only in accordance with management's general or specific authorization; and (4) the recorded

accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(xxiv) since the date of the latest audited financial statements included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (a) the Company has not been advised of (1) any significant deficiencies in the design or operation of internal control over financial reporting that could adversely affect the ability of the Company to record, process, summarize and report financial data, or any material weaknesses in internal controls and (2) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of the Company, and (b) since that date, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;

(xxv) the Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15 (e) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) that comply with the requirements of the Exchange Act; such disclosure controls and procedures are effective;

(xxvi) all U.S. federal income tax returns of the Company required by law to be filed have been filed and all taxes shown by such returns or otherwise assessed, which are due and payable, have been paid, except assessments against which appeals have been or will be promptly taken and as to which adequate reserves have been provided. The Company has filed all other tax returns that are required to have been filed by it pursuant to applicable foreign, state, local or other law, except insofar as the failure to file such returns, individually or in the aggregate, would not result in a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company, and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company except for such taxes, if any, (i) as are being contested in good faith and as to which adequate reserves have been provided or (ii), where the non-payment thereof, individually or in the aggregate, would not have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company. The charges, accruals and reserves on the books of the Company in respect of any income and corporation tax liability for any years not finally determined are adequate to meet any assessments or re-assessments for additional income tax for any years not finally determined;

(xxvii) there are no statutes, regulations, documents or contracts of a character required to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus or to be filed as an exhibit to the Registration Statement which are not described or filed as required;

(xxviii) the Company has not maintained, administered or contributed to any employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), for employees or former employees of the Company or its affiliates;

(xxix) neither the Company nor, to the Company's knowledge, any director, officer, agent, employee or other person associated with or acting on behalf of the Company, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds, (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or (iv) made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment;

(xxx) there is and has been no failure on the part of the Company or any of the Company's directors or officers, in their capacities as such, to comply with any provision of the Sarbanes-Oxley Act of 2002, as amended, applicable to the Company and the rules and regulations

promulgated in connection therewith (the "**Sarbanes-Oxley Act**");

(xxxi) the operations of the Company are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transaction Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), as amended, and the applicable anti-money laundering statutes of jurisdictions where the Company conducts business, and the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Anti-Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to Anti-Money Laundering Laws is pending or, to the best knowledge of the Company, threatened;

(xxxii) neither the Company, any director, officer or employee of the Company nor, to the knowledge of the Company, any affiliate or agent of the Company is currently the subject of any sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any person or entity, for the purpose of financing the activities of or with any person or entity, or in any country or territory that, at the time of such financing is the subject of any sanctions administered by OFAC;

(xxxiii) the Common Stock has been registered pursuant to Section 12(b) of the Exchange Act and the outstanding Common Stock is listed on the NASDAQ Global Select Market. The Company has not taken any action designed to or likely to have the effect of terminating the registration of the Common Stock under the Exchange Act or de-listing the Common Stock from the NASDAQ Global Select Market, nor has the Company received any notification that the Commission or the NASDAQ Global Select Market is contemplating terminating such registration or listing. The Shares to be sold by the Company hereunder have been approved for listing, subject only to official notice of issuance, on the NASDAQ Global Select Market;

(xxxiv) all of the information provided to the Underwriters or to counsel for the Underwriters by the Company and, to the knowledge of the Company, its officers and directors and the holders of any securities of the Company in connection with letters, filings or

other supplemental information provided to FINRA pursuant to FINRA Conduct Rule 5100 is true, complete and correct in all material respects;

(xxxv) there are no persons with registration rights or other similar rights to have securities registered pursuant to the Registration Statement or otherwise registered by the Company under the Securities Act, and there are no persons with co-sale rights, tag-along rights or other similar rights to have any securities (debt or equity) included in the offering contemplated by this Agreement or sold in connection with the sale of Shares pursuant to this Agreement;

(xxxvi) the information in the Pricing Disclosure Package and the Prospectus under the captions ["Prospectus Summary—[Operating And Regulatory Structure]," "Prospectus Summary—Our Advisor," "Prospectus Summary—Conflicts of Interest," "Prospectus Summary—[Recent Developments]," "Capitalization," "Management," "Certain Relationships And Related Party Transactions," "Risk Factors," "Description of Common Stock," "U.S. Federal Income Tax Considerations," and "[Regulation]"](1) in each case to the extent that it constitutes matters of law, summaries of legal matters, summaries of provisions of the Company's organizational documents or other instruments or agreements, summaries of legal proceedings, or legal conclusions, is correct in all material respects and all descriptions in the Registration Statement, the Pricing Disclosure Package and the Prospectus of any Company documents are accurate in all material respects;

(xxxvii) the Company has not distributed (within the meaning of the Securities Act) and, prior to the later to occur of the Closing Date and completion of distribution of the Shares, will not distribute any offering materials in connection with the offering and sale of the Shares, other than the Pricing Disclosure Package and the Prospectus; and, except for permitted activity under Regulation M with the consent of the Representative, the Company has not taken and will not take, directly or indirectly, any action designed to cause or result in, or which constitutes or might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale of the Shares;

(xxxviii) the statistical and market and industry-related data included in the Registration Statement, the Pricing Disclosure Package and the Prospectus are based on or derived from sources which the Company believes to be reliable and accurate or represent the Company's good faith estimates that are made on the basis of data derived from such sources, and the Company has obtained the written consent to the use of such data from sources to the extent required;

(xxxix) the Company is a closed-end, non-diversified management investment company and has duly filed the Investment Company Act Notification with the Commission; the Investment Company Act Notification when originally filed with the Commission and any amendment or supplement thereto when filed with the Commission did or will, comply with the applicable requirements of the Investment Company Act; the Company has not filed with the Commission any notice of withdrawal of the Investment Company Act

(1) Note to Draft: update to reflect captions in Registration Statement.

Notification; the Investment Company Act Notification remains in full force and effect, and, to the Company's knowledge, no order of suspension or revocation of such election under the Investment Company Act has been issued or proceedings therefore initiated or threatened by the Commission; the operations of the Company are in compliance in all material respects with the provisions of the Investment Company Act;

(xl) except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, no director of the Company is an "interested person" (as defined in the Investment Company Act) of the Company or an "affiliated person" (as defined in the Investment Company Act) of any Underwriter and all other relationships required to be disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus have been disclosed;

(xli) the Company has taken all required action under the Securities Act, the Investment Company Act and the Rules and Regulations to make the public offering and consummate the sale of the Shares as contemplated by this Agreement;

(xlii) all advertising, sales literature or other promotional material (including "prospectus wrappers," "broker kits," "road show slides" and "road show scripts"), whether in printed or electronic form, authorized by or prepared by the Company, the Advisor or the Parent for use in connection with the offering and sale of the Shares (collectively, "**sales material**") complied and comply in all material respects with the applicable requirements of the Securities Act, the Investment Company Act and the Rules and Regulations and, if required to be filed with FINRA under FINRA's conduct rules, were provided to Dechert LLP, counsel for the Underwriters, for filing; no sales material contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xliii) the Company's directors' and officers' errors and omissions insurance policy and its fidelity bond required by Rule 17g-1 of the Investment Company Act are in full force and effect; the Company is in compliance with the terms of such policy and fidelity bond in all material respects; and there are no claims by the Company under any such policy or fidelity bond as to which any insurance company is denying liability or defending under a reservation of rights clause;

(xliv) the Company is in compliance with the requirements of Subchapter M of the Code necessary to qualify as a regulated investment company under Subchapter M of the Code (a "**RIC**"); the Company intends to direct the investment of the net proceeds of the offering of the Shares and to continue to conduct its activities in such a manner as to comply with the requirements for qualification and taxation as a RIC; the Company has elected to be treated as a RIC under Subchapter M of the Code for its taxable year ending December 31, 2013, and intends to be treated as a RIC under Subchapter M of the Code for its taxable year ending December 31, 2014 and for each subsequent year of its operations;

(xlv) the Company has duly authorized, executed and delivered any agreements pursuant to which it has made the investments described in the Registration Statement, the Pricing Disclosure Package and the Prospectus under the caption ["Portfolio

Companies"](2) (each a "**Portfolio Company Agreement**") with corporations or other entities (each a "**Portfolio Company**"). To the Company's knowledge, each Portfolio Company is current with all its material obligations under the applicable Portfolio Company Agreements, no event of default (or a default which with the giving of notice or the passage of time would become an event of default) has occurred under such agreements;

(xlvi) there are no franchises, mortgages, loan or credit agreements, bonds, notes, leases, agreements, contracts, indentures, leases or other instruments or documents that are required to be described in the Registration Statement, the Pricing Disclosure Package or the Prospectus, or to be filed as an exhibit thereto, which are not described or filed as required by the Securities Act, the Investment Company Act, or the Rules and Regulations;

(xlvii) the Company is in compliance with the provisions of the Investment Company Act except to the extent that any failure to so comply would not reasonably be expected to have a material adverse effect on the operations or financial condition of the Company;

(xlviii) neither the Company nor any of its affiliates (within the meaning of Rule 144 under the 1933 Act) has made any offer or sale of any securities which could be "integrated" (within the meaning of the Securities Act) with the offer and sale of the Shares pursuant to the Registration Statement and the Company has not sold or issued any shares of Common Stock during the six-month period preceding the date of the Pricing Disclosure Package other than as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus. and

(xlix) any certificate signed by any officer of the Company delivered to the Underwriters or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

(b) The Advisor and the Parent, jointly and severally, represent and warrant to, and agree with each of the Underwriters, as of the date hereof and as of the Closing Date and each Option Closing Date (as defined herein), if any, that:

(i) Except for permitted activity under Regulation M with the consent of the Representative, neither the Advisor, the Parent nor any of their affiliates has taken, nor will the Advisor, the Parent nor any of their affiliates take, directly or indirectly, any action designed to cause or result in, or which constitutes or might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale of the Shares;

(ii) since the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there has not been any material adverse change, or any development involving a prospective material adverse

change, in or affecting the general affairs, business, management, financial position, shareholders' equity or results of operations of the Advisor or the Parent;

(iii) each of the Advisor and Parent has been duly organized and is validly existing as a limited liability company in good standing under the laws of the State of Delaware with limited liability company power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, and has been duly qualified as a foreign limited liability company for the transaction of business and is in good standing under the laws of each other jurisdiction in which its owns or leases properties or conducts any business so as to require such qualification, except where the failure so to qualify or be in good standing would not have a material adverse effect on the Advisor or the Parent;

(iv) each of this Agreement, the Management Agreement, the Administration Agreement and the other Transaction Agreements, to which they are a party, has been duly authorized, executed and delivered by each of the Advisor and the Parent and/or its affiliates;

(v) neither the Advisor nor the Parent is (1) in violation of its organization documents or (2) in violation of any law, ordinance, administrative or governmental rule or regulation applicable to the Advisor or the Company, or (3) in violation of any decree of any court or governmental agency or body having jurisdiction over the Advisor or the Parent, or (4) in default in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any agreement, indenture, lease or other instrument to which the Advisor or the Parent is a party or by which any of them or any of their respective properties may be bound which pertains to the business of the Advisor or the Company, except, in the case of clauses (2), (3) and (4), where any such violation or default, individually or in the aggregate, would not have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Advisor or the Company;

(vi) the Advisor has no employees. No material labor dispute with those persons who provide services directly or indirectly to the Advisor pursuant to the Staffing Agreement exists, or, to the knowledge of the Advisor and the Parent, is imminent. Neither the Advisor nor the Parent is aware of any existing or imminent labor disturbance by the employees of any of their principal suppliers, manufacturers, customers or contractors, which, individually or in the aggregate, may reasonably be expected to result in a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Advisor or the Company;

(vii) other than as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no legal or governmental proceedings pending to which the Advisor or any of its affiliates is a party or of which any property of the Advisor or any of its affiliates is the subject which, if determined adversely to the Advisor or any of its affiliates, individually or in the aggregate, would have or would reasonably be expected to have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Advisor or the Company or would prevent or

impair the consummation of the transactions contemplated by this Agreement, or which are required to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and, to the best of the Advisor's and Parent's knowledge, no such proceedings are threatened or contemplated by governmental authorities or others;

(viii) the description of each of the Advisor and the Parent and its business, and the statements attributable to the Advisor and the Parent, in the Registration Statement, the Pricing Disclosure Package and the Prospectus complied and comply in all material respects with the provisions of the Securities Act, the Investment Company Act and the Advisers Act, and did not and will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(ix) the Advisor and the Parent and their affiliates who provide services to the company possess all Permits issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the businesses now or proposed to be operated by them as described in the Registration Statement, the Prospectus and the Pricing Disclosure Package; such entities are in compliance with the terms and conditions of all such Permits and all of the Permits are valid and in full force and effect, except, in each case, where the failure so to comply or where the invalidity of such Permits or the failure of such Permits to be in full force and effect, individually or in the aggregate, would not have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Advisor or the company; and neither the Advisor nor the Parent has received any notice of proceedings relating to the revocation or material modification of any such Permits;

(x) the Advisor and the Parent own or possess, or can acquire on reasonable terms, all Intellectual Property material to carrying on their businesses as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, and neither the Advisor nor the Parent has received any correspondence relating to any Intellectual Property or notice of infringement of or conflict with asserted rights of others with respect to any Intellectual Property which would render any Intellectual Property invalid or inadequate to protect the interest of the Advisor and the Parent and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, individually or in the aggregate, would have or would reasonably be expected to have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Advisor or the Company;

(xi) the issue and sale of the Shares, the listing of the Shares for trading on the NASDAQ Global Select Market, the execution of this Agreement by the Advisor and the Parent and the compliance by the Advisor and the Parent with all of the provisions of this Agreement and the consummation of the transactions herein contemplated will not (1) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Advisor or the Parent is a party or by which the Advisor or the Parent is bound or to which any of the property or assets of the Advisor or the Parent is subject, nor will such action (2) result in any violation of the provisions of the organization documents of the Advisor or the

Parent or (3) result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Advisor or the Parent or any of its properties except in the case of clause (1), where such violation or default, individually or in the aggregate, would not have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Advisor and the Parent of the transactions contemplated by this Agreement, except the registration under the Securities Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or blue sky laws, FINRA or the NASDAQ Global Select Market in connection with the purchase and distribution of the Shares by the Underwriters;

(xii) the Advisor and the Parent maintain a system of internal accounting controls sufficient to provide reasonable assurance that (1) transactions are executed in accordance with management's general or specific authorizations and with the investment objective, policies and restrictions of the Company and the applicable requirements of the Investment Company Act, the Advisers Act and the Rules and Regulations; (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets and to maintain material compliance with the books and records requirements under the Investment Company Act and the Rules and Regulations; (3) access to assets is permitted only in accordance with management's general or specific authorization; and (4) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(xiii) neither the Advisor nor Parent is, and, after giving effect to the offering and sale of the Shares as contemplated herein and the application of the net proceeds therefrom as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, will be an "investment company," as such term is defined in the Investment Company Act;

(xiv) the Advisor and the Parent maintain insurance in such amounts against such losses and risks as are prudent and customary in the businesses in which they are engaged; neither the Advisor nor the Parent has been refused any insurance coverage sought or applied for; and the Advisor and the Parent has no reason to believe that either of them will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Advisor or the Parent;

(xv) the Advisor is registered as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the Investment Company Act from acting under any of the Transaction Documents to which it is a party for the Company as contemplated by the Registration Statement, the Pricing Disclosure Package and the Prospectus;

(xvi) each of the Advisor and the Parent has the financial resources available to it necessary for the performance of its services and obligations as contemplated in the Registration Statement, the Pricing Disclosure Package, the Prospectus, this Agreement, the Management Agreement, the Administration Agreement and any other Transaction Agreement, to the extent a party thereto, and each of the Advisor and the Parent owns, leases or has access to all properties and other assets that are necessary to the conduct of its business and to perform the services, as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus;

(xvii) except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Advisor does not have any material lending or other relationship with a bank or lending institution affiliated with any of the Underwriters;

(xviii) the Advisor does not have any subsidiaries; and

(xix) any certificate signed by any officer of the Advisor or the Parent delivered to the Underwriters or to counsel for the Underwriters shall be deemed a representation and warranty by the Advisor and the Parent to the Underwriters as to the matters covered thereby.

2. Subject to the terms and conditions set forth herein, (a) the Company agrees to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of $[·] (the "**Initial Purchase Price**"), the respective number of Firm Shares set forth opposite the name of such Underwriter in Schedule I attached hereto, subject to adjustment in accordance with Section 9 hereof, and (b) [in the event and to the extent that the Underwriters shall exercise the election to purchase Option Shares as provided below, the Company agrees to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of $[·] (the "**Option Purchase Price**"), the same proportion of the total number of Option Shares then being purchased as the proportion of the total number of Firm Shares set forth opposite the name of such Underwriter in Schedule I attached hereto, subject to adjustment in accordance with Section 9 hereof.](3)

The Company hereby grants to the Underwriters the right to purchase at their election up to [·] Option Shares at the Option Purchase Price for the sole purpose of covering over-allotments in connection with the sale of the Firm Shares. The Underwriters may exercise their option to acquire Option Shares in whole or in part from time to time only by written notice from the Representative to the Company, given within a period of [45] calendar days after the date of this Agreement and setting forth the aggregate number of Option Shares to be purchased and the date on which such Option Shares are to be delivered, as determined by the Representative but in no event earlier than the Closing Date or, unless the Representative and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

(3) Note to Draft: Discuss adjustments for dividends based on expected record dates between pricing and expiration of the over-allotment option.

3. The several Underwriters shall offer the Firm Shares for sale to the public upon the terms and conditions set forth in the Prospectus.

4. The Company will deliver the Firm Shares to the Representative through the facilities of the Depository Trust Company ("**DTC**") to the Representative, in each case, for the accounts of the Underwriters, against payment of the Initial Purchase Price therefor in federal (same day) funds by official bank check or checks or wire transfer drawn to the order of the Company at the office of Dechert LLP, 1900 K Street, NW, Washington, DC 20006 (or such other place as mutually may be agreed upon) at 10:00 a.m. (Eastern time) on [·], 2014, or at such other time not later than seven full business days thereafter as the Representative and the Company determine, such time being herein referred to as the "**Closing Date.**" For purposes of Rule 15c6-1 under the Exchange Act, the Closing Date (if later than the otherwise applicable settlement date) shall be the settlement date for payment of funds and delivery of securities for all the Firm Shares. The certificates for the Firm Shares delivered will be in definitive form, in such denominations and registered in such names as the Representative requests and will be made available for checking and packaging at the above office of Dechert LLP (or such other place as mutually may be agreed upon) at least 24 hours prior to the Closing Date.

Each time for the delivery of and payment for the Option Shares, being herein referred to as an "**Option Closing Date**," which may be the Closing Date, shall be determined by the Representative as provided above. The Company will deliver the Option Shares being purchased on each Option Closing Date to the Representative through the facilities of DTC for the accounts of the Underwriters, against payment of the Option Purchase Price therefor in Federal (same day) funds by official bank check or checks or wire transfer drawn to the order of the Company at the above office of Dechert LLP (or such other place as mutually may be agreed upon) at 10:00 a.m. (Eastern time) on the applicable Option Closing Date. The certificates for the Option Securities delivered will be in definitive form, in such denominations and registered in such names as the Representative requests and will be made available for checking and packaging at the above office of Dechert LLP at least 24 hours prior to such Option Closing Date.

5. The Company covenants and agrees with each of the Underwriters as follows:

(a) The Company, subject to Section 5(b), will comply with the requirements of Rule 430A under the Securities Act, and will notify the Representative as soon as practicable (and within 24 hours in any case), and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectus or any amended prospectus shall have been filed, to furnish the Representative with copies thereof, (ii) of the receipt of any comments from the Commission with respect to the Registration Statement or the Prospectus or any amendment or supplement thereto, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any Preliminary Prospectus, or of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes and (v) of the filing with the Commission of any notice of withdrawal of the Investment Company Act Notification or the failure of the Investment Company Act Notification to remain in full force and effect or the

issuance by the Commission of (or the initiation or threatening of proceedings by the Commission with respect to) an order of suspension or revocation of such election under the Investment Company Act. The Company will promptly effect the filings necessary pursuant to Rule 497 under the Securities Act and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 497 was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order by the Commission and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) The Company will give the Representative notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b) under the Securities Act), or any amendment, supplement or revision to the Prospectus, will furnish the Representative with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Representative or counsel for the Underwriters shall reasonably object.

(c) The Company will use its best efforts to qualify the Shares for offering and sale under the securities laws of such jurisdictions as the Representative may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, **provided that** nothing in this Section 5(c) shall require the Company to qualify as a foreign corporation in any jurisdiction in which it is not already so qualified, or to file a general consent to service of process in any jurisdiction, or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(d) The Company has furnished or will deliver to the Representative upon request, without charge, signed copies of the Initial Registration Statement as originally filed, any Rule 462(b) Registration Statement and of each amendment to each (including exhibits filed therewith or incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also, upon request by the Representative, deliver to the Representative, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) The Company has delivered to each Underwriter, without charge, as many written and electronic copies of each Preliminary Prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the Securities Act. The Company will furnish to each Underwriter, without charge, prior to 5:00 P.M. on the second business day next succeeding the date of this Agreement and from time to time thereafter during the period when the Prospectus is required to be delivered in connection with sales of the Shares under the Securities Act or the Exchange Act such number of written and electronic copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the

Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(f) The Company will comply with the Securities Act, the Investment Company Act and the Rules and Regulations so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and in the Prospectus. If at any time when, in the opinion of counsel for the Underwriters, a prospectus is required to be delivered in connection with sales of the Shares under the Securities Act, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to amend the Registration Statement or amend or supplement the Prospectus in order that the Prospectus will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of either such counsel, at any such time to amend the Registration Statement or amend or supplement the Prospectus in order to comply with the requirements of the Securities Act or the Rules and Regulations, the Company will promptly prepare and file with the Commission, subject to Section 5(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectus comply with such requirements, and the Company will furnish to the Underwriters such number of written and electronic copies of such amendment or supplement as the Underwriters may reasonably request. The Company will provide the Representative with notice of the occurrence of any event during the period specified above that may give rise to the need to amend or supplement the Registration Statement, the Pricing Disclosure Package or the Prospectus as provided in the preceding sentence promptly after the occurrence of such event.

(g) The Company will make generally available (within the meaning of Section 11(a) of the Securities Act) to its security holders and to the Representative as soon as practicable, but not later than 60 days after the end of its fiscal quarter in which the first anniversary date of the effective date of the Registration Statement occurs, an earnings statement (in form complying with the provisions of Rule 158 under the Securities Act) covering a period of at least twelve consecutive months beginning after the effective date of the Registration Statement.

(h) The Company will use the net proceeds received by it from the sale of the Shares in the manner specified in the Registration Statement, the Pricing Disclosure Package and the Prospectus under the heading “Use of Proceeds.”

(i) The Company will use its best efforts (x) to cause the Shares to be duly authorized for listing on the NASDAQ Global Select Market prior to the date the Shares are issued and (y) to maintain the listing for quotation of the Common Stock (including the Shares) on the NASDAQ Global Select Market.

(j) The Company will maintain a custodian and a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

(k) During a period of 90 days from the date of the Prospectus, the Company will not, without the prior written consent of the Representative, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, other than the Shares to be sold hereunder.

(l) During a period of five years from the effective date of the Registration Statement, the Company will furnish to the Representative copies of all reports or other communications (financial or other) furnished to shareholders generally, and to deliver to the Representative, to the extent such materials are not furnished to or filed with the Commission, (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional information concerning the business and financial condition of the Company as the Representative may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company are consolidated in reports furnished to its shareholders generally or to the Commission).

(m) If the Company elects to rely upon Rule 462(b) under the Securities Act, the Company will file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by the earlier of (i) 10:00 p.m. (Eastern time) on the date of this Agreement and (ii) the time that confirmations are given or sent, as specified by Rule 462(b), and at the time of filing either to pay to the Commission the filing fee for the Rule 462(b) Registration Statement or to give irrevocable instructions for the payment of such fee pursuant to Rule 111 under the Securities Act.

(n) The Company shall elect to be taxable as a RIC within the meaning of Section 851(a) of the Code commencing with its taxable year ending December 31, 2014 by timely filing its 2014 U.S. federal income tax return as a RIC on Internal Revenue Service Form 1120-RIC, and shall use its best efforts to maintain its status as a RIC within the meaning of Section 851(a) of the Code by timely filing its U.S. federal income tax return as a RIC on Internal Revenue Service Form 1120-RIC in each taxable year thereafter during which it is registered as an investment company under the Investment Company Act and which occurs prior to the five year anniversary of this Agreement.

(o) So as to permit the completion of the distribution of the Shares as contemplated in this Agreement and in the Prospectus, the Company, the Advisor and the Parent will comply with all applicable securities and other applicable laws, rules and regulations, including the Sarbanes-Oxley Act, and will use their best reasonable efforts to cause the Company's, the Advisor's and the Parent's directors and officers, in their capacities as such, to comply with such laws, rules and regulations, including the provisions of the Sarbanes-Oxley Act.

(p) If so requested by the Representative, the Company shall cause to be prepared and delivered, at its expense, within one business day from the effective date of this Agreement, to the Representative an "electronic Prospectus" to be used by the Underwriters in connection with the offering and sale of the Shares. As used herein, the term "**electronic Prospectus**" means a form of the most recent Preliminary Prospectus or the Prospectus, and any amendment or supplement thereto, that meets each of the following conditions: (i) it shall be encoded in an electronic format, satisfactory to the Representative, that may be transmitted electronically by the Representative and the other Underwriters to offerees and purchasers of the Shares, (ii) it shall disclose the same information as such paper Preliminary Prospectus or the Prospectus, as the case may be; and (iii) it shall be in or convertible into a paper format or an electronic format, satisfactory to the Representative, that will allow investors to store and have continuously ready access to such Preliminary Prospectus or the Prospectus at any future time, without charge to investors (other than any fee charged for subscription to the Internet generally). The Company hereby confirms that, if so requested by the Representative, it has included or will include in the Prospectus filed with the Commission an undertaking that, upon receipt of a request by an investor or his or her representative, the Company shall transmit or cause to be transmitted promptly, without charge, a paper copy of such paper Preliminary Prospectus or the Prospectus to such investor or representative.

6. The Company covenants and agrees with the several Underwriters that, whether or not the transactions contemplated by this Agreement are consummated, the Company will pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including (i) the fees, disbursements and expenses of the Company's counsel, accountants and other advisors; (ii) filing fees and all other expenses in connection with the preparation, printing and filing of the Registration Statement, each Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (iii) the cost of printing or producing this Agreement, closing documents (including any compilations thereof) and such other documents as may be required in connection with the offering, purchase, sale and delivery of the Shares; (iv) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(c), including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the blue sky survey; (v) all fees and expenses in connection with listing the Common Stock (including the Shares) on the NASDAQ Global Select Market; (vi) the filing fees incident to, and the fees and disbursements of counsel for the Underwriters up to $[25,000] in connection with, securing any required review by FINRA of the terms of the sale of the Shares; (vii) all fees and expenses in connection with the preparation, issuance and delivery of the certificates representing the Shares to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Shares to the Underwriters; (viii) the cost and charges of any transfer agent or registrar; (ix) the transportation and other expenses incurred by the Company in connection with presentations to prospective purchasers of Shares; (ix) the unpaid portion of the legal expenses of counsel to the Representative associated with the offering of Common Stock pursuant to the Registration Statement which have accrued through the end of the prospectus delivery period applicable to the sale of the Shares; and (x) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section.

7. The several obligations of the Underwriters hereunder to purchase the Shares on the Closing Date or each Option Closing Date, as the case may be, are subject to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 497 under the Securities Act within the applicable time period prescribed for such filing by the Rules and Regulations and in accordance with Section 5(a); if the Company has elected to rely upon Rule 462(b) under the Securities Act, the Rule 462(b) Registration Statement shall have become effective; the Registration Statement shall be effective, and no stop order suspending the effectiveness of the Registration Statement or any part thereof or the Prospectus or any part thereof shall have been issued, and no proceeding for that purpose shall have been initiated or threatened by the Commission or any state securities commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction.

(b) The respective representations and warranties of the Company, the Advisor and the Parent contained herein are true and correct on and as of the Closing Date or the Option Closing Date, as the case may be, as if made on and as of the Closing Date or the Option Closing Date, as the case may be, and each of the Company, the Advisor and the Parent shall have complied with all agreements and all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date or the Option Closing Date, as the case may be.

(c) (i) The Company shall not have sustained since the date of the latest audited financial statements included in the Registration Statement, the Pricing Disclosure Package and the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, other than as set forth or contemplated in the Registration Statement, the Pricing Disclosure Package and the Prospectus, and (ii) since the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (1) there shall not have been any change in the capital stock (other than the issuance of the Shares pursuant hereto) or long-term debt of the Company or (2) there shall not have been any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company, the effect of which, in any such case described in clause (i) or (ii) (including changes resulting from changes in the securities markets generally), is in the judgment of the Representative so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Closing Date or Option Closing Date, as the case may be, on the terms and in the manner contemplated in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(d) The Representative shall have received on and as of the Closing Date or the Option Closing Date, as the case may be, a certificate from the Company's chief executive officer and the Company's chief financial officer, satisfactory to the Representative, to the effect that (i) there has been no such material adverse change to the Company, (ii) the representations and warranties of the Company in this Agreement are true and correct, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied

at or prior to the Closing Date or the Option Closing Date, as the case may be, under or pursuant to this Agreement and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are, pending or, to their knowledge, are contemplated by the Commission;

(e) At each of the execution of this Agreement, the Closing Date and any Option Closing Date, the Representative shall have received a certificate from the Company's chief financial officer substantially in the form of Exhibit B hereto.

(f) The Representative shall have received on and as of the Closing Date or the Option Closing Date, as the case may be, a certificate of two executive officers of the Advisor, at least one of whom has specific knowledge about the Advisor's financial matters, satisfactory to the Representative, to the effect that (i) the representations and warranties of the Advisor in this Agreement are true and correct and (ii) the Advisor has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Date or the Option Closing Date, as the case may be, under or pursuant to this Agreement;

(g) The Representative shall have received on and as of the Closing Date or the Option Closing Date, as the case may be, a certificate of two executive officers of the Parent, at least one of whom has specific knowledge about the Parent's financial matters, satisfactory to the Representative, to the effect that (i) the representations and warranties of the Parent in this Agreement are true and correct and (ii) the Parent has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Date or the Option Closing Date, as the case may be, under or pursuant to this Agreement;

(h) On the Closing Date or Option Closing Date, as the case may be, Pepper Hamilton LLP, counsel for or the Company, the Advisor, and special counsel to the Parent, shall have furnished to the Representative their favorable written opinion, dated the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to counsel for the Underwriters, substantially in the form set forth in Exhibit A hereto and to such further effect as counsel for the Underwriters may reasonably request.

(i) On the effective date of the Registration Statement and, if applicable, the effective date of the most recently filed post-effective amendment to the Registration Statement, Rothstein Kass & Company, P.C. shall have furnished to the Representative a letter, dated the date of delivery thereof, in form and substance satisfactory to the Representative, containing statements and information of the type customarily included in accountants' "**comfort letters**" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(j) On the Closing Date or Option Closing Date, as the case may be, the Representative shall have received from Rothstein Kass & Company, P.C. a letter, dated the Closing Date or such Option Closing Date, as the case may be, to the effect that they reaffirm the statements made in the letter or letters furnished pursuant to Section 7(i), except that the specified date referred to shall be a date not more than three business days prior to the Closing Date or such Option Closing Date, as the case may be.

(k) On the Closing Date or Option Closing Date, as the case may be, Dechert LLP, counsel for the Underwriters, shall have furnished to the Representative their favorable opinion dated the Closing Date or the Option Closing Date, as the case may be, with respect to such matters as the Representative may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters.

(l) The Shares to be delivered on the Closing Date or Option Closing Date, as the case may be, shall have been approved for listing on the NASDAQ Global Select Market, subject to official notice of issuance.

(m) FINRA shall have confirmed in writing that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and conditions.

(n) The Representative shall have received "**lock-up**" agreements, each substantially in the form of Exhibit C hereto, from each of its directors, officers and certain persons or entities affiliated with the Advisor, in each case as named in Exhibit D hereto, and such agreements shall be in full force and effect on the Closing Date or Option Closing Date, as the case may be.

(o) The Shares will be eligible for clearance through DTC.

(p) The Representative shall have received executed copies of each of the Transaction Agreements and such agreements shall be in full force and effect on the Closing Date or Option Closing Date, as the case may be.

(q) On or prior to the Closing Date or Option Closing Date, as the case may be, the Company shall have furnished to the Representative such further information, certificates and documents as the Representative shall reasonably request.

(r) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or NASDAQ Global Select Market; (ii) a suspension or material limitation in trading in the Company's securities on the NASDAQ Global Select Market; (iii) a general moratorium on commercial banking activities declared by any of federal, Delaware or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in the judgment of the Representative makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Closing Date or Option Closing Date, as the case may be, on the terms and in the manner contemplated in the Prospectus.

If any condition specified in this Section 7 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated, subject to the provisions of Section 10, by the Representative by notice to the Company at any time at or prior to the Closing Date or

Option Closing Date, as the case may be, and such termination shall be without liability of any party to any other party, except as provided in Section 11.

8. (a) The Company, the Advisor and the Parent, jointly and severally, agree to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act against any and all losses, liabilities, claims, damages and expenses whatsoever as incurred (including without limitation, reasonable attorneys' fees and any and all reasonable expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), joint or several, to which they or any of them may become subject under the Securities Act, the Investment Company Act, the Exchange Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Initial Registration Statement, as originally filed or any amendment thereof, the Registration Statement, or any post-effective amendment thereof, any Preliminary Prospectus, the Pricing Disclosure Package or the Prospectus, or in any supplement thereto or amendment thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; **provided, however, that** the Company, the Advisor and the Parent will not be liable in any such case to the extent that any such loss, liability, claim, damage or expense arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made in the Initial Registration Statement, as originally filed or any amendment thereof, the Registration Statement, or any post-effective amendment thereof, any Preliminary Prospectus, the Pricing Disclosure Package or the Prospectus, or in any supplement thereto or amendment thereof, in reliance upon and in strict conformity with written information furnished to the Company, the Advisor or the Parent by or on behalf of any Underwriter through the Representative expressly for use therein, it being understood and agreed that the only such information furnished by any Underwriter is the information described as such in Section 8(b) below.

(b) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless the Company, the Advisor and the Parent, each of their directors, each of the officers of the Company who shall have signed the Registration Statement, and each other person, if any, who controls the Company, the Advisor or the Parent within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act, against any losses, liabilities, claims, damages and expenses whatsoever as incurred (including without limitation, reasonable attorneys' fees and any and all reasonable expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Initial Registration Statement, as originally filed or any amendment thereof, the Registration Statement, or any post-effective amendment thereof, or any Preliminary Prospectus, the Pricing Disclosure Package or the Prospectus, or in any supplement thereto or amendment thereof, or arise out of or are based upon the omission or

alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that any such loss, liability, claim, damage or expense arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in strict conformity with written information furnished to the Company by or on behalf of such Underwriter through the Representative expressly for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: [the concession and reallowance figures appearing in the third paragraph under the caption "Underwriting" and the information regarding price stabilization, short positions and penalty bids in the twelfth through fourteenth paragraphs under the caption "Underwriting."](4)

(c) Promptly after receipt by an indemnified party under Section 8(a) or 8(b) of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such Section, notify each party against whom indemnification is to be sought in writing of the commencement thereof (but the failure so to notify an indemnifying party shall not relieve it from any liability which it may have under this Section 8). In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and jointly with any other indemnifying party similarly notified, to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnified party). Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by one of the indemnifying parties in connection with the defense of such action, (ii) the indemnifying parties shall not have employed counsel to have charge of the defense of such action within a reasonable time after notice of commencement of the action, or (iii) such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the indemnifying parties. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, which counsel, in the event of indemnified parties under Section 8(a), shall be selected by the Representative. No indemnifying party shall, without the written consent of the indemnified party (which shall not be unreasonably withheld, conditioned or delayed), effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party

(4) Note to Draft: to be updated based on "Underwriting" section in Prospectus.

is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent (which may not be unreasonably withheld, conditioned or delayed).

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any losses, liabilities, claims, damages or expenses (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, liabilities, claims, damages or expenses (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Advisor and the Parent on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company, the Advisor and the Parent on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company, the Advisor and the Parent on the one hand and the Underwriters on the other from the offering of the Shares shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Advisor and the Parent on the one hand or the Underwriters on the other and the parties relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Advisor, the Parent and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8(d). The amount paid or payable by an indemnified party as a result of the losses, liabilities, claims, damages or expenses (or actions in respect thereof) referred to above in this Section 8(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this Section 8(d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the parties to this Agreement contained in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) Notwithstanding anything in this Agreement to the contrary, any indemnification and contribution by the Company shall be subject to the requirements and limitations of Section 17(i) of the Investment Company Act.

9. If any Underwriter or Underwriters default in its or their obligations to purchase Shares hereunder on the Closing Date or any Option Closing Date and the aggregate number of Shares that such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total number of Shares that the Underwriters are obligated to purchase on such Closing Date or Option Closing Date, as the case may be, the Representative may make arrangements satisfactory to the Company for the purchase of such Shares by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date or Option Closing Date, as the case may be, the non-defaulting Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Shares that such defaulting Underwriters agreed but failed to purchase on such Closing Date or Option Closing Date, as the case may be. If any Underwriter or Underwriters so default and the aggregate number of Shares with respect to which such default or defaults occur exceeds 10% of the total number of Shares that the Underwriters are obligated to purchase on such Closing Date or Option Closing Date, as the case may be, and arrangements satisfactory to the Representative and the Company for the purchase of such Shares by other persons are not made within 36 hours after such default, this Agreement will terminate, subject to the provisions of Section 11, without liability on the part of any non-defaulting Underwriter, the Company, the Advisor or the Parent, except as provided in Section 11. Nothing herein will relieve a defaulting Underwriter from liability for its default.

In the event of any such default which does not result in a termination of this Agreement, either the Representative or the Company shall have the right to postpone the Closing Date or the relevant Option Closing Date, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement, the Pricing Disclosure Package or Prospectus or in any other documents or arrangements. As used in this Agreement, the term "**Underwriter**" includes any person substituted for an Underwriter under this Section 9.

10. Notwithstanding anything herein contained, this Agreement (or the obligations of the several Underwriters with respect to any Option Shares which have yet to be purchased) may be terminated, subject to the provisions of Section 11, in the absolute discretion of the Representative, by notice given to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (or, if any Option Shares are to be purchased on an Option Closing Date which occurs after the Closing Date, the Representative may terminate the obligations of the several Underwriters to purchase such Option Shares, by notice given to the

Company, if after the execution and delivery of this Agreement and prior to such Option Closing Date), (a) there has been any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company, (b) there has been any material adverse change in the condition, financial or otherwise, or in the business affairs or business prospects of the Advisor or the Parent, (c) trading generally on the New York Stock Exchange, LLC or NASDAQ Global Select Market shall have been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, FINRA or any other governmental or regulatory authority, (d) trading of any securities of or guaranteed by the Company shall have been suspended on any exchange or in any over-the-counter market, (e) a general moratorium on commercial banking activities in New York or Delaware shall have been declared by federal, New York State or Delaware State authorities or a new restriction materially adversely affecting the distribution of the Firm Shares or the Option Shares, as the case may be, shall have become effective, or (f) there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representative, impracticable to market the Shares to be delivered on the Closing Date or Option Closing Date, as the case may be, or to enforce contracts for the sale of the Shares.

If this Agreement is terminated pursuant to this Section 10, such termination will be without liability of any party to any other party except as provided in Section 11 hereof.

11. The respective indemnities, agreements, representations, warranties and other statements of the Company, the Advisor, the Parent or their officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter, the Company, the Advisor, the Parent or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Shares. If this Agreement is terminated pursuant to Section 7, 9 or 10 or if for any reason the purchase of any of the Shares by the Underwriters is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 6, the respective obligations of the Company, the Advisor, the Parent and the Underwriters pursuant to Section 8 and the provisions of Sections 11, 12 and 17 shall remain in effect and, if any Shares have been purchased hereunder the representations and warranties in Section 1 and all obligations under Section 5 and Section 6 shall also remain in effect. If this Agreement shall be terminated by the Underwriters, or any of them, under Section 7 or otherwise because of any failure or refusal on the part of the Company, the Advisor or the Parent to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason any of the Company, the Advisor or the Parent shall be unable to perform its obligations under this Agreement or any condition of the Underwriters' obligations cannot be fulfilled, the Company agrees to reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the reasonable fees and expenses of counsel) reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

12. This Agreement shall inure to the benefit of and be binding upon the Company and the Underwriters, the officers and directors of the Company, the Advisor and the Parent referred to herein, any controlling persons referred to herein and their respective successors and assigns. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. No purchaser of Shares from any Underwriter shall be deemed to be a successor or assign by reason merely of such purchase.

13. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given upon receipt thereof by the recipient if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be given to the Representative, c/o Keefe, Bruyette & Woods, Inc., 787 Seventh Avenue, New York, NY 10019. Notices to the Company, the Advisor and the Parent shall be given to it at 152 West 57th Street, 35th Floor, New York, New York 10019 (fax no.: 212-354-6565); Attention: Joshua S. Siegel.

14. This Agreement may be signed in counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16. The parties hereby submit to the exclusive jurisdiction of and venue in the federal courts located in the City of New York, New York in connection with any dispute related to this Agreement, any transaction contemplated hereby, or any other matter contemplated hereby.

17. The Company, the Advisor and the Parent acknowledge and agree that (i) the purchase and sale of the Shares pursuant to this Agreement, including the determination of the public offering price of the Shares and any related discounts and commissions, is an arm's-length commercial transaction between the Company, the Advisor and the Parent, on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not the agent or fiduciary of the Company, the Advisor, the Parent or their respective stockholders, creditors, employees or any other party, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Company, the Advisor or the Parent with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company, the Advisor or the Parent on other matters) or any other obligation to the Company, the Advisor or the Parent except the obligations expressly set forth in this Agreement, and (iv) the Company, the Advisor and the Parent have consulted their own legal and financial advisors to the extent they deem appropriate. The Company, the Advisor and the Parent agree that each will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, the Advisor or the Parent in connection with such transaction or the process leading thereto.

18. The Company, the Advisor and the Parent acknowledge that the Underwriters' research analysts and research departments are required to be independent from their respective investment banking divisions and are subject to certain regulations and internal policies, and that such Underwriters' research analysts may hold views and make statements or investment

recommendations and/or publish research reports with respect to the Company and/or the offering that differ from the views of their respective investment banking divisions. The Company, the Advisor and the Parent hereby waive and release, to the fullest extent permitted by law, any claims that the Company, the Advisor and the Parent may have against the Underwriters with respect to any conflict of interest that may arise from the fact that the views expressed by their independent research analysts and research departments may be different from or inconsistent with the views or advice communicated to the Company, the Advisor or the Parent by such Underwriters' investment banking divisions. The Company, the Advisor and the Parent acknowledge that each of the Underwriters is a full service securities firm and as such from time to time, subject to applicable securities laws, may effect transactions for its own account or the account of its customers and hold long or short positions in debt or equity securities of the Company that may be the subject of the transactions contemplated by this Agreement.

19. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company, the Advisor, the Parent and the Underwriters, or any of them, with respect to the subject matter hereof.

20. THE COMPANY, THE ADVISOR, THE PARENT AND EACH OF THE UNDERWRITERS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument will become a binding agreement among the Company, the Advisor, the Parent and the Underwriters.

Very truly yours,

STONECASTLE FINANCIAL CORP.

By: _____
Name:
Title:

STONE CASTLE PARTNERS, LLC

By: _____
Name:
Title:

STONECASTLE ASSET MANAGEMENT LLC

By: _____
Name:
Title:

Accepted as of the date hereof:

KEEFE, BRUYETTE & WOODS, INC.

By: _____
Title:

For itself and as Representative of the
other Underwriters named in Schedule I hereto

SCHEDULE I

Underwriter	Number of Firm Shares to be Purchased
Keefe, Bruyette & Woods, Inc.	[·]
[·]	[·]
Total:	[·]

SCHEDULE II

Public offering price: $[·] per share

Number of Firm Shares: [·]

Net proceeds to the Company per Firm Share: $[·] per share

Number of Option Shares: [·]

Net proceeds to the Company per Option Share: $[·] per share

Exhibit A

Opinions to Underwriters

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. The Company has the corporate power and authority under such laws to own and operate its properties and to conduct its business as described in the Registration Statement, the Pricing Prospectus, the Pricing Disclosure Package and the Prospectus and to execute, deliver and perform its obligations under the Underwriting Agreement.

2. The Advisor is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware. The Advisor has the limited liability company power and authority under such laws to own and operate its properties and to conduct its business as described in the Registration Statement, the Pricing Prospectus, the Pricing Disclosure Package and the Prospectus and to execute, deliver and perform its obligations under the Underwriting Agreement.

3. The Parent is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware. The Parent has the limited liability company power and authority under such laws to execute, deliver and perform its obligations under the Underwriting Agreement.

4. There are presently [·] shares of the Company's Common Stock issued and outstanding, and such shares have been duly authorized and validly issued, and are fully paid and nonassessable. The holders of such shares are not entitled to, none of the outstanding shares of Common Stock was issued in violation of, and the issuance and sale of the Shares is not subject to, any preemptive right, right of first refusal or other similar right to subscribe for or purchase shares of capital stock of the Company pursuant to applicable law, the Company's amended and restated certificate of

incorporation, amended and restated by-laws, other governing documents or any agreement known to us to which the Company is a party or by which it is bound.

5. The sale and issuance of the Shares by the Company pursuant to the Underwriting Agreement have been duly authorized and, when issued and paid for in accordance with the terms of the Underwriting Agreement, such Shares will be validly issued, fully paid and nonassessable. The Shares conform in all material respects to the descriptions thereof that are contained in the Registration Statement, the Pricing Prospectus, the Pricing Disclosure Package and the Prospectus.

6. The amended and restated certificate of incorporation complies in all material respects with the provisions of the Investment Company Act of 1940, as amended (the "1940 Act"), applicable to the Company. The [Common Stock Certificate] complies in all

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material respects with the applicable requirements of the DGCL, the amended and restated certificate of incorporation and the amended and restated by-laws.

7. The issuance of the Shares by the Company as provided for in the Underwriting Agreement, and the execution and delivery by the Company of the Underwriting Agreement, will not result, whether with or without the giving of notice or lapse of time or both, in: (i) any violation or breach of, or conflict with, the provisions of the amended and restated certificate of incorporation or the amended and restated by-laws; (ii) assuming application of the net proceeds from the sale of the Shares as described under "Use of Proceeds" in the Registration Statement, the Pricing Prospectus, the Pricing Disclosure Package and the Prospectus, a violation or breach of, or constitute a default under (nor constitute any event which with notice, lapse of time or both would result in any breach of or constitute a default under), any of the agreements set forth on Annex A hereto, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, any of such agreements; (iii) any violation or breach of the DGCL, any statute, rule, regulation or order applicable to the Company of a U.S. federal or New York governmental agency or body or any U.S. federal or New York court having jurisdiction over the Company, in each case, that are, in our experience, typically applicable to transactions of the nature contemplated by the Underwriting Agreement; or (iv) a requirement for any consents, approvals, orders of, decrees, licenses or authorizations to be obtained by the Company, or any registrations, qualifications, declarations or filings to be made by the Company, under the DGCL, the laws of the State of New York or the federal law of the United States, in each case, except (y) as may have been obtained and (z) as may be required under the rules and regulations of the Financial Industry Regulatory Authority, Inc.

8. The execution and delivery by the Advisor of the Underwriting Agreement, will not result, whether with or without the giving of notice or lapse of time or both, in: (i) any violation or breach of, or conflict with, the provisions of the Certificate of Formation or Limited Liability Company Agreement of the Advisor; (ii) a violation or breach of, or constitute a default under (nor constitute any event which with notice, lapse of time or both would result in any breach of or constitute a default under), any of the agreements set forth on Annex A hereto, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Advisor pursuant to, any of such agreements; (iii) any violation or breach of the Delaware Limited Liability Company Act, any statute, rule, regulation or order applicable to the Advisor of a U.S. federal or New York governmental agency or body or any U.S. federal or New York court having jurisdiction over the Advisor, in each case, that are, in our experience, typically applicable to transactions of the nature contemplated by the Underwriting Agreement; or (iv) a requirement for any consents, approvals, orders of, decrees, licenses or authorizations to be obtained by the Advisor, or any registrations, qualifications, declarations or filings to be made by the Advisor, under the Delaware Limited Liability Company Act, the laws of the State of New York or the federal law of the United States, in each case, except (y) as may have been obtained and (z) as may be required under the rules and regulations of the Financial Industry Regulatory Authority, Inc.

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9. The execution and delivery by the Parent of the Underwriting Agreement, will not result, whether with or without the giving of notice or lapse of time or both, in: (i) any violation or breach of, or conflict with, the provisions of the Certificate of Formation or Limited Liability Company Agreement of the Parent; (ii) a violation or breach of, or constitute a default under (nor constitute any event which with notice, lapse of time or both would result in any breach of or constitute a default under), any of the Transaction Agreements, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Parent pursuant to, any of such agreements; (iii) any violation or breach of the Delaware Limited Liability Company Act, any statute, rule, regulation or order applicable to the Parent of a U.S. federal or New York governmental agency or body or any U.S. federal or New York court having jurisdiction over the Parent, in each case, that are, in our experience, typically applicable to transactions of the nature contemplated by the Underwriting Agreement; or (iv) a requirement for any consents, approvals, orders of, decrees, licenses or authorizations to be obtained by the Parent, or any registrations, qualifications, declarations or filings to be made by the Parent, under the Delaware Limited Liability Company Act, the laws of the State of New York or the federal law of the United States, in each case, except (y) as may have been obtained and (z) as may be required under the rules and regulations of the Financial Industry Regulatory Authority, Inc.

10. The Underwriting Agreement has been duly authorized, executed and delivered by the Company, the Advisor and the Parent.

11. The Underwriting Agreement has been approved by the board of directors of the Company (the "Board") in accordance with the procedural requirements of Section 15 of the 1940 Act.

12. The Management Agreement has been approved by the Board in accordance with the procedural requirements of Section 15 of the 1940 Act.

13. The Company is registered with the Commission pursuant to Section 8 of the 1940 Act as a closed-end, diversified management investment company and the notification on Form N-8A (the "1940 Act Notification") has been filed with the Commission; and the Company has not received any notice from the Commission pursuant to Section 8(e) of the 1940 Act with respect to the 1940 Act Notification or the Registration Statement.

14. The statements set forth in the Registration Statement, Pricing Prospectus and the Prospectus under the caption "Description of Common Stock", insofar as they purport to constitute a summary of the terms of the capital stock of the Company, and under the captions "Management," "Description of Common Stock," "Underwriting," and "ERISA Considerations" solely to the extent they constitute matters of law, summaries of legal matters and proceedings, or summaries of agreements to which the Company, the Advisor or the Parent is a party (including, without limitation

the Company's amended and restated certificate of incorporation, amended and restated by-laws and the Transaction Agreements) or legal conclusions referred to in such caption or item, fairly summarize the matters referred to therein in all material respects.

15. The statements set forth in the Registration Statement, Pricing Prospectus and the Prospectus under the caption "Tax Matters," insofar as such statements purport to summarize U.S. federal tax laws referred to therein, fairly summarize the matters referred to therein in all material respects.

16. The Advisor is duly registered with the Commission as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and, to our knowledge, is not prohibited by the Advisers Act, the 1940 Act or the applicable published rules and regulations thereunder from acting under the Management Agreement as investment adviser to the Company as contemplated by the Registration Statement, the Pricing Disclosure Package and the Prospectus; and, to our knowledge, there does not exist any proceeding, pending or threatened, which would reasonably be expected to affect adversely the registration of the Advisor with the Commission.

17. No consent, approval, authorization, order, decree, license, registration or qualification of or with any court or governmental agency or body is required for the issue and sale of the Shares to be sold by the Company pursuant to the Underwriting Agreement or the consummation by the Company of the transactions contemplated by the Underwriting Agreement, except the registration under the Securities Act of the offer and sale of Shares and such consents, approvals, authorizations, orders, decrees, licenses, registrations or qualifications as may be required under the NASDAQ Global Select Market in connection with the purchase and distribution of the Shares by the Underwriters.

18. To our knowledge, other than as set forth in the Prospectus, there are no legal or governmental actions, suits, inquiries, investigations or proceedings pending or threatened to which the Company, the Advisor or the Parent is a party or of which any assets or property of the Company, the Advisor or the Parent is subject which are required under the Securities Act to be described in the Registration Statement, the Pricing Prospectus, the Pricing Disclosure Package and the Prospectus, or which seek to restrain, enjoin, prevent the consummation of or otherwise challenge the issuance or sale of the Shares to be sold under the Underwriting Agreement or the performance by the Company, the Advisor or the Parent of their respective obligations thereunder.

19. To our knowledge, there are no documents to which the Company, the Advisor or the Parent is a party other than (a) those filed as exhibits to the Registration Statement and (b) those as to which in our opinion are not required to be filed as exhibits to the Registration Statement.

20. To our knowledge, no person has the right, pursuant to the terms of any contract, agreement or other instrument described in or filed as an exhibit to the Registration Statement or otherwise, to cause the Company to register under the Securities Act any shares of Common Stock, or to include any shares of Common Stock in the Registration Statement or the offering contemplated thereby.

21. The Registration Statement has been declared effective by the Commission under the Securities Act and, to our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued under the Securities Act and no proceedings for such purpose have been instituted or are pending or are threatened by the Commission.

In addition, such counsel shall state that, although they are not passing upon and do not assume any responsibility, explicitly or implicitly, for, nor have they independently verified, the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Preliminary Prospectus, the Pricing Disclosure Package or the Prospectus, in connection with the preparation of the Registration Statement, the Preliminary Prospectus, the Pricing Disclosure Package and the Prospectus, such counsel has participated in conferences with representatives and counsel of the Representative and with certain officers and employees of, and representatives of independent certified public accountants for, the Company and the Advisor, at which conferences the contents of the Registration Statement, the Preliminary Prospectus, the Pricing Disclosure Package, the Prospectus and related matters were discussed, and such counsel advises the Representative that nothing has come to such counsel's attention that would lead such counsel to believe that, (i) as of its effective date, the Registration Statement or any further amendment thereto made by the Company prior to the date hereof (other than the financial statements, related schedules and other financial data therein, as to which such counsel expresses no opinion), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or, (ii) as of its date and the date hereof, the Prospectus or any further amendment or supplement thereto made by the Company prior to the date hereof (other than the financial statements, related schedules and other financial data therein, as to which such counsel expresses no opinion) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) the Pricing Prospectus (other than the financial statements, related schedules and other financial data therein, as to which such counsel expresses no opinion), as of the Applicable Time and as of the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Annex A

1. Management Agreement by and between the Company and the Advisor, dated November 1, 2013
2. Staffing Agreement by and among the Parent, the Advisor and StoneCastle Cash Management LLC dated November 1, 2013
3. Transfer Agency and Services Agreement by and between the Company and Computershare Trust Company, N.A., dated September 9, 2013
4. Fund Administration and Accounting Agreement by and between the Company and Bank of New York Mellon, dated October 1, 2013
5. Trademark License Agreement by and between the Company and the Parent, dated November 1, 2013
6. Custody Agreement, by and between the Company and Bank of New York Mellon, dated November 5, 2013
7. Credit Agreement among the Company, certain lenders, and Texas Capital Bank, National Association, as administrative agent, sole lead arranger and sole book manager dated June 9, 2014

Exhibit B

CERTIFICATE OF THE CHIEF FINANCIAL OFFICER

The undersigned, Patrick J. Farrell, Chief Financial Officer of StoneCastle Financial Corp., a Delaware corporation (the "**Company**"), in connection with the offer and sale of [·] shares of the Company's common stock, par value $0.001 per share (the "**Common Stock**"), to be issued by the Company and pursuant to the Underwriting Agreement (the "**Underwriting Agreement**"), dated [·], 2014, among the Company, Stone Castle Partners, LLC, a Delaware limited liability company, StoneCastle Asset Management LLC, a Delaware limited liability company, and Keefe, Bruyette & Woods, Inc., on behalf of each of the Underwriters named in Schedule I thereto (collectively, the "**Underwriters**"), hereby certifies that, as of the date hereof:

1. The undersigned has reviewed the Registration Statement and the Pricing Disclosure Package relating to the offering of the Common Stock.

2. The undersigned is familiar with the accounting, financial operations and financial records of the Company.

3. The undersigned has reviewed the Company's accounting books and records from inception through the date hereof (the "**Financial Information**") and the minutes of the Board of Directors of the Company from inception and the committees thereof through the date hereof. There are presently no financial statements available for any period subsequent to [·], 2014 for the Company.

4. The Financial Information is accurate and complete in all material respects and there has been no event or circumstance since [·], 2014 that has had or could be reasonably expected to have, either individually or in the aggregate, a material adverse effect on the Company's results of operations or financial condition.

5. [The estimated financial information of the Company identified in the attached Schedule A, which is included in the Registration Statement and the Pricing Disclosure Package, represents a good faith estimate of the financial information presented based on the most recently available records of the Company and all other information available to the Company concerning its portfolio.

6. Nothing has come to the attention of the undersigned that would cause him to believe that the information identified in the attached Schedule A (1) is not stated on a basis substantially consistent with that of the audited financial statements of the company for the year ended December 31, 2013 included in the Pricing Disclosure Package (except for any adjustments which may arise in the future as part of the audit process) or is not stated on a basis substantially consistent with how the Company expects to present its audited financial statements for the year ended December 31, 2014 and (2) does not represent the Company's current expectations for the financial information the Company expects to report as part of its semi-annual report on Form N-CSR for the six month period ended June 30, 2014.] (5)

(5) Note to Draft: certifications to be made if capsule financial information is included in the Prospectus.

7. Capitalized terms used but not defined in this certificate shall have the meanings ascribed to them in the Underwriting Agreement. The undersigned acknowledges and agrees that the Underwriters will be relying upon this certificate as part of their due diligence review in relation to the offering of the Common Stock and that Dechert LLP and Pepper Hamilton LLP may rely on this certificate in connection with the opinion such firm is rendering and delivering pursuant to the Underwriting Agreement.

IN WITNESS WHEREOF, the undersigned has executed this certificate on [·] , 2014.

STONECASTLE FINANCIAL CORP.

By: _____
Name: Patrick J. Farrell
Title: Chief Financial Officer

SCHEDULE A

Exhibit C

Lock-Up Agreement

, 2014

KEEFE, BRUYETTE & WOODS, INC.
As representative of the several Underwriters
c/o Keefe, Bruyette & Woods, Inc.

787 Seventh Avenue
New York, NY 10019

Ladies and Gentlemen:

The undersigned refers to the proposed Underwriting Agreement (the "**Underwriting Agreement**") among StoneCastle Financial Corp., a Delaware corporation, and any corporate successor (by merger or otherwise) thereto (the "**Company**"), StoneCastle Asset Management LLC, a Delaware limited liability company (the "**Advisor**"), Stone Castle Partners, LLC, a Delaware limited liability company, and the several underwriters named in Schedule I thereto (the "**Underwriters**"). As an inducement to the Underwriters to execute the Underwriting Agreement in connection with the proposed public offering (the "**Public Offering**") of shares of the Company's common stock, par value $0.001 per share ("**Common Stock**"), pursuant to a Registration Statement on Form N-2 the undersigned hereby agrees that from the date hereof and until [90] days after the public offering date set forth on the final prospectus used to sell the Common Stock (the "**Public Offering Date**") pursuant to the Underwriting Agreement (such [90] day period being referred to herein as the "**Lock-Up Period**"), the undersigned will not (and will cause any spouse or any person related to the spouse or the undersigned by blood, marriage or adoption not more remote than first cousin or any person living in the undersigned's household (each, a "**Family Member**"), any partnership, corporation or other entity within the undersigned's control, and any trustee of any trust that holds Common Stock or other securities of the Company for the benefit of the undersigned or such Family Member not to) offer, sell, contract to sell (including any short sale), pledge, hypothecate, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Securities Exchange Act of 1934, as amended, grant any option, right or warrant for the sale of, purchase any option or contract to sell, sell any option or contract to purchase, or otherwise encumber, dispose of or transfer, or grant any rights with respect to, directly or indirectly, any shares of Common Stock or securities convertible into or exchangeable or exercisable for any shares of Common Stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such aforementioned transaction is to be settled by delivery of the Common Stock or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Keefe, Bruyette & Woods, Inc. ("**KBW**" or the "**Representative**"), which consent may be withheld in KBW's sole discretion; provided, however, that if (i) during the last 17 days of the initial Lock-Up Period, the Company releases earnings results or material news or a material event relating to the Company occurs or (ii) prior to the

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expiration of the initial Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the initial Lock-Up Period, then in each case the Lock-Up Period will be automatically extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable, unless KBW waives, in writing, such extension.

The foregoing restrictions shall not apply to (i) *bona fide* gifts by the undersigned, (ii) to any trust for the direct or indirect benefit of the undersigned or any Family Member of the undersigned, (iii) pursuant to a will or under the laws of intestacy, (iv) to its members, limited partners or stockholders or to any entities formed by its members, limited partners or stockholders and wholly owned by them, or (v) if the undersigned is an entity, the corporation may transfer the capital stock of the Company to any wholly-owned subsidiary of such entity, **provided that** in each such case, (a) each resulting transferee of the Company's securities executes and delivers to the Representative an agreement satisfactory to the Representative certifying that such transferee is bound by the terms of this Agreement and (b) to the extent any interest in the Company's securities is retained by the undersigned, such securities shall remain subject to the restrictions contained in this Agreement.

In addition, the undersigned agrees that, during the period commencing on the date hereof and ending [90] days after the Public Offering Date, without the prior written consent of the Representative (which consent may be withheld in its sole discretion): (a) the undersigned will not request, make any demand for or exercise any right with respect to, the registration of any Common Stock or any security convertible into or exercisable or exchangeable for Common Stock and (b) the undersigned waives any and all notice requirements and rights with respect to the registration of any such security pursuant to any agreement, understanding or otherwise to which the undersigned is a party.

Any Common Stock received upon exercise of options granted to the undersigned will also be subject to this Agreement. Any Common Stock acquired by the undersigned in the open market on or after the Public Offering Date will not be subject to this Agreement. In furtherance of the foregoing, the Company and its transfer agent and registrar are hereby authorized to (a) decline to make any transfer of shares of Common Stock if such transfer would constitute a violation or breach of this Agreement and (b) place legends and stop transfer instructions on any such shares of Common Stock owned or beneficially owned by the undersigned.

This Agreement is irrevocable and shall be binding on the undersigned and the successors, heirs, personal representatives and assigns of the undersigned. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

[*Signature Page Follows*]

Very truly yours,

_____

Name:

Date: _____

List of Persons or Entities to Execute a Lock-Up Agreement

Stone Castle Partners, LLC
StoneCastle Asset Management LLC
Joshua S. Siegel
George Shilowitz
Alan Ginsberg
Emil Henry, Jr.
Clara Miller
Patrick J. Farrell
Rachel Schatten
[·](6)

(6) Note to Draft: Include additional parties as applicable.

CUSTODY AGREEMENT

by and between

STONECASTLE FINANCIAL CORP.

and

THE BANK OF NEW YORK MELLON

TABLE OF CONTENTS

CUSTODY AGREEMENT

CUSTODY AGREEMENT, dated as of the latest date set forth on the signature page hereto, between **STONECASTLE FINANCIAL CORP.,** a corporation organized under the laws of Delaware (the "Fund") and **THE BANK OF NEW YORK MELLON,** a bank organized under the laws of the state of New York (the "Custodian").

SECTION 1 — CUSTODY ACCOUNTS; INSTRUCTIONS

1.1. Definitions. Whenever used in this Agreement, the following words shall have the meanings set forth below:

"'40 Act" shall have the meaning set forth in Section 1.3.

"Account" or "Accounts" shall have the meaning set forth in Section 1.2.

"Authorized Instructions" shall have the meaning set forth in Section 1.5.

"Authorized Person" shall mean any Person authorized by the Fund to give Instructions with respect to one or more Accounts or with respect to foreign exchange, derivative investments or information and transactional web based services provided by the Custodian or a BNY Mellon Affiliate. Authorized Persons shall include Persons authorized by an Authorized Person. Authorized Persons, their signatures and the extent of their authority shall be provided by a Certificate. The Custodian may conclusively rely on the authority of an Authorized Person until it receives Written Instructions to the contrary.

"BNY Mellon Affiliate" shall mean any direct or indirect subsidiary of The Bank of New York Mellon Corporation.

"BNY Mellon Group" shall have the meaning set forth in Section 9.5.

"Book-Entry System" shall mean the United States Federal Reserve/Treasury book-entry system for receiving and delivering securities, its successors and nominees.

"Business Day" shall mean any day on which the Custodian and relevant Depositories are open for business.

"Centralized Functions" shall have the meaning set forth in Section 9.5.

"Certificate" shall mean any notice, instruction or other instrument in writing, authorized or required by this Agreement to be given to the Custodian, which is actually received by the Custodian by letter or facsimile transmission and signed on behalf of the Fund by two (2) Authorized Persons or persons reasonably believed by the Custodian to be Authorized Persons.

"Country Risk Event" shall mean (a) issues relating to the financial infrastructure of a country, (b) issues relating to a country's prevailing custody and settlement practices, (c) nationalization, expropriation or other governmental actions, (d) issues relating to a country's regulation of the banking or securities industry, (e) currency controls, restrictions, devaluations,

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redenominations or fluctuations or (f) market conditions which affect the orderly execution of securities transactions or affect the value of securities.

"Data Providers" shall mean pricing vendors, analytics providers, brokers, dealers, investment managers, Authorized Persons, Subcustodians, Depositories and any other Person providing Market Data to the Custodian.

"Data Terms Website" shall mean http://bnymellon.com/products/assetservicing/ vendoragreement.pdf or any successor website the address of which is provided by the Custodian to the Fund.

"Depository" shall include (a) the Book-Entry System, (b) the Depository Trust Company, (c) any other clearing agency or securities depository registered with the Securities and Exchange Commission identified to the Fund from time to time and (d) the respective successors and nominees of the foregoing.

"Foreign Depository" shall mean (a) Euroclear, (b) Clearstream Banking, societe anonyme, (c) each Eligible Securities Depository as defined in Rule 17f-7 under the '40 Act identified to the Fund from time to time and (d) the respective successors and nominees of the foregoing.

"Instructions" shall mean Written Instructions, S.W.I.F.T., on-line communications or other method or system, each as specified by the Custodian as available for use in connection with the services hereunder.

"Losses" shall mean, collectively, losses, costs, expenses, damages, liabilities and claims.

"Market Data" shall mean pricing or other data related to Securities and other assets. Market Data includes but is not limited to security identifiers, valuations, bond ratings, classification data and other data received from investment managers and others.

"Non-Custody Assets" shall have the meaning set forth in Section 11.1.

"Operational Losses" shall have the meaning set forth in Section 2.1.

"Person" or "Persons" shall mean any entity or individual.

"Replacement Subcustodian" shall have the meaning set forth in Section 2.1.

"Required Care" shall have the meaning set forth in Section 2.1.

"SEC" shall mean the Securities and Exchange Commission.

"Securities" shall include, without limitation, any common stock and other equity securities, depository receipts, limited partnership and limited liability company interests, bonds, debentures and other debt securities, notes or other obligations, and any instruments representing rights to receive, purchase or subscribe for the same, or representing any other rights or interests

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therein (whether represented by a certificate or held in a Depository, a Foreign Depository or with a Subcustodian or on the books of the issuer) that are acceptable to the Custodian.

"Series" shall mean the various portfolios, if any, of the Fund listed on Schedule I hereto, and if none are listed references to Series shall be references to the Fund.

"Shares" shall have the meaning set forth in Section 6.1.

"Subcustodian" shall mean a bank or other financial institution (other than a Foreign Depository) located outside the United States which is utilized by the Custodian or by a BNY Mellon Affiliate in connection with the purchase, sale or custody of Securities or cash hereunder and is identified to the Fund from time to time, and their respective successors and assigns.

"Tax Obligations" shall mean taxes, withholding, certification and reporting requirements, claims for exemptions or refund, interest, penalties, additions to tax and other related expenses.

"Written Instructions" shall mean written communications, including a Certificate, received by the Custodian by overnight delivery, postal services or facsimile transmission.

1.2. Establishment of Account.

(a) The Fund hereby appoints the Custodian as the custodian of all Securities, cash and such other property as mutually agreed upon by the parties at any time delivered to the Custodian to be held under this Agreement. The Custodian hereby accepts such appointment and agrees to establish and maintain one or more accounts for the Fund in which the Custodian will hold Securities and cash as provided herein. Such accounts (each, an "Account," and collectively, the "Accounts") shall be in the name of the Fund.

(b) The Custodian may from time to time establish on its books and records such sub- accounts within each Account as the Fund and the Custodian may agree upon (each a "Special Account"), and the Custodian shall reflect therein such assets as the Fund may specify in Instructions.

(c) The Custodian may from time to time establish pursuant to a written agreement with and for the benefit of a broker, dealer, future commission merchant or other third party identified in Instructions such accounts on such terms and conditions as the Fund and the Custodian shall agree, and the Custodian shall transfer to such account such Securities and cash as the Fund may specify in Instructions.

1.3. Representations and Warranties. The Fund hereby represents and warrants, which representations and warranties shall be continuing and shall be deemed to be reaffirmed in all material respects upon each giving of Instructions by the Fund, that:

(a) It is duly organized and existing under the laws of the jurisdiction of its organization, with full power to carry on its business as now conducted, to enter into this Agreement and to perform its obligations hereunder;

(b) This Agreement has been duly authorized, executed and delivered by the Fund, has been approved by a resolution of its board and constitutes a valid and legally binding obligation of the Fund, enforceable in accordance with its terms (subject to laws affecting creditors' rights and principles of equity and public policy), and there is no statute, regulation, rule, order or judgment binding on it, and no provision of its charter or by-laws, nor of any mortgage, indenture, credit agreement or other contract binding on it or affecting its property, which would prohibit its execution or performance of this Agreement;

(c) It is conducting its business in substantial compliance with all applicable laws and requirements, both state and federal, and has obtained all regulatory licenses, approvals and consents necessary to carry on its business as now conducted;

(d) It will not knowingly use the services provided by the Custodian hereunder in any manner that is, or will result in, a material violation of any law, rule or regulation applicable to the Fund;

(e) Its board or its foreign custody manager, as defined in Rule 17f-5 under the Investment Company Act of 1940, as amended (the '"40 Act"), has been provided by the Custodian with information reasonably necessary to determine each Subcustodian's eligibility under Rule 17f- 5 under the '40 Act including a copy of the proposed agreement with such Subcustodian and has determined that use of each Subcustodian (including any Replacement Subcustodian) which the Custodian is authorized to utilize in accordance with this Agreement satisfies the applicable requirements of Rule 17f-5 under the '40 Act;

(f) The Fund or its investment adviser has been provided by the Custodian with information reasonably necessary to determine each Foreign Depository's eligibility under Rule 17f-7 under the '40 Act, including a copy of the proposed agreement with such Foreign Depository and has determined that the custody arrangements of each Foreign Depository provide reasonable safeguards against the custody risks associated with maintaining assets with such Foreign Depository within the meaning of Rule 17f-7 under the '40 Act;

(g) It is fully informed of the protections and risks associated with various methods of transmitting Instructions to the Custodian, shall safeguard and treat with reasonable care for the financial services industry any user and authorization codes, passwords and/or authentication keys, understands that there may be more secure methods of transmitting or delivering the same than the methods selected by it, agrees that the security procedures (if any) to be followed in connection therewith provide a commercially reasonable degree of protection in light of its particular needs and circumstances and acknowledges and agrees that Instructions need not be reviewed by the Custodian, may conclusively be presumed by the Custodian without inquiry to have been given by person(s) duly authorized and may be acted upon as given;

(h) It shall manage its borrowings, including, without limitation, any advance or overdraft (including any day-light overdraft) in the Accounts, so that the aggregate of its total

borrowings for each Series does not exceed the amount such Series is permitted to borrow under the '40 Act;

(i) Its transmission or giving of, and the Custodian acting upon and in reliance on, Instructions pursuant to this Agreement shall at all times comply with the '40 Act;

(j) It shall impose and maintain restrictions on the destinations to which cash may be disbursed by Instructions to ensure that each disbursement is for a proper purpose; and

(k) It has the right to make the pledge and grant the security interest and security entitlement to the Custodian contained in Section 5 hereof, free of any right of redemption or prior claim of any other person or entity, such pledge and such grants shall have priority subject to no setoffs, counterclaims or other liens or grants prior to or on a parity therewith, except as permitted by Section 5 hereof, and it shall take such additional steps as the Custodian may require to assure such priority.

The Custodian hereby represents and warrants, which representations and warranties shall be continuing, that:

(i) It is duly organized and existing under the laws of the jurisdiction of its organization, with full power to carry on its business as now conducted, to enter into this Agreement, and to perform its obligations hereunder;

(ii) This Agreement has been duly authorized, executed and delivered by the Custodian, constitutes a valid and legally binding obligation of the Custodian, enforceable in accordance with its terms (subject to laws affecting creditors' rights and principles of equity and public policy), and there is no statute, regulation, rule, order or judgment binding on it, and no provision of its charter or by-laws, nor of any mortgage, indenture, credit agreement or other contract binding on it or affecting its property, which would prohibit its execution or performance of this Agreement;

(iii) It is conducting its business in material compliance with all applicable laws and requirements, both state and federal, and has obtained all regulatory licenses, approvals and consents necessary to carry on its business as now conducted;

(iv) It will not knowingly use the assets delivered to it, or perform its services, pursuant to this Agreement in any manner that is, or will result in, a material violation of any law, rule or regulation applicable to Custodian;

(v) It has established policies and procedures reasonably designed to prevent its violation of applicable federal and state laws and regulations.

(vi) It will submit to the Fund on an annual basis a copy of its report prepared in compliance with the requirements of Statements on Standards for Attestation Engagements No. 16 issued by the American Institute of Certified Public Accountants, as it may be amended from time to time, or such other similar report or attestation used by professional custodians relating to their internal controls;

(vii) Upon the request of the Fund and to the extent not otherwise prohibited from doing so, it will inform the Fund of any material changes to be made to its policies and procedures as a result of any regulatory examination, notice or other communication from a regulatory authority;

(viii) It has at least the minimum qualifications required by Section 17(f)(l) of the 1940 Act to act as custodian of the Securities and cash of the Fund; and

(ix) It has put into place business continuity policies and procedures reasonably designed to meet applicable regulatory requirements.

1.4. Distributions. The Custodian shall make distributions or transfers out of an Account pursuant to Instructions. In making payments to service providers pursuant to Instructions, the Fund acknowledges that the Custodian is acting as a paying agent, and not as the payor, for tax information reporting and withholding purposes.

1.5. Authorized Instructions. The Custodian shall be entitled to rely upon any Instructions actually received by the Custodian and reasonably believed by the Custodian to be from an Authorized Person ("Authorized Instructions"). Notwithstanding any other provision included in this Agreement, Written Instructions relating to the disbursement of cash of the Fund other than in connection with the purchase, sale or settlement of Securities, shall be in the form of a Certificate.

1.6. Authentication. If the Custodian receives Instructions that appear on their face to have been transmitted by an Authorized Person via (i) facsimile or other electronic method that is not secure or (ii) secure electronic transmission containing applicable authorization codes, passwords or authentication keys, the Fund understands and agrees that the Custodian cannot determine the identity of the actual sender of such Instructions and that the Custodian shall be entitled to conclusively presume that such Instructions have been sent by an Authorized Person. The Fund shall be responsible for ensuring that only Authorized Persons transmit Instructions to the Custodian and that all Authorized Persons safeguard and treat with reasonable care for the financial services industry applicable user and authorization codes, passwords and authentication keys.

1.7. On-Line Systems. If an Authorized Person elects to transmit Instructions through an on-line communication system offered by the Custodian, the use thereof shall be subject to any terms and conditions contained in a separate written agreement. If the Fund or an Authorized Person elects, with the Custodian's prior consent, to transmit Instructions through an on-line communications service owned or operated by a third party, the Fund agrees that the Custodian shall not be responsible or liable for the reliability or availability of any such service.

SECTION 2 — CUSTODY SERVICES

2.1. Holding Securities.

(a) Subject to the terms hereof, the Fund hereby authorizes the Custodian to hold any Securities in registered form in the name of the Custodian or one of its nominees. Securities held for the Fund hereunder shall be segregated on the Custodian's books and records

from the Custodian's own property. The Custodian shall be entitled to utilize, subject to subsection (d) of this Section 2.1, Subcustodians, Depositories, and subject to subsection (e) of this Section 2.1, Foreign Depositories in connection with its performance hereunder. Securities and cash held through a Subcustodian shall be held subject to the terms and conditions of the Custodian's or a BNY Mellon Affiliate's agreements with such Subcustodian in a manner not inconsistent with this Agreement. Securities and cash deposited by the Custodian in a Depository or Foreign Depository will be held subject to the rules, terms and conditions of such entity. Subcustodians may be authorized to hold Securities in Depositories or Foreign Depositories in which such Subcustodian participates. Unless otherwise required by local law or practice or a particular subcustodian agreement, Securities deposited with Subcustodians, Depositories or Foreign Depositories will be held in a commingled account in the name of the Custodian or a BNY Mellon Affiliate for the Funds. The Custodian shall identify on its books and records the Securities and cash belonging to the Fund, whether held directly or indirectly through Subcustodians, Depositories or Foreign Depositories. The Custodian shall, directly or indirectly through Subcustodians, Depositories or Foreign

Depositories, endeavor, to the extent feasible, to hold Securities in the country or other jurisdiction in which the principal trading market for such Securities is located, where such Securities are to be presented for cancellation and/or payment and/or registration or where such Securities are acquired. The Custodian at any time may cease utilizing any Subcustodian and/or may replace a Subcustodian with a different Subcustodian (a "Replacement Subcustodian"). In the event the Custodian selects a Replacement Subcustodian, the Custodian shall not utilize such Replacement Subcustodian until after the Fund's board or foreign custody manager has been provided by the Custodian with information reasonably necessary to determine such Replacement Subcustodian eligibility under Rule 17f-5 under the '40 Act, including a copy of the proposed agreement with such Replacement Subcustodian and has determined that utilization of such Replacement Subcustodian satisfies the requirements of Rule 17f-5 under the '40 Act.

(b) The Custodian shall exercise reasonable care in the selection or retention, monitoring and continued use of a Subcustodian in light of the agreed upon terms hereunder and the prevailing rules, terms, practices and procedures in the relevant market ("Required Care"). The Custodian shall be liable for repayment to the Fund of cash credited to an Account and cash credited to the Fund's or the Custodian's cash account at a Subcustodian that the Custodian is not able to recover from the Subcustodian (other than as a result of a Country Risk Event). With respect to any Losses incurred by the Fund as a result of an act or the failure to act by any Subcustodian ("Operational Losses"), the Custodian shall be liable for: (i) Operational Losses with respect to Securities or cash held by the Custodian with or through a BNY Mellon Affiliate to the extent the Custodian would be liable under this Agreement if the applicable act or failure to act was that of the Custodian; and (ii) Operational Losses with respect to Securities or cash held by the Custodian with or through a Subcustodian (other than a BNY Mellon Affiliate) to the extent that such Operational Losses were directly caused by failure on the part of the Custodian to exercise Required Care; provided that in no event shall the Custodian have any liability for Operational Losses arising out of or relating to a Country Risk Event. With respect to all other Operational Losses not covered by clauses (i) and (ii) (including the proviso) above, the Custodian shall take appropriate action to recover such Operational Losses from the applicable Subcustodian and the Custodian's sole liability shall be limited to amounts recovered from such Subcustodian (exclusive of costs and expenses incurred by the Custodian).

(c) Unless the Custodian has received Instructions to the contrary, the Custodian shall hold Securities indirectly through a Subcustodian only if (i) the Securities are not subject to any right, charge, security interest, lien or claim of any kind in favor of such Subcustodian or its creditors or operators, including a receiver or trustee in bankruptcy or similar authority, except for a reasonable and customary claim of payment for the safe custody or administration of Securities on behalf of the Fund by such Subcustodian and (ii) beneficial ownership of the Securities is freely transferable without the payment of money or value other than for safe custody or administration.

(d) With respect to each Depository, the Custodian (i) shall exercise due care in accordance with reasonable commercial standards in discharging its duties as a securities intermediary to obtain and thereafter maintain Securities or financial assets deposited or held in such Depository and (ii) will provide, promptly upon request by the Fund, such reports as are available concerning the internal accounting controls and financial strength of the Custodian.

(e) With respect to each Foreign Depository, the Custodian shall exercise reasonable care, prudence and diligence (i) to provide the Fund with an analysis of the custody risks associated with maintaining assets with the Foreign Depository and (ii) to monitor such custody risks on a continuing basis and promptly notify the Fund of any material change in such risks. The Fund acknowledges and agrees that such analysis and monitoring shall be made on the basis of, and limited by, information gathered from Subcustodians or through publicly available information otherwise obtained by the Custodian, and shall not include any evaluation of Country Risk Events.

2.2. Depositories. The Custodian may deposit and/or maintain Securities held hereunder with a Depository or Foreign Depository in accordance with applicable SEC rules and regulations including Rule 17f-4 under the '40 Act. The Custodian shall have no liability whatsoever for the action or inaction of a Depository or a Foreign Depository or for any Losses resulting from the maintenance of assets with a Depository or a Foreign Depository. Notwithstanding the foregoing sentence, the Custodian shall be liable for repayment to the Fund of cash credited to the Fund's, the Custodian's or a Subcustodian's account at a Depository or a Foreign Depository that the Custodian is not able to recover from the Depository or Foreign Depository (other than as a result of a Country Risk Event).

2.3. Agents. The Custodian may appoint agents, including BNY Mellon Affiliates, on such terms and conditions as it deems appropriate to perform its services hereunder. Except as otherwise provided herein, no such appointment shall discharge the Custodian from its obligations hereunder.

2.4. Custodian Actions without Direction. With respect to Securities held hereunder, the Custodian shall:

(a) Receive all eligible income, distributions and other payments due to the Accounts (including in respect of maturity or redemption of Securities);

(b) Carry out any exchanges of Securities or other corporate actions not requiring discretionary decisions;

(c) Facilitate access by the Fund or its designee to ballots or online systems to assist in the voting of proxies received by the Custodian in its capacity as custodian for eligible positions of Securities held in the Accounts (excluding bankruptcy matters);

(d) Forward to the Fund or its designee information (or summaries of information) that the Custodian receives in its capacity as custodian from Depositories or Subcustodians concerning Securities in the Accounts (excluding bankruptcy matters);

(e) Forward to the Fund or its designee an initial notice of bankruptcy cases relating to Securities held in the Accounts and a notice of any required action related to such bankruptcy cases as may be received by the Custodian in its capacity as custodian. No further action or notification related to the bankruptcy case shall be required;

(f) Endorse for collection checks, drafts or other negotiable instruments; and

(g) Execute and deliver, solely in its custodial capacity, certificates, documents or instruments incidental to the Custodian's performance under this Agreement.

2.5. Custodian Actions with Direction. The Custodian shall take the following actions in the administration of the Accounts only pursuant to Authorized Instructions:

(a) Settle purchases and sales of Securities and process other transactions, including free receipts and deliveries to a broker, dealer, future commission merchant or other third party specified in Instructions;

(b) Take actions necessary to settle transactions in connection with futures or options contracts, short-selling programs, foreign exchange or foreign exchange contracts, swaps and other derivative investments; and

(c) Deliver Securities in an Account if an Authorized Person advises the Custodian that the Fund has entered into a separate securities lending agreement, provided that the Fund executes such agreements as the Custodian may require in connection with such arrangements.

2.6. Foreign Exchange Transactions.

(a) For the purpose of settling Securities and foreign exchange transactions, the Fund shall provide the Custodian with sufficient immediately available funds for all transactions by such time and date as conditions in the relevant market dictate. As used herein, "sufficient immediately available funds" shall mean either (i) sufficient cash denominated in United States dollars to purchase the necessary foreign currency or (ii) sufficient applicable foreign currency, to settle the transaction. The Custodian shall provide the Fund with immediately available funds each day which result from the actual settlement of all sale transactions, based upon advices received by the Custodian from Subcustodians, Depositories and Foreign Depositories. Such funds shall be in United States dollars or such other currency as the Fund may specify to the Custodian.

(b) Any foreign exchange transaction effected by the Custodian in connection with this Agreement may be entered with the Custodian or a BNY Mellon Affiliate acting as a principal or otherwise through customary channels. The Fund may issue standing Instructions with respect to foreign exchange transactions, but the Custodian may establish rules or limitations concerning any foreign exchange facility made available to the Fund.

SECTION 3 — CORPORATE ACTIONS

3.1. Custodian Notification. The Custodian shall notify the Fund or its designee of rights or discretionary corporate actions as promptly as practicable under the circumstances, provided that the Custodian in its capacity as custodian has actually received notice of such right or discretionary corporate action from the relevant Subcustodian or Depository. Without actual receipt of such notice by the Custodian in its capacity as custodian the Custodian shall have no liability for failing to so notify the Fund.

3.2. Direction. Whenever there are voluntary rights that may be exercised or alternate courses of action that may be taken by reason of the Fund's ownership of Securities, the Fund or its designee shall be responsible for making any decisions relating thereto and for directing the Custodian to act. In order for the Custodian to act, it must receive Instructions using the Custodian generated form or clearly marked as instructions for the decision at the Custodian's offices addressed as the Custodian may from time to time request, by such time as the Custodian shall advise the Fund or its designee. If the Custodian does not receive such Instructions by such deadline, the Custodian shall not be liable for failure to take any action relating to or to exercise any rights conferred by such Securities.

3.3. Voting Rights. All voting rights with respect to Securities, however registered, shall be exercised by the Fund or its designee. The Custodian will make available to the Fund proxy voting services upon the request of, and for the jurisdictions selected by, the Fund in accordance with terms and conditions to be mutually agreed upon by the Custodian and the Fund.

3.4. Partial Redemptions, Payments, Etc. The Custodian shall promptly advise the Fund or its designee upon its notification in its capacity as custodian of a partial redemption, partial payment or other action with respect to a Security affecting fewer than all such Securities held within an Account. If the Custodian or any Subcustodian, Depository or Foreign Depository holds any Securities affected by one of the events described, the Custodian, Subcustodian, Depository or Foreign Depository may select the Securities to participate in such partial redemption, partial payment or other action in any non-discriminatory manner that it customarily uses to make such selection.

SECTION 4 — SETTLEMENT OF TRADES

4.1. Payments. Promptly after each purchase or sale of Securities by the Fund, an Authorized Person shall deliver to the Custodian Instructions specifying all information necessary for the Custodian to settle such purchase or sale. For the purpose of settling purchases of Securities, the Fund shall provide the Custodian with sufficient immediately available funds for all such transactions by such time and date as conditions in the relevant market dictate.

4.2. Contractual Settlement and Income. The Custodian may, as a matter of bookkeeping convenience, credit an Account with the proceeds from the sale, redemption or other disposition of Securities or interest, dividends or other distributions payable on Securities prior to its actual receipt of final payment therefor. All such credits shall be conditional until the Custodian's actual receipt of final payment and may be reversed by the Custodian to the extent that final payment is not received. Payment with respect to a transaction will not be "final" until the Custodian shall have received immediately available funds that under applicable local law, rule and practice are irreversible and not subject to any security interest, levy or other encumbrance, and that are specifically applicable to such transaction.

4.3. Trade Settlement. Transactions will be settled using practices customary in the jurisdiction or market where the transaction occurs. The Fund understands that when the Custodian is instructed to deliver Securities against payment, delivery of such Securities and receipt of payment therefor may

not be completed simultaneously. The Fund assumes full responsibility for all risks involved in connection with the Custodian's delivery of Securities pursuant to Authorized Instructions in accordance with local market practice.

SECTION 5 — DEPOSITS AND ADVANCES

5.1. Deposits. The Custodian may hold cash in Accounts or may arrange to have cash held by a BNY Mellon Affiliate or Subcustodian, or with a Depository or Foreign Depository. Where cash is on deposit with the Custodian, a Subcustodian or a BNY Mellon Affiliate, it will be subject to the terms of this Agreement and such deposit terms and conditions as may be issued by the Custodian or a BNY Mellon Affiliate or Subcustodian, to the extent applicable, from time to time, including rates of interest and deposit account access.

5.2. Sweep and Float. Cash may be swept as directed by the Fund or its investment adviser to investment vehicles offered by the Custodian or to other investment vehicles. Cash may be uninvested when it is received or reconciled to an Account after the deadline to be swept into a target vehicle, or when held for short periods of time related to transaction settlements. The Fund acknowledges that, as part of the Custodian's compensation, the Custodian will earn interest on cash balances held by the Custodian, including disbursement balances and balances arising from purchase and sale transactions, as disclosed in the Custodian's float policy.

5.3. Overdrafts and Indebtedness. The Custodian may, in its sole discretion, advance funds in any currency hereunder. If an overdraft occurs in an Account (including, without limitation, overdrafts incurred in connection with the settlement of securities transactions, funds transfers or foreign exchange transactions) or if the Fund is for any other reason indebted to the Custodian, the Fund agrees to repay the Custodian on demand or upon becoming aware of the amount of the advance, overdraft or indebtedness, plus accrued interest at a rate then charged by the Custodian to its institutional custody clients in the relevant currency. The Fund shall have access to review such amounts via electronic information delivery portals provided by BNY Mellon or such other means of communication as mutually agreed upon between the parties hereto.

5.4. Securing Repayment. In order to secure repayment of the Fund's obligations to the Custodian, the Fund hereby pledges and grants to the Custodian and agrees the Custodian

shall have to the maximum extent permitted by law, a continuing first lien and security interest in, and right of setoff against: (a) all of the Fund's right, title and interest in and to all Accounts in the Fund's name and the Securities, cash and other property now or hereafter held in such Accounts (including proceeds thereof) and (b) any other property at any time held by the Custodian for the Fund. The Fund represents, warrants and covenants that it owns the Securities in the Accounts free and clear of all liens, claims and security interests, and that the lien and security interest granted herein shall be subject to no setoffs, counterclaims or other liens prior to or on a parity with it in favor of any other party (other than specific liens granted preferred status by statute). Notwithstanding the foregoing, the Custodian hereby subordinates any such continuing lien and security interest in and to any Securities, cash and other property of the Fund held by in such Accounts (whether obtained by operation of law or contract), to the lien of any bank or other lending or financing institution of whatever nature ("Lender") from which the Fund borrows money for investment (including through a derivative contract) or for temporary or emergency purposes using Securities held by the Custodian hereunder as collateral for such borrowings, provided however that when assets in excess of the amount of collateral required to be pledged by the Fund to any Lender ("Excess Assets") are held in such Accounts, the Custodian shall have a priority security interest and right of setoff in such Excess Assets to secure any overdraft or indebtedness, provided that Custodian notifies the Lender and the Fund in writing prior to exercising any of its rights against such Excess Assets as provided in Section 5.5 below. The Fund shall take any additional steps required to assure the Custodian of such security interest, including notifying third parties or obtaining their consent. The Custodian shall be entitled to collect from the Accounts sufficient cash for reimbursement, and if such cash is insufficient, to, with ten (10) days' prior written notice to the Fund (and any Lender, if applicable), sell the Securities in the Accounts to the extent necessary to obtain reimbursement. In this regard, the Custodian shall be entitled to all the rights and remedies of a pledgee and secured creditor under applicable laws, rules and regulations as then in effect.

5.5. Setoff. Upon ten (10) days' prior written notice to the Fund (and any Lender, if applicable), the Custodian has the right to debit any cash in the Accounts for any amount payable by the Fund in connection with any and all obligations of the Fund to the Custodian whether or not relating to or arising under this Agreement. In addition to the rights of the Custodian under applicable law and other agreements, at any time when the Fund shall not have honored any and all of its obligations to the Custodian, the Custodian shall have the right upon ten (10) days' prior written notice to the Fund to retain or set-off against such obligations of the Fund any cash the Custodian or a BNY Mellon Affiliate may directly or indirectly hold for the Fund, and any obligations (whether or not matured) that the Custodian or a BNY Mellon Affiliate may have to the Fund in any currency. Any such asset of, or obligation to, the Fund may be transferred to the Custodian and any BNY Mellon Affiliate in order to effect the above rights. Notwithstanding anything herein to the contrary, Custodian shall not exercise such right to debit, retain or set-off with respect to (a) any Securities, cash and other property of the Fund now or hereafter held in its Accounts to the extent not constituting Excess Assets, or (b) any amounts due and owing to the Custodian, whether or not relating to or arising under this Agreement, that are being contested in good faith by the Fund.

5.6. Bank Borrowings. If the Fund borrows money from any bank (including the Custodian if the borrowing is pursuant to a separate agreement) for investment or for temporary or emergency purposes using Securities held by the Custodian hereunder as collateral for such

borrowings, the Fund shall deliver to the Custodian Instructions specifying with respect to each such borrowing: (a) the Series to which such borrowing relates, (b) the name of the bank, (c) the amount of the borrowing, (d) the time and date, if known, on which the loan is to be entered into, (e) the total amount payable to the Fund on the borrowing date, (f) the Securities to be delivered as collateral for such loan, including the name of the issuer, the title and the number of shares or the principal amount of any particular Securities and (g) a statement specifying whether such loan is for investment purposes or for temporary or emergency purposes and that such loan is in conformance with the '40 Act and the Fund's prospectus. The Custodian shall deliver on the borrowing date specified in Instructions the specified collateral against payment by the lending bank of the total amount of the loan payable, provided that the same conforms to the total amount payable as set forth in the Instructions. The Custodian may, at the option of the lending bank, keep such collateral in its possession, but such collateral shall be subject to all rights therein given the lending bank by virtue of any promissory note or loan agreement. The Custodian shall deliver such Securities as additional collateral as may be specified in Instructions to collateralize further any transaction described in this Section 5.6. The Fund shall cause all Securities released from collateral status to be returned directly to the Custodian, and the Custodian shall receive from time to time such return of collateral as may be tendered to it. In the event that the Fund fails to specify in Instructions the Series, the name of the issuer of the Securities

to be delivered as collateral by the Custodian, or the title and number of shares or the principal amount of any particular Securities to be delivered as collateral by the Custodian, the Custodian shall not be under any obligation to deliver any Securities.

SECTION 6 — SALE AND REDEMPTION OF SHARES

6.1. **Sale of Shares.** Whenever the Fund shall sell any shares issued by the Fund ("Shares") it shall deliver to the Custodian Instructions specifying the amount of cash and/or Securities to be received by the Custodian for the sale of such Shares and specifically allocated to an Account. Upon receipt of such cash, the Custodian shall credit such cash to the specified Account for which such cash was received.

6.2. **Redemption of Shares.** Except as provided hereinafter, whenever the Fund desires the Custodian to make payment out of the cash held by the Custodian hereunder in connection with a redemption of any Shares, it shall furnish to the Custodian Instructions specifying the total amount to be paid for such Shares. The Custodian shall make payment of such total amount to the transfer agent specified in such Instructions out of the cash held in the specified Account.

6.3. Check **Redemptions.** Notwithstanding the above provisions regarding the redemption of any Shares, whenever any Shares are redeemed pursuant to any check redemption privilege which may from time to time be offered by the Fund, the Custodian, unless otherwise instructed by Instructions, shall, upon presentment of such check, charge the amount thereof against the cash held in the Account of the Fund (or Series) of the Shares being redeemed, provided, that if the Fund or its agent timely advises the Custodian that such check is not to be honored, the Custodian shall return such check unpaid.

SECTION 7 — PAYMENT OF DIVIDENDS AND DISTRIBUTIONS

7.1. **Determination to Pay.** Whenever the Fund shall determine to pay a dividend or distribution on Shares it shall furnish to the Custodian Instructions setting forth with respect to the Fund (or Series) specified therein the date of the declaration of such dividend or distribution, the total amount payable and the payment date.

7.2. **Payment.** Upon the payment date specified in such Instructions, the Custodian shall pay out of the cash held for the account of the Fund (or Series) the total amount payable to the dividend agent of the Fund specified therein.

SECTION 8- TAXES, REPORTS AND RECORDS

8.1. **Tax Obligations.** The Fund shall be liable for all taxes, assessments, duties and other governmental charges, including interest and penalties, with respect to any cash and Securities held on behalf of the Fund and any transaction related thereto. To the extent that the Custodian has received relevant and necessary information with respect to an Account, the Custodian shall promptly as practicable under the circumstances perform the following services with respect to Tax Obligations:

(a) The Custodian shall, upon receipt of sufficient information, file claims for exemptions or refunds with respect to withheld foreign (non-United States) taxes in instances in which such claims are appropriate;

(b) The Custodian shall withhold appropriate amounts, as required by United States tax laws, with respect to amounts received on behalf of nonresident aliens upon receipt of Instructions; and

(c) The Custodian shall provide to the Fund such information received by the Custodian (in its capacity as custodian) that could, in the Custodian's reasonable belief, assist the Fund or its designee in the submission of any reports or returns with respect to Tax Obligations. An Authorized Person shall inform the Custodian in writing as to which party or parties shall receive information from the Custodian.

8.2. **Pricing and Other Data.** In providing Market Data related to the Accounts in connection with this Agreement, the Custodian is authorized to use Data Providers. The Custodian may follow Authorized Instructions in providing pricing or other Market Data, even if such instructions direct the Custodian to override its usual procedures and Market Data sources. The Custodian shall be entitled to rely without inquiry on all Market Data (and all Authorized Instructions related to Market Data) provided to it, and the Custodian shall not be liable for any Losses incurred as a result of errors or omissions with respect to any Market Data utilized by the Custodian or the Fund hereunder. The Fund acknowledges that certain pricing or valuation information may be based on calculated amounts rather than actual market transactions and may not reflect actual market values, and that the variance between such calculated amounts and actual market values may be material. The Custodian shall not be required to inquire into the pricing of any Securities or other assets even though the Custodian may receive different prices for the same Securities or assets. Market Data may be the intellectual property of the Data Providers, which may impose additional terms and conditions upon the Fund's use of the Market

Data. The additional terms and conditions can be found in the Data Terms Website. The Fund agrees to those terms as they are posted in the Data Terms Website from time to time. Certain Data Providers may not permit the Fund's directed price to be used. Performance measurement and analytic services may use different data sources than those used by the Custodian to provide Market Data for an Account, with the result that different prices and other Market Data may apply.

8.3. **Statements and Reports.** The Custodian shall make available to the Fund a monthly report of all transfers to or from the Accounts and a statement of all holdings in the Accounts as of the last Business Day of each month. The Fund may elect to receive certain information electronically through the Internet to an email address specified by it for such purpose. By electing to use the Internet for this purpose, the Fund acknowledges that such transmissions are not encrypted and therefore are not secure. The Fund further acknowledges that there are other risks inherent in communicating through the Internet such as the possibility of virus contamination and disruptions in service, and agrees that the Custodian shall not be responsible for any Losses suffered or incurred by the Fund or any person claiming by or through the Fund as a result of the use of such methods.

8.4. **Review of Reports.** If, within ninety (90) days after the Custodian makes available to the Fund a statement with respect to the Accounts, the Fund has not given the Custodian written notice of any exception or objection thereto, the statement shall be deemed to have been approved, and in such case, the Custodian shall not be liable for any claims concerning such statement.

8.5. **Books and Records.** The books and records pertaining to the Fund which are in possession of the Custodian shall be the property of the Fund. Such books and records shall be prepared and maintained as required by the '40 Act and the rules thereunder. The Fund, or its authorized representatives, shall have access to such books and records during the Custodian's normal business hours. Upon the reasonable request of the Fund, copies of any such books and records shall be provided by the Custodian to the Fund or its authorized representative. Upon the reasonable request of the Fund, the Custodian shall provide in hard copy or on computer disc any records included in any such delivery which are maintained by the Custodian on a computer disc, or are similarly maintained.

8.6. **Required Disclosure.** With respect to Securities issued in the United States, the Shareholder Communications Act of 1985 (the "Act") requires the Custodian to disclose to issuers, upon their request, the name, address and securities position of the Custodian's clients who are "beneficial owners" (as defined in the Act) of the issuer's Securities, unless the beneficial owner objects to such disclosure. The Act defines a "beneficial owner" as any person who has or shares the power to vote a security (pursuant to an agreement or otherwise) or who directs the voting of a security. The Fund represents that it is the beneficial owner of the Securities. As beneficial owner it has designated below whether it objects to the disclosure of its name, address and securities position to any United States issuer that requests such information pursuant to the Act for the specific purpose of direct communications between such issuer and the Fund.

With respect to Securities issued outside the United States, the Custodian shall disclose information required by law, regulation, rules of a stock exchange or organizational documents of an issuer. The Custodian is also authorized to supply any information regarding the Accounts that is required or requested by governmental or regulatory authorities or by any law, regulation or rules now or hereafter in effect. The Fund agrees to supply the Custodian with any required information if it is not otherwise reasonably available to the Custodian.

Pursuant to this Section 8.6, as Beneficial Owner:

o The Fund OBJECTS to disclosure

o The Fund DOES NOT OBJECT to disclosure

IF NO BOX IS CHECKED, THE CUSTODIAN SHALL RELEASE SUCH INFORMATION UNTIL IT RECEIVES A CONTRARY INSTRUCTION FROM THE FUND.]

8.7. **Tools.** From time to time the Custodian may make available to the Fund or its agent(s) certain computer programs, products, services, reports or information (including, without limitation, information obtained by the Custodian from third parties and information reflecting the Custodian's input, evaluation and interpretation) (collectively, "Tools"). Tools may allow the Fund or its agent(s) to perform certain analytic, accounting, compliance, reconciliation and other functions with respect to an Account. By way of example, Tools may assist the Fund or its agent(s) in analyzing the performance of investment advisers appointed by the Fund, determining on a post-trade basis whether transactions for an Account comply with the Fund's investment guidelines, evaluating assets at risk and performing account reconciliations. Tools, as well as practices and processes developed by or for the Custodian in connection with the services provided to the Fund, (1) may be used only for the Fund's internal purposes, and may not be resold, redistributed or otherwise made available to third parties and (2) are the sole and exclusive property of the Custodian (and its suppliers if applicable). The Fund may not reverse engineer or decompile any computer programs provided by the Custodian comprising, or provided as a part of, any Tools. Information supplied by third parties may be incorrect or incomplete, and any information, reports, analytics or other services supplied by the Custodian that rely on information from third parties may also be incorrect or incomplete. All Tools are provided "AS IS", whether or not they are modified to meet specific needs of the Fund and regardless of whether the Custodian is compensated by the Fund for providing such Tools. THE CUSTODIAN DISCLAIMS ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE TOOLS, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, TITLE, NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE. ANYTHING IN THIS AGREEMENT TO THE CONTRARY NOTWITHSTANDING, THE CUSTODIAN AND ITS SUPPLIERS SHALL NOT BE LIABLE FOR ANY LOSS, COST, EXPENSE, DAMAGE, LIABILITY OR CLAIM SUFFERED OR INCURRED BY THE FUND, ITS AGENT(S) OR ANY OTHER PERSON AS A RESULT OF USE OF, INABILITY TO USE OR RELIANCE UPON ANY TOOLS.

SECTION 9 — PROVISIONS REGARDING THE CUSTODIAN

9.1. **Standard of Care.** In performing its duties under this Agreement, the Custodian shall exercise the standard of care and diligence that a professional custodian would observe in these affairs.

9.2. **Limitation of Duties and Liability.** Notwithstanding anything contained elsewhere in this Agreement, the Custodian's liability hereunder is limited as follows:

(a) The duties of the Custodian shall only be those specifically undertaken pursuant to this Agreement and shall be subject to such other limits on liability as are set out herein;

(b) The Custodian shall not be liable for any Losses that are not a direct result of the Custodian's negligence, willful misconduct or intentional breach of this Agreement;

(c) The Custodian shall not be responsible for the title, validity or genuineness of any Securities or evidence of title thereto received by it or delivered by it pursuant to this Agreement or for Securities held hereunder being freely transferable or deliverable without encumbrance in any relevant market;

(d) The Custodian shall not be responsible for the failure to receive payment of, or the late payment of, income or other payments due to an Account;

(e) The Custodian shall have no duty to take any action to collect any amount payable on Securities in default or if payment is refused after due demand and presentment;

(f) The Custodian may obtain the advice of outside counsel and shall be fully protected with respect to anything done or omitted by it in good faith in conformity with such advice;

(g) The Custodian shall have no duty or responsibility to inquire into, make recommendations, supervise or determine the suitability of any transactions affecting any Account and shall have no liability with respect to the Fund's or an Authorized Person's decision to invest in Securities or to hold cash in any currency;

(h) The Custodian shall have no responsibility if the rules or procedures imposed by Depositories or Foreign Depositories, exchange controls, asset freezes or other laws, rules, regulations or orders at any time prohibit or impose burdens or costs on the transfer of Securities or cash to, by or for the account of the Fund; and

(i) The Custodian shall have no liability for any Losses arising from the insolvency of any Person, including but not limited to a Subcustodian, Depository, Foreign Depository, broker, bank or counterparty to the settlement of a transaction or a foreign exchange transaction, except as provided in Section 2.1(b) and Section 2.2.

9.3. Losses. Under no circumstances shall the Custodian be liable to the Fund or any third party for indirect, consequential or special damages, or lost profits or loss of business,

arising in connection with this Agreement, even if the Custodian has been advised of the possibility of such damages.

9.4. Gains. Where an error or omission has occurred under this Agreement, the Custodian may take such remedial action as it considers appropriate under the circumstances and, provided that the Fund is put in the same or equivalent position as it would have been in if the error or omission had not occurred, any favorable consequences of the Custodian's remedial action shall be solely for the account of the Custodian, without any duty to report to the Fund any loss assumed or benefit received by it as a result of taking such action.

9.5. Centralized Functions. The Bank of New York Mellon Corporation is a global financial organization that provides services to clients through its affiliates and subsidiaries in multiple jurisdictions (the "BNY Mellon Group"). The BNY Mellon Group may centralize functions including audit, accounting, risk, legal, compliance, sales, administration, product communication, relationship management, storage, compilation and analysis of customer-related data, and other functions (the "Centralized Functions") in one or more affiliates, subsidiaries and third-party service providers. Solely in connection with the Centralized Functions, (i) the Fund consents to the disclosure of and authorizes the Custodian to disclose information regarding the Fund and the Accounts ("Customer-Related Data") to the BNY Mellon Group and to its third-party service providers who are subject to confidentiality obligations with respect to such information, and (ii) the Custodian may store the names and business addresses of the Fund's employees on the systems or in the records of the BNY Mellon Group or its service providers. The BNY Mellon Group may aggregate Customer-Related Data with other data collected and/or calculated by the BNY Mellon Group, and notwithstanding anything in this Agreement to the contrary the BNY Mellon Group will own all such aggregated data, provided that the BNY Mellon Group shall not distribute the aggregated data in a format that identifies Customer-Related Data with the Fund. The Fund confirms that it is authorized to consent to the foregoing and that the disclosure to and storage by the BNY Mellon Group of information as referenced above does not violate any relevant data protection legislation.

9.6. Force Majeure. Notwithstanding anything in this Agreement to the contrary, the Custodian shall not be responsible or liable for any failure to perform under this Agreement or for any Losses to any Account resulting from any event beyond the reasonable control of the Custodian.

9.7. Fees. The Fund shall pay to the Custodian the fees and charges as may be specifically agreed upon from time to time and such other fees and charges at the Custodian's standard rates for such services as may be applicable. The Fund shall also reimburse the Custodian for out-of-pocket expenses that are a normal incident of the services provided hereunder.

9.8. Indemnification. The Fund shall indemnify and hold harmless the Custodian from and against all Losses, including reasonable counsel fees and expenses in third party suits and in a successful defense of claims asserted by the Fund, relating to or arising out of the performance of the Custodian's obligations under this Agreement, except to the extent resulting from the Custodian's negligence or willful misconduct. This provision shall survive the termination of this Agreement.

SECTION 10 — AMENDMENT; TERMINATION; ASSIGNMENT

10.1. Amendment. This Agreement may be amended only by written agreement between the Fund and the Custodian.

10.2. Termination.

(a) This Agreement shall be effective on the date first written above and, unless terminated pursuant to its terms, shall continue until 11:59 PM (Eastern time) on the date which is the third anniversary of such date (the "Initial Term"), at which time this Agreement shall terminate, unless renewed in accordance with the terms hereof.

(b) This Agreement shall automatically renew for successive terms of one (1) year each (each, a "Renewal Term"), unless the Fund or Custodian gives written notice to the other party of its intent not to renew and such notice is received by the other party not less than ninety (90) days prior to the expiration of the Initial Term or the then-current Renewal Term (a "Non-Renewal Notice"). In the event a party provides a Non-Renewal Notice, this Agreement shall terminate at 11:59 PM (Eastern time) on the last day of the Initial Term or Renewal Term, as applicable.

(c) If the Fund or Custodian materially breaches this Agreement (a "Defaulting Party") the other party (the "Non-Defaulting Party") may give written notice thereof to the Defaulting Party ("Breach Notice"), and if such material breach shall not have been remedied within thirty (30) days after the Breach Notice is given, then the Non-Defaulting Party may terminate this Agreement by giving written notice of termination to the Defaulting Party ("Breach Termination Notice"), in which case this Agreement shall terminate as of 11:59 PM (Eastern time) on the 30th day following the date the Breach Termination Notice is given, or such later date as may be specified in the Breach Termination Notice (but not later than the last day of the Initial Term or then-current Renewal Term, as appropriate). In all cases, termination by the Non-Defaulting Party shall not constitute a waiver by the Non-Defaulting Party of any other rights it might have under this Agreement or otherwise against the Defaulting Party.

(d) Upon termination hereof, the Fund shall pay to the Custodian such compensation as may be due to the Custodian, and shall likewise reimburse the Custodian for other amounts payable or reimbursable to the Custodian hereunder. The Custodian shall follow such reasonable Instructions concerning the transfer of custody of records, Securities and other items as the Fund shall give; provided that (a) the Custodian shall have no liability for shipping and insurance costs associated therewith and (b) full payment shall have been made to the Custodian of its compensation, costs, expenses and other amounts to which it is entitled hereunder. If any Securities or cash remain in any Account after termination, the Custodian may deliver to the Fund such Securities and cash. Provisions authorizing the disclosure of information shall survive termination of this Agreement. Except as otherwise provided herein, all obligations of the parties to each other hereunder shall cease upon termination of this Agreement.

10.3. Successors and Assigns. Neither the Fund nor the Custodian may assign this Agreement without the prior written consent of the other party, except that the Custodian may

assign this Agreement to any BNY Mellon Affiliate without the need for such consent. Any entity that shall by merger, consolidation, purchase or otherwise succeed to substantially all the institutional custody business of the Custodian shall, upon such succession and without any appointment or other action by the Fund, be and become successor custodian hereunder. The Custodian agrees to provide notice of such successor custodian to the Fund. This Agreement shall be binding upon, and inure to the benefit of, the Fund and the Custodian and their respective successors and permitted assigns.

SECTION 11 — ADDITIONAL PROVISIONS

11.1. Non-Custody Assets. As an accommodation to the Fund, the Custodian may provide consolidated recordkeeping services pursuant to which the Custodian reflects on statements securities and other assets not held by, or under the control of, the Custodian ("Non-Custody Assets"). Non-Custody Assets shall be designated on the Custodian's books as "shares not held" or by other similar characterization. The Fund acknowledges and agrees that it shall have no security entitlement against the Custodian with respect to Non-Custody Assets, that the Custodian shall rely, without independent verification, on information provided by the Fund, its designee or the entity having custody regarding Non-Custody Assets (including but not limited to positions and market valuations), and that the Custodian shall have no responsibility whatsoever with respect to Non-Custody Assets or the accuracy of any information maintained on the Custodian's books or set forth on account statements concerning Non-Custody Assets.

11.2. Appropriate Action. The Custodian is hereby authorized and empowered, in its sole discretion, to take any action with respect to an Account that it deems necessary or appropriate in carrying out the purposes of this Agreement.

11.3. Governing Law. This Agreement shall be construed in accordance with and governed by the substantive laws of the state of New York without regard to its conflicts of law provisions. The parties consent to the jurisdiction of a state or federal court situated in New York City, New York in connection with any dispute hereunder. The Fund irrevocably waives any objection it may now or hereafter have to venue in such court and any claim that a proceeding brought in such court has been brought in an inconvenient forum. The parties hereby expressly waive, to the full extent permitted by applicable law, any right to trial by jury with respect to any judicial proceeding arising from or related to this Agreement. The parties agree that the establishment and maintenance of the Accounts, and all interests, duties and obligations with respect thereto, shall be governed by the laws of the state of New York.

11.4. Representations. Each party represents and warrants to the other party that it has full authority to enter into this Agreement upon the terms and conditions hereof and that the individual executing this Agreement on its behalf has the requisite authority to bind such party to this Agreement, and that the Agreement constitutes a binding obligation of such party enforceable in accordance with its terms.

11.5. USA PATRIOT Act. The Fund hereby acknowledges that the Custodian is subject to federal laws, including the Customer Identification Program ("CIP") requirements under the USA PATRIOT Act and its implementing regulations, pursuant to which the Custodian must obtain, verify and record information that allows the Custodian to identify the Fund.

Accordingly, prior to opening an Account hereunder, the Custodian will ask the Fund to provide certain information including, but not limited to, the Fund's name, physical address, tax identification number and other information that will help the Custodian to identify and verify the Fund's identity, such as organizational documents, certificate of good standing, license to do business or other pertinent identifying information. The Fund agrees that the Custodian cannot open an Account hereunder unless and until the Custodian verifies the Fund's identity in accordance with the Custodian's CIP.

11.6. Non-Fiduciary Status. The Fund hereby acknowledges and agrees that the Custodian is not a fiduciary by virtue of accepting and carrying out its obligations under this Agreement and has not accepted any fiduciary duties, responsibilities or liabilities with respect to its services hereunder.

11.7. Notices. Notices shall be in writing and shall be addressed to the Custodian or the Fund at the address set forth on the signature page or such other address as either party may designate in writing to the other party. All notices shall be effective upon receipt.

11.8. Entire Agreement. This Agreement and any related fee agreement constitute the entire agreement with respect to the matters dealt with herein, and supersede all previous agreements, whether oral or written, and documents with respect to such matters.

11.9. Necessary Parties. All of the understandings, agreements, representations and warranties contained herein are solely for the benefit of the Fund and the Custodian, and there are no other parties who are intended to be benefited by this Agreement.

11.10. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and said counterparts when taken together shall constitute but one and the same instrument and may be sufficiently evidenced by one set of counterparts.

11.11. Captions. The captions of this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the latest date set forth below.

Authorized Signer of:

STONECASTLE FINANCIAL CORP.

By: /s/ Erik Minor
Name: Erik Minor
Title: CEO
Date: 11/5/13

Address for Notice:
StoneCastle Financial Corp.
Legal Department
152 West 57th Street, 35th Floor
New York, NY 10019

Email: legal@stonecastle.com

Authorized Signer of:

THE BANK OF NEW YORK MELLON

By: /s/ Peter D. Holland
Name: Peter D. Holland
Title: Managing Director
Date: 11-5-13

Address for Notice:
The Bank of New York Mellon
c/o BNY Mellon Asset Servicing
AIM 111-0900
Atlantic Terminal Office Tower
2 Hanson Place
Brooklyn, NY 11217

Attention: Closed-End/ETF Client Service Management

SCHEDULE I

N/A

Transfer Agency and Service Agreement

Between

StoneCastle Financial Corp.

and

Computershare Trust Company, N.A.

and

Computershare Inc.

AGREEMENT effective as of the 9th day of September, 2013 ("**Effective Date**") by and between StoneCastle Financial Corp., a Delaware corporation, having its principal office and place of business at 152 West 57th Street, 35th Floor, New York, New York 10019 ("**Company**"), and Computershare Inc., a Delaware corporation, and its fully owned subsidiary Computershare Trust Company, N.A., a federally chartered trust company, having its principal office and place of business at 250 Royall Street, Canton, Massachusetts 02021 (collectively, "**Transfer Agent**" or individually, "**Computershare**" and "**Trust Company**", respectively).

WHEREAS, Company desires to appoint Trust Company as its sole transfer agent and registrar, and administrator of any dividend reinvestment plan or direct stock purchase plan for Company, and Computershare as processor of all payments received or made by Company under this Agreement;

WHEREAS, Trust Company and Computershare will each separately provide specified services covered by this Agreement and, in addition, Trust Company may arrange for Computershare to act on behalf of Trust Company in providing certain of its services covered by this Agreement; and

WHEREAS, Trust Company and Computershare desire to accept such respective appointments and perform the services related to such appointments;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. CERTAIN DEFINITIONS.

1.1. "**Account**" means the account of each Shareholder which reflects any full or fractional Shares held by such Shareholder, outstanding funds, or reportable tax information.

1.2. "**Agreement**" means this agreement and any and all exhibits or schedules attached hereto and any and all amendments or modifications which may from time to time be executed by the parties hereto.

1.3. "**DSPP**" means direct stock purchase plan.

1.4. "**Plans**" means any dividend reinvestment plan, DSPP, or similar reinvestment or repurchase programs administered by Trust Company for Company, whether as of the Effective Date or at any time during the term of this Agreement.

1.5. "**Services**" means all services performed or made available or to be performed by Transfer Agent pursuant to this Agreement.

1.6. "**Share**" means Company's common shares, par value $0,001 per share, and Company's preferred shares, par value $0,001 per share, authorized by Company's Certificate of Incorporation, and other classes of Company's shares to be designated by Company in writing and which Transfer Agent agrees to service under this Agreement.

1.7. "**Shareholder**" means a holder of record of Shares.

1.8. "**Shareholder Data**" means all information maintained on the records database of Transfer Agent concerning Shareholders.

2. APPOINTMENT OF AGENT.

2.1. Appointments. Company hereby appoints Trust Company to act as sole transfer agent and registrar for all Shares and as administrator of Plans in accordance with the terms and conditions hereof and appoints Computershare as the service provider to Trust Company and as processor of all payments received or made by or on behalf of Company under this Agreement, and Trust Company and Computershare accept the respective appointments.

2.2. Documents. In connection with the appointments herein, Company has provided or will provide the following appointment and corporate authority documents to Transfer Agent:

(a) Copies of resolutions appointing Trust Company as the transfer agent;

(b) If applicable, specimens of all forms of outstanding Share certificates, in forms approved by the Board of Directors of Company, with a certificate of the Secretary of Company as to such approval;

(c) Specimens of the signatures of the officers or other authorized persons of Company authorized to sign written instructions and requests and, if applicable, sign Share certificates;

(d) An opinion of counsel for Company addressed to both Trust Company and Computershare stating that:

(i) Company is duly organized, validly existing and in good standing under the laws of its state of organization;

(ii) All Shares issued and outstanding on the date hereof were issued as part of an offering that was registered under the Securities Act of 1933, as amended ("**1933 Act**") and any other applicable federal or state statute or that was exempt from such registration;

(iii) All Shares issued and outstanding on the date hereof are duly authorized, validly issued, fully paid and non-assessable; and

(iv) The use of facsimile signatures by Transfer Agent in connection with the countersigning and registering of Share certificates has been duly authorized by Company and is valid and effective.

(e) A certificate of Company as to the Shares authorized, issued and outstanding, as well as a description of all reserves of unissued Shares relating to the exercise of options;

(f) A completed Internal Revenue Service Form 2678; and

(g) A completed Form W-8 or W-9, as applicable.

In addition, upon any future original issuance of Shares for which Transfer Agent will act as transfer agent hereunder except for Shares reserved for future issuances from under the Company's dividend reinvestment plan, Company shall deliver an opinion of counsel for Company addressed to both Trust Company and Computershare stating that such Shares (i) have been issued as part of an offering that was registered under the 1933 Act and any other applicable federal or state statute, or that was exempt from such registration, and (ii) are duly authorized, validly issued, fully paid and non-assessable.

2.3. Records. Transfer Agent may adopt as part of its records all Shareholder lists, Share ledgers, records, books, and documents which have been employed by Company or any of its agents and which are certified to be true, authentic and complete. Transfer Agent shall keep records relating to the Services, in the form and manner it deems advisable, but in any event consistent with the reasonable standards of the transfer agency industry. Transfer Agent agrees that all such records will be preserved, maintained and made available in accordance with requirements of law, and will be surrendered promptly to Company at the Company's written request.

2.4. Shares. Company shall, if applicable, inform Transfer Agent as soon as possible in advance as to (i) the existence or termination of any restrictions on the transfer of Shares, the application to or removal from any Share certificate of any legend restricting the transfer of such Shares (subject, in the case of removal of any such legend, to delivery of a legal opinion from counsel to Company in form and substance acceptable to Transfer Agent), or the substitution for such certificate of a certificate without such legend; (ii) any authorized but unissued Shares reserved for specific purposes; (iii) any outstanding Shares which are exchangeable for Shares and the basis for exchange; (iv) reserved Shares subject to options, warrants, convertible debt and other derivative securities issued by the Company and the details of such reservation; (v) any Share split or Share dividend; (vi) any other relevant event or special instructions which may affect the Shares; and (vii) any bankruptcy, insolvency or other proceeding regarding Company affecting the enforcement of creditors' rights.

2.5. Share Certificates. If applicable, Company shall provide Transfer Agent with (i) documentation required to print on demand Share certificates, or (ii) an appropriate supply of Share certificates which contain a signature panel for use by an authorized signor of Transfer Agent and state that such certificates are only valid after being countersigned and registered, whichever is applicable.

2.6. Company Responsibility. Company shall perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, documents, instruments and assurances as Transfer Agent may reasonably require in order to carry out or perform its obligations under this Agreement.

2.7. Scope of Agency.

(a) Transfer Agent shall act solely as agent for Company under this Agreement and owes no duties hereunder to any other person. Transfer Agent undertakes to

perform the duties and only the duties that are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against Transfer Agent.

(b) Transfer Agent may rely upon, and shall be protected in acting or refraining from acting in reliance upon, (i) any communication from Company, any predecessor transfer agent or co-transfer agent or any registrar (other than Transfer Agent), predecessor registrar or co-registrar; (ii) any instruction, notice, request, direction, consent, report, certificate, opinion or other instrument, paper, document or electronic transmission believed by Transfer Agent to be genuine and to have been signed or given by the proper party or parties; (iii) any guaranty of signature by an "eligible guarantor institution" that is a member or participant in the Securities Transfer Agents Medallion

Program or other comparable "signature guarantee program" or insurance program in addition to, or in substitution for, the foregoing; or (iv) any instructions received through Direct Registration System/Profile. In addition, Transfer Agent is authorized to refuse to make any transfer that it determines in good faith not to be in good order.

(c) From time to time, Company may provide Transfer Agent with instructions concerning the Services. Further, Transfer Agent may apply to any officer or other authorized person of Company for instruction, and may consult with legal counsel for Transfer Agent or Company with respect to any matter arising in connection with the Services. Transfer Agent and its agents and subcontractors shall not be liable and shall be indemnified by Company under Section 9.2 of this Agreement for any action taken or omitted by Transfer Agent in reliance upon any Company instructions or upon the advice or opinion of such counsel. Transfer Agent shall not be held to have notice of any change of authority of any person, until receipt of written notice thereof from Company.

3. STANDARD SERVICES.

3.1. Share Services. Transfer Agent shall perform the Services set forth in the Fee and Service Schedule ("**Fee and Service Schedule**") attached hereto and incorporated herein. Further, Transfer Agent shall issue and record Shares as authorized, hold Shares in the appropriate Account, and effect transfers of Shares upon receipt of appropriate documentation.

3.2. Replacement Shares. Transfer Agent shall issue replacement Shares for those certificates alleged to have been lost, stolen or destroyed, upon receipt by Transfer Agent of an open penalty surety bond satisfactory to it and holding it and Company harmless, absent notice to Transfer Agent that such certificates have been acquired by a bona fide purchaser. Transfer Agent may, at its option, issue replacement Shares for mutilated certificates upon presentation thereof without such indemnity. Transfer Agent may, at its sole option, accept indemnification from Company to issue replacement Shares for those certificates alleged to have been lost, stolen or destroyed in lieu of an open penalty bond. Transfer Agent shall charge Shareholders an administrative fee for replacement of lost certificates, which shall be charged only once in instances where a single surety bond obtained covers multiple certificates. Transfer Agent may receive compensation,

including in the form of surety premiums, for administrative services provided in connection with surety programs offered to Shareholders.

3.3. Internet Services. Transfer Agent shall make available to Company and Shareholders, through www.computershare.com ("**Web Site**"), online access to certain Account and Shareholder information and certain transaction capabilities ("**Internet Services**"), subject to Transfer Agent's security procedures and the terms and conditions set forth herein and on the Web Site. Transfer Agent provides Internet Services "as is," on an "as available" basis, and hereby specifically disclaims any and all representations or warranties, express or implied, regarding such Internet Services, including any implied warranty of merchantability or fitness for a particular purpose and implied warranties arising from course of dealing or course of performance.

3.4. Proprietary Information. Company agrees that the databases, programs, screen and report formats, interactive design techniques, Internet Services, software (including methods or concepts used therein, source code, object code, or related technical information) and documentation manuals furnished to Company by Transfer Agent as part of the Services are under the control and ownership of Transfer Agent or a third party (including its affiliates) and constitute copyrighted, trade secret, or other proprietary information (collectively, "**Proprietary Information**"). In no event shall Proprietary Information be deemed Shareholder Data. Company agrees that Proprietary Information is of substantial value to Transfer Agent or other third party and will treat all Proprietary Information as confidential in accordance with Section 11 of this Agreement. Company shall take reasonable efforts to advise its relevant employees and agents of its obligations pursuant to this Section 3.4.

3.5. Third Party Content. Transfer Agent may provide real-time or delayed quotations and other market information and messages ("**Market Data**"), which Market Data is provided to Transfer Agent by certain third parties who may assert a proprietary interest in Market Data disseminated by them but do not guarantee the timeliness, sequence, accuracy or completeness thereof. Company agrees and acknowledges that Transfer Agent shall not be liable in any way for any loss or damage arising from or occasioned by any inaccuracy, error, delay in, omission of, or interruption in any Market Data or the transmission thereof.

3.6. Lost Shareholders; In-Depth Shareholder Search.

(a) Transfer Agent shall conduct such database searches to locate lost Shareholders as are required by Rule 17Ad-17 under the Securities Exchange Act of 1934, as amended ("**Exchange Act**"), without charge to the Shareholder. If a new address is so obtained in a database search for a lost Shareholder, Transfer Agent shall conduct a verification mailing and update its records for such Shareholder accordingly.

(b) To the extent not required under the Exchange Act (in which case clause (a) above shall apply), Transfer Agent may facilitate the performance of a more in-depth search for the purpose of (i) locating lost Shareholders for whom a new address is not obtained in accordance with clause (a) above, (ii) identifying Shareholders who are deceased (or locating the deceased Shareholder's estate

representative, heirs or other party entitled to act with respect to such Shareholder's account ("**Authorized Representative**")), and (iii) locating Shareholders whose accounts contain an uncashed check older than 180 days, in each case using the services of a locating service provider selected by Transfer Agent, which service provider may be an affiliate of Computershare. Such provider may compensate Transfer Agent for processing and other services that Transfer Agent provides in connection with such in-depth search, including providing Computershare a portion of its service fees.

(c) Upon locating any Shareholder (or such Shareholder's Authorized Representative) pursuant to clause (b) above, the locating service provider shall clearly identify to such Shareholder (or such Shareholder's Authorized Representative) all assets held in such Shareholder's account. Such provider shall inform any such located Shareholders (or such Shareholder's Authorized Representative) that such Shareholder (or such Shareholder's Authorized Representative) may choose either (i) to contact Transfer Agent directly to obtain the assets in such account, at no charge other than any applicable fees to replace lost certificates, if applicable, or (ii) to use the services of such

provider for a processing fee, which may not exceed 20% of the asset value of such Shareholder's property where the registered Shareholder is living, deceased, or not a natural person; provided that in no case shall such fee exceed the maximum statutory fee permitted by the applicable state jurisdiction. If Company selects a locating service provider other than one selected by Transfer Agent, then Transfer Agent shall not be responsible for the terms of any agreement between such provider and Company and additional fees may apply.

(d) Pursuant to Section 2.7(c) of this Agreement, Company hereby authorizes and instructs Transfer Agent to provide a Shareholder file or list of those Shareholders not located following the required Rule 17Ad-17 searches to any service provider administering any in-depth shareholder location program on behalf of Computershare or Company.

3.7. Compliance with Laws. Transfer Agent is obligated and agrees to comply with all applicable U.S. federal, state and local laws and regulations, codes, orders and government rules in the performance of its duties under this Agreement.

4. PLAN SERVICES.

4.1. Trust Company shall perform all services under the Plans, as the administrator and plan agent of such Plans, with the exception of payment processing for which Computershare has been appointed as agent by Company, and certain other services that Trust Company may subcontract to Computershare as permitted by applicable law (*e.g.*, ministerial services).

4.2. To the extent Company does not have a DSPP as of the Effective Date, Company agrees that Trust Company may implement and administer Trust Company's DSPP on behalf of Company at any time during the term of this Agreement, upon providing prior written notice to Company. In consideration of Trust Company receiving service and transaction fees from the

DSPP participants in connection with its administration of the DSPP, Transfer Agent shall not charge any fees to Company for such administration.

4.3. Transfer Agent shall act as agent for Shareholders pursuant to the Plans in accordance with the terms and conditions of such Plans.

5. COMPUTERSHARE DIVIDEND DISBURSING AND PAYMENT SERVICES.

5.1. Declaration of Dividends. Upon receipt of written notice from the Chief Executive Officer, President, or Treasurer of Company declaring the payment of a dividend, Computershare shall disburse such dividend payments provided that Company furnishes Computershare with sufficient funds one day in advance of the applicable payable date. The payment of such funds to Computershare for the purpose of being available for the payment of dividends from time to time is not intended by Company to confer any rights in such funds on Shareholders whether in trust, contract, or otherwise.

5.2. Stop Payments. Company hereby authorizes Computershare to stop payment of checks issued in payment of sales proceeds and of dividends, if applicable, but not presented for payment, when the payees thereof allege either that they have not received the checks or that such checks have been mislaid, lost, stolen, destroyed or, through no fault of theirs, are otherwise beyond their control and cannot be produced by them for presentation and collection, and Computershare shall issue and deliver duplicate checks in replacement thereof, and Company shall indemnify Transfer Agent against any loss or damage resulting from reissuance of the checks for which the original check has been timely stopped prior to reissuance pursuant to this Section 5.2.

5.3. Tax Withholding. Company hereby authorizes Computershare to deduct from all payments of sales proceeds and of dividends declared by Company and disbursed by Computershare, as dividend disbursing agent, if applicable, the tax required to be withheld pursuant to Sections 1441, 1442 and 3406 of the Internal Revenue Code of 1986, as amended, or by any federal or state statutes subsequently enacted, and to make the necessary returns and payment of such tax in connection therewith.

5.4. Plan Payments. If applicable, Company hereby authorizes Computershare to receive all payments made to Company *{i.e.*, optional cash purchases) or Transfer Agent under the Plans and make all payments required to be made under such Plans, including all payments required to be made to Company and payments of stock dividends.

5.5. Bank Accounts. Company acknowledges that the bank accounts maintained by Computershare in connection with the Services will be in Computershare's name as agent for Company and that Computershare may receive investment earnings in connection with the investment, at Computershare's risk and for its benefit, of funds held in those accounts from time to time.

6. INTENTIONALLY OMITTED.

7. FEES AND EXPENSES.

7.1. Fee and Service Schedules. Company agrees to pay Transfer Agent the reasonable fees and reasonable out-of-pocket expenses for Services performed pursuant to this Agreement as set forth in the Fee and Service Schedule, for the Initial Term (as defined below). At least sixty (60) days before the expiration of the Initial Term or a Renewal Term (as defined below), whichever is applicable, the parties to this Agreement will negotiate in good faith to agree upon a new fee schedule for the upcoming Renewal Term.

7.2. Out-of-Proof Funds. If applicable, conversion funding required by any out-of-proof condition caused by Company or a prior agent of Company shall be advanced to Transfer Agent upon discovery of such out-of-proof condition.

7.3. Invoices. Company agrees to pay all fees and reimbursable expenses within 30 days of the date of the respective billing notice, except for any fees or expenses that are subject to good faith dispute. In the event of such dispute, Company must promptly notify Transfer Agent of such dispute and may only withhold that portion of the fee or expense subject to such dispute. Company shall settle such disputed amounts within five (5) business days of the date on

which the parties agree on the amount to be paid by payment of the agreed amount. If no agreement is reached, then such disputed amounts shall be settled as may be required by law or legal process.

7.4. Late Payments.

(a) If any undisputed amount in an invoice of Transfer Agent (for fees or reimbursable expenses) is not paid within 30 days after receipt of such invoice, Transfer Agent may charge Company interest thereon (from the due date to the date of payment) at a monthly rate equal to one percent (1.0%). Notwithstanding any other provision hereof, such interest rate shall be no greater than permitted under applicable law.

(b) The failure by Company to (i) pay the undisputed portion of an invoice within 90 days after receipt of such invoice or (ii) timely pay the undisputed portions of two consecutive invoices shall constitute a material breach pursuant to Section 12.2 below. Transfer Agent may terminate this Agreement for such material breach immediately and shall not be obligated to provide Company with 30 days to cure such breach.

8. REPRESENTATIONS AND WARRANTIES.

8.1. Transfer Agent. Transfer Agent represents and warrants to Company that:

(a) Governance. Trust Company is a federally chartered trust company duly organized, validly existing, and in good standing under the laws of the United States and Computershare is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and each has all requisite power, authority and legal right to execute, deliver and perform this Agreement; and

(b) Compliance with Laws. The execution, delivery and performance of this Agreement by Transfer Agent has been duly authorized by all necessary corporate action, constitutes the legal, valid and binding obligation of Transfer Agent enforceable against Transfer Agent in accordance with its terms (except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles), will not require the consent of any third party that has not been given, and will not violate, conflict with or result in the breach of any material term, condition or provision of (i) any existing law, ordinance, or governmental rule or regulation to which Transfer Agent is subject, (ii) any judgment, order, writ, injunction, decree or award of any court, arbitrator or governmental or regulatory official, body or authority applicable to Transfer Agent, (iii) Transfer Agent's incorporation documents or by-laws, or (iv) any material agreement to which Transfer Agent is a party.

8.2. Company. Company represents and warrants to Transfer Agent that:

(a) Governance. It is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and it has all requisite power, authority and legal right to enter into and perform this Agreement;

(b) Compliance with Laws. The execution, delivery and performance of this Agreement by Company has been duly authorized by all necessary corporate action, constitutes the legal, valid and binding obligation of Company enforceable against Company in accordance with its terms (except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles), will not require the consent of any third party that has not been given, and will not violate, conflict with or result in the breach of any material term, condition or provision of (i) any existing law, ordinance, or governmental rule or regulation to which Company is subject, (ii) any judgment, order, writ, injunction, decree or award of any court, arbitrator or governmental or regulatory official, body or authority applicable to Company, (iii) Company's incorporation documents or by-laws, (iv) any material agreement to which Company is a party, or (v) any applicable stock exchange rules; and

(c) Securities Laws. Registration statements under the 1933 Act and the Exchange Act have been filed and are currently effective, or will be effective prior to the sale of any Shares, and will remain so effective, and all appropriate state securities law filings have been made with respect to all Shares being offered for sale except for any Shares which are offered in a transaction or series of transactions which are exempt from the registration requirements of the 1933 Act, Exchange Act and state securities laws; Company will immediately notify Transfer Agent of any information to the contrary.

(d) Shares. The Shares issued and outstanding on the date hereof have been duly authorized, validly issued and are fully paid and are non-assessable; and any

Shares to be issued hereafter, when issued, shall have been duly authorized, validly issued and fully paid and will be non-assessable.

(e) Facsimile Signatures. The use of facsimile signatures by Transfer Agent in connection with the countersigning and registering of Share certificates has been duly authorized by Company and is valid and effective.

9. INDEMNIFICATION AND LIMITATION OF LIABILITY.

9.1. Liability. Transfer Agent shall only be liable for any loss or damage resulting from Transfer Agent's gross negligence, willful misconduct, material breach of this Agreement or violation of applicable law provided that any liability of Transfer Agent will be limited in the aggregate to three times the amounts paid hereunder by Company to Transfer Agent as fees and charges, but not including reimbursable expenses, during the twelve (12) months immediately preceding the event for which recovery from Transfer Agent is being sought.

9.2. Indemnity. Company shall indemnify and hold Transfer Agent harmless from and against, and Transfer Agent shall not be responsible for, any and all losses, claims, damages, costs, charges, reasonable counsel fees and expenses, payments, expenses and liability (collectively, "**Losses**") arising out of or attributable to Transfer Agent's duties under this Agreement or this appointment, including the reasonable costs and expenses of defending itself against any Loss or enforcing this Agreement, except for any liability of Transfer Agent as set forth in Section 9.1 above.

10. DAMAGES. Notwithstanding anything in this Agreement to the contrary, neither party shall be liable to the other for any incidental, indirect, special or consequential damages of any nature whatsoever, including, but not limited to, loss of anticipated profits, occasioned by a breach of any provision of this Agreement even if apprised of the possibility of such damages.

11. CONFIDENTIALITY.

11.1. Definition. "**Confidential Information**" shall mean any and all technical or business information relating to a party, including, without limitation, financial, marketing and product development information, Shareholder Data (including any non-public information of such Shareholder), Proprietary Information, and the terms and conditions (but not the existence) of this Agreement, that is disclosed or otherwise becomes known to the other party or its affiliates, agents or representatives before or during the term of this Agreement. Confidential Information constitutes trade secrets and is of great value to the owner (or its affiliates). Confidential Information shall not include any information that is: (a) already known to the other party or its affiliates at the time of the disclosure; (b) publicly known at the time of the disclosure or becomes publicly known through no wrongful act or failure of the other party; (c) subsequently disclosed to the other party or its affiliates on a non-confidential basis by a third party not having a confidential relationship with the owner and which rightfully acquired such information; or (d) independently developed by one party without access to the Confidential Information of the other.

11.2. Use and Disclosure. All Confidential Information of a party will be held in confidence by the other party with at least the same degree of care as such party protects its own confidential

or proprietary information of like kind and import, but not less than a reasonable degree of care. Neither party will disclose in any manner Confidential Information of the other party in any form to any person or entity without the other party's prior written consent. However, each party may disclose relevant aspects of the other party's Confidential Information to its officers, affiliates, agents, subcontractors and employees to the extent reasonably necessary to perform its duties and obligations under this Agreement and such disclosure is not prohibited by applicable law. Without limiting the foregoing, each party will implement such physical and other security measures and controls as are necessary to protect (a) the security and confidentiality of Confidential Information; (b) against any threats or hazards to the security and integrity of Confidential Information; and (c) against any unauthorized access to or use of Confidential Information. To the extent that a party delegates any duties and responsibilities under this Agreement to an agent or other subcontractor, the party ensures that such agent and subcontractor are contractually bound to confidentiality terms consistent with the terms of this Section 11.

11.3. Required or Permitted Disclosure. In the event that any requests or demands are made for the disclosure of Confidential Information, other than requests to Transfer Agent for Shareholder records pursuant to standard subpoenas from state or federal government authorities *{e.g.,* divorce and criminal actions), the party receiving such request will promptly notify the other party to secure instructions from an authorized officer of such party as to such request and to enable the other party the opportunity to obtain a protective order or other confidential treatment, unless such notification is otherwise prohibited by law or court order. Each party expressly reserves the right, however, to disclose Confidential Information to any person whenever it is advised by counsel that it may be held liable for the failure to disclose such Confidential Information or if required by law or court order.

11.4. Unauthorized Disclosure. As may be required by law and without limiting any party's rights in respect of a breach of this Section 11, each party will promptly:

(a) notify the other party in writing of any unauthorized possession, use or disclosure of the other party's Confidential Information by any person or entity that may become known to such party;

(b) furnish to the other party full details of the unauthorized possession, use or disclosure; and

(c) use commercially reasonable efforts to prevent a recurrence of any such unauthorized possession, use or disclosure of Confidential Information.

11.5. Costs. Each party will bear the costs it incurs as a result of compliance with this

12. TERM AND TERMINATION.

12.1. Term. The initial term of this Agreement shall be three (3) years from the date first stated above (the "**Initial Term**") unless terminated pursuant to the provisions of this Section 12. This Agreement will renew automatically from year to year (each a "**Renewal Term**"), unless a terminating party gives written notice to the other party not less than sixty (60) days before the expiration of the Initial Term or Renewal Term, whichever is in effect.

12.2. Termination for Cause. This Agreement may be terminated at any time by any party (i) upon a material breach of a representation, covenant or term of this Agreement by any other party which is not cured within thirty (30) days after receipt of written notice thereof from the terminating party or (ii) if any proceeding in bankruptcy, reorganization, receivership or insolvency is commenced by or against any other party, such other party shall become insolvent or shall cease paying its obligations as they become due or such other party shall make any assignment for the benefit of its creditors.

12.3. Costs and Expenses. Upon termination of this Agreement for any reason, (a) all fees earned and expenses incurred by Transfer Agent up to and including the date of such termination shall be immediately due and payable to Transfer Agent on or before the effective date of such termination, and (b) except by the Company for cause pursuant to Section 12.2, Company shall pay all costs and expenses associated with the movement of records, materials, and services to Company or the successor agent, including (i) all reasonable out-of-pocket costs and (ii) a conversion fee of $5,000.00 for the standard

conversion services listed on Exhibit A attached to this Agreement. In the event any of the extended conversion services listed on Exhibit A are requested by Company, the fee for each extended conversion service will be $2,500.00.

12.4. Early Termination. Notwithstanding anything herein to the contrary, if this Agreement is terminated prior to the expiration of the then-current term (a) by Company for any reason other than pursuant to Section 12.2 above, including but not limited to, Company's liquidation, acquisition, merger or restructuring, or (b) by Agent pursuant to Section 12.2 above, then, in addition to the payments required in Section 12.3 above, Company shall pay to Transfer Agent all fees accelerated through the end of, and including all months that would have remained in, the then-current term at the time of termination. Such fees will be calculated using the rates, volumes, and Services in effect as of the termination date. If Company does not provide notice of early termination within the time period referenced in Section 12.1 above, Transfer Agent shall make a good faith effort, but cannot guarantee, to convert Company's records on the date requested by Company.

13. ASSIGNMENT. Neither this Agreement nor any rights or obligations hereunder may be assigned by Company or Transfer Agent without the written consent of the other; provided, however, that Transfer Agent may, without further consent of Company, assign any of its rights and obligations hereunder to any affiliated transfer agent registered under Rule 17Ac2-l promulgated under the Exchange Act.

14. SUBCONTRACTORS AND UNAFFILIATED THIRD PARTIES.

14.1. Subcontractors. Transfer Agent may, without further consent of Company, subcontract with (a) any affiliates, or (b) unaffiliated subcontractors for such services as may be required from time to time (*e.g.*, lost shareholder searches, escheatment, telephone and mailing services); provided, however, that Transfer Agent shall be as fully responsible to Company for the acts and omissions of any subcontractor as it is for its own acts and omissions. If Transfer Agent changes any of its subcontractors after the Effective Date of this Agreement and such change results in Transfer Agent not meeting two (2) or more of the performance standards listed in Exhibit B of this Agreement in any month and Transfer Agent is unable to cure such failure within ninety (90)

days, Company may terminate this Agreement upon sixty (60) days written notice to Transfer Agent.

14.2. Unaffiliated Third Parties. Nothing herein shall impose any duty upon Transfer Agent in connection with or make Transfer Agent liable for the actions or omissions to act of unaffiliated third parties (other than subcontractors referenced in Section 14.1 of this Agreement) such as, by way of example and not limitation, airborne services, delivery services, the U.S. mails, and telecommunication companies, provided, if Transfer Agent selected such company, Transfer Agent exercised due care in selecting the same.

15. MISCELLANEOUS.

15.1. Notices. Any notice or communication by Transfer Agent or Company to the other pursuant to this Agreement is duly given if in writing and delivered in person or sent by overnight delivery service or first class mail, postage prepaid, to the other's address:

If to Company: StoneCastle Financial Corp.
152 West 57th Street, 35th Floor
New York, New York 10019
Attn: [Chief Financial Officer]

If to Transfer Agent: Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
Attn: General Counsel

15.2. No Expenditure of Funds. No provision of this Agreement shall require Transfer Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if it shall believe in good faith that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

15.3. Publicity. Neither party shall issue a news release, public announcement, advertisement, or other form of publicity concerning the existence of this Agreement or the Services to be provided hereunder without obtaining the prior written approval of the other party, which may be withheld in the other party's sole discretion; provided that Transfer Agent may use Company's name in its customer lists or otherwise as required by law or regulation.

15.4. Successors. All the covenants and provisions of this Agreement by or for the benefit of Company or Transfer Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

15.5. Amendments. This Agreement may be amended or modified by a written amendment executed by the parties hereto and, to the extent required, authorized by a resolution of the Board of Directors of Company.

15.6. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the

remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

15.7. Governing Law; Jurisdiction. This Agreement shall be governed by the laws of the State of New York, without regard to principles of conflicts of law. The parties irrevocably (a) submit to the non-exclusive jurisdiction of any New York State court sitting in New York City or the United States District Court for the Southern District of New York in any action or proceeding arising out of or relating to this Agreement, (b) waive, to the fullest extent they may

effectively do so, any defense based on inconvenient forum, improper venue or lack of jurisdiction to the maintenance of any such action or proceeding, and (c) waive all right to trial by jury in any action, proceeding or counterclaim arising out of this Agreement or the transactions contemplated hereby. Transfer Agent shall not be required hereunder to comply with the laws or regulations of any country other than the United States of America or any political subdivision thereof. Transfer Agent may consult with foreign counsel, at Company's expense, to resolve any foreign law issues that may arise as a result of Company or any other party being subject to the laws or regulations of any foreign jurisdiction.

15.8. Force Majeure. Notwithstanding anything to the contrary contained herein, Transfer Agent shall not be liable for any delays or failures in performance resulting from acts beyond its reasonable control including, without limitation, acts of God, terrorist acts, shortage of supply, breakdowns or malfunctions, interruptions or malfunction of computer facilities, or loss of data due to power failures or mechanical difficulties with information storage or retrieval systems, labor difficulties, war, or civil unrest.

15.9. Third Party Beneficiaries. The provisions of this Agreement are intended to benefit only Transfer Agent, Company and their respective permitted successors and assigns. No rights shall be granted to any other person by virtue of this Agreement, and there are no third party beneficiaries hereof.

15.10. Survival. All provisions regarding indemnification, warranty, liability and limits thereon, compensation and expenses and confidentiality and protection of proprietary rights and trade secrets shall survive the termination or expiration of this Agreement.

15.11. Priorities. In the event of any conflict, discrepancy, or ambiguity between the terms and conditions contained in this Agreement and any schedules or attachments hereto, the terms and conditions contained in this Agreement shall take precedence.

15.12. Merger of Agreement. This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement with respect to the subject matter hereof, whether oral or written.

15.13. No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by all parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

15.14. Descriptive Headings. Descriptive headings contained in this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

15.15. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. A signature to this Agreement transmitted electronically shall have the same authority, effect, and enforceability as an original signature.

[The remainder of page intentionally left blank.]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by one of its officers thereunto duly authorized, all as of the date first written above.

Computershare Inc. and Computershare Trust Company, N. A. ***On Behalf of Both Entities:***		**StoneCastle Financial Corp.**	
By:	/s/Dennis V. Moccia	By:	/s/Erik Minor
Name:	Dennis v. Moccia	Name:	Erik Minor
Title:	Manager, Contract Administration	Title:	CFO

[SIGNATURE PAGE TO TRANSFER AGENCY AND SERVICE AGREEMENT]

Exhibit A
Standard and Extended Conversion Services

Termination Phase	**Standard Services. $5,000.00 Minimum Fee Per Termination**	**Extended Services. $2,500.00 for each of the individual Services listed below.**
Test of Conversion Services	· Not applicable	· Test full audit extracts files (which are either transmitted to the agent or copied on to a protected CD); test Full Registered List, all classes Opened and/or Closed · Additional test audit extracts (includes all shareholder details. Control totals & codes sent w/extracts)

		· Test separate exchange lists for each class · Test certificate stop list · Test certificate legend list · Test RPO accounts · Test full transactions lists · Test ACH debit list including plan shares and reinvestment code · Test ACH credit list and secondary address list
Final Conversion Services	· Full audit extracts · Full registered list opened and closed · Certificate stop list · Certificate legend list · RPO accounts · End of year tax report* · Parallel processing for up to 4 days · Communications with new agent as applicable	· Separate exchange lists for each class · Full transactions list · ACH Debit including plan shares and reinvestment code* · ACH Credit list and secondary address list* · 1099D detailed report* · 1042S detailed report* · Parallel processing for more than 4 days (each additional day is considered one extended service)

Post Conversion Services	· Certification letter
	· Due Diligence statement
	· 3 months post conversion
	  · Check extract files
	  · Check reports
	  · Check reports and extracts to CDs
	· Communications with new agent as applicable
		· Not applicable

* Not applicable to terminations for non-dividend payers.

EXHIBIT B

SERVICE LEVEL AGREEMENT

Calls Handled/Wait Time

· At least 95% of all incoming calls will be answered (less than 5% abandoned). A call is not considered incoming until it is offered to the queue to speak with a telephone service representative. An incoming call is considered abandoned if the caller hangs up before a representative answers the call.
· The monthly weighted average speed of answer for all incoming calls will be sixty (60) seconds.

Telephone Inquiries/Written/Electronic Correspondence

· At least 90% of routine written correspondence will be responded to within 5 business days
· At least 90% of emails will be responded to within 3 business days
· At least 95% of requests for replacement stock certificates will be responded to within 3 business days.

Securities Transfer

· All routine (as defined by SEC regulations) transfers will be completed or rejected within SEC guidelines - 90% within 72 hours.
· At least 90% of all non-routine transfers will be completed or rejected within 5 business days of receipt by the transfer agent.

Dividend Distribution

· Accurate dividend checks will be released to the USPS, according to a schedule mutually agreed to by the transfer agent and client.
· 95% of replacement dividend checks will be mailed within 5 business days of the request (after an initial waiting period of 10 calendar days after the payable date).

Dividend Reinvestment/Direct Stock Purchase

· 95% of all of the certificate withdrawals or account terminations requests will be mailed within 3 business days of receipt. Funds and/or certificates resulting from withdrawals and/or terminations coupled with the sale of shares will be mailed within 3 days of settlement.
· 95% of all requests for mailing Plan enrollment packages will be mailed within 5 business days of receipt.
· 95% of initial and optional cash investments will be processed within the time period established in the Plan prospectus.
· 95% of quarterly Plan statements to be mailed within 5 business days of transactions.

Annual Reports/Proxy Materials

- The annual report and proxy materials will be sent according to a schedule mutually agreed to by the transfer agent and client with the objective that 100% of the materials are delivered to shareowners by the date established by client.

Unclaimed Property

- 100% of state-required abandoned property will be escheated to the states as required and state- required reports will be accurate and filed on time.

Client Satisfaction

- Maintain at least an average client satisfaction of 80% - only applicable if the Shareholder base is 100 Accounts or more and 25% of the Shareholders surveyed respond. The survey will be conducted by Transfer Agent annually at the Company's request. Company shall reimburse Transfer Agent for all costs associated with the mailing of the survey.

THE BANK OF NEW YORK MELLON

FUND ADMINISTRATION AND ACCOUNTING AGREEMENT

THIS AGREEMENT is made as of October 1, 2013, by and between StoneCastle Financial Corp., a Delaware corporation (the "Fund"), and The Bank of New York Mellon, a New York banking organization ("BNY Mellon").

WITNESSETH:

WHEREAS, the Fund is a closed-end investment company registered under the Investment Company Act of 1940, as amended; and

WHEREAS, the Fund desires to retain BNY Mellon to provide the services described herein, and BNY Mellon is willing to provide such services, all as more fully set forth below;

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the parties hereby agree as follows:

1. Definitions.

Whenever used in this Agreement, unless the context otherwise requires, the following words shall have the meanings set forth below:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"1940 Act" means the Investment Company Act of 1940, as amended.

"Authorized Person" shall mean each person, whether or not an officer or an employee of the Fund, duly authorized by the Board to execute this Agreement and to give Instructions on behalf of the Fund as set forth in Exhibit A hereto and each Authorized Person's scope of authority may be limited by setting forth such limitation in a written document signed by BNY Mellon and the Fund. From time to time the Fund may deliver a new Exhibit A to add or delete

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any person and BNY Mellon shall be entitled to rely on the last Exhibit A actually received by BNY Mellon.

"BNY Mellon Affiliate" shall mean any office, branch or subsidiary of The Bank of New York Mellon Corporation.

"Board" shall mean the Fund's board of directors.

"Confidential Information" shall have the meaning given in Section 21 below.

"Documents" shall mean such documents, including but not limited to, Board resolutions, including resolutions of the Fund's Board authorizing the execution, delivery and performance of this Agreement by the Fund, as BNY Mellon may reasonably request from time to time, in connection with its provision of services under this Agreement.

"Instructions" shall mean written communications actually received by BNY Mellon by S.W.I.F.T., tested telex with signature of Authorized Person, letter, with signature of Authorized Person, secure email from Authorized Person, facsimile transmission with signature or other method or system specified by BNY Mellon as available for use in connection with the services hereunder, from an Authorized Person or person reasonably believed in good faith to be an Authorized Person.

"Investment Advisor" shall mean StoneCastle Asset Management, LLC, or such other entity identified in writing by the Fund to BNY Mellon as the entity having investment responsibility with respect to the Fund.

"Net Asset Value" shall mean the per share value of the Fund, calculated in the manner described in the Funds' Offering Materials.

"Offering Materials" shall mean the Fund's currently effective prospectus and most recently filed registration statement with the SEC relating to shares of the Fund.

"Organizational Documents" shall mean certified copies of the Fund's articles of incorporation, certificate of incorporation, certificate of formation or organization, bylaws, memorandum of association, material contracts, Offering Materials, all SEC exemptive orders issued to the Fund, required filings or similar documents of formation or organization, as applicable, delivered to and received by BNY Mellon.

"SEC" means the United States Securities and Exchange Commission. "Securities Laws" means the 1933 Act, the 1934 Act and the 1940 Act.

"Shares" means the shares of beneficial interest of any series or class of the Fund.

2. Appointment.

The Fund hereby appoints BNY Mellon as its agent for the term of this Agreement to perform the services described herein. BNY Mellon hereby accepts such appointment and agrees to perform the duties hereinafter set forth.

3. Representations and Warranties.

The Fund hereby represents and warrants to BNY Mellon, which representations and warranties shall be deemed to be continuing in all material respects, that:

(a) It is duly organized and existing under the laws of the jurisdiction of its organization, with full power to carry on its business as now conducted, to enter into this Agreement and to perform its obligations and provide any consents hereunder;

(b) This Agreement has been duly authorized, executed and delivered by the Fund in accordance with all requisite action of the Board and constitutes a valid and legally binding obligation of the Fund, enforceable in accordance with its terms, subject to laws relating to or affecting creditors' rights and remedies, equitable principles and public policy;

(c) The Fund's Investment Advisor is in good standing and qualified to do business in each jurisdiction in which the nature or conduct of its business requires such qualification.

(d) It is conducting its business in compliance with all applicable laws and regulations, both state and federal, has made and will continue to make all necessary filings including tax filings and has obtained all regulatory licenses, approvals and consents necessary to carry on its business as now conducted; there is no statute, regulation, rule, order or judgment binding on it and no provision of its Organizational Documents, nor of any mortgage, indenture, credit agreement or other contract binding on it or affecting its property which would prohibit its execution or performance of this Agreement;

(e) The method of valuation of securities and the method of computing the Net Asset Value shall be as set forth in the Offering Materials of the Fund. To the extent the performance of any services described in Schedule I attached hereto by BNY Mellon in accordance with the then effective Offering Materials for the Fund would violate any applicable laws or regulations, the Fund shall immediately so notify BNY Mellon in writing and thereafter shall either furnish BNY Mellon with the appropriate values of securities, Net Asset Value or other computation, as the case may be, or instruct BNY Mellon in writing to value securities and/or compute Net Asset Value or other computations in a manner the Fund specifies in writing, and either the furnishing of such values or the giving of such instructions shall constitute a representation by the Fund that the same is consistent with all applicable laws and regulations and with its Offering Materials, all subject to confirmation by BNY Mellon as to its capacity to act in accordance with the foregoing;

(f) The terms of this Agreement, the fees and expenses associated with this Agreement and any benefits accruing to BNY Mellon or to the Investment Advisor or sponsor of the Fund in connection with this Agreement, including but not limited to any fee waivers, conversion cost reimbursements, upfront payments, signing payments or periodic payments made or to be made by BNY Mellon to such Investment Advisor or sponsor or any affiliate of the Fund relating to this Agreement have been fully disclosed to the Board of the Fund and that, if required by applicable law, such Board has approved or will approve the terms of this Agreement, any such fees and expenses and any such benefits;

(g) Each person named on Exhibit A hereto is duly authorized by the Fund to be an Authorized Person hereunder;

(h) [Intentionally Omitted];

(i) The Fund shall promptly notify BNY Mellon in writing of any and all material legal proceedings or securities investigations filed or commenced against the Fund, the Investment Advisor or the Board; and

(j) The Fund acknowledges for itself and its users that certain information provided by BNY Mellon on its websites may be protected by copyrights, trademarks, service marks and/or other intellectual property rights, and as such, agrees that all such information provided is for the sole and exclusive use of the Fund and its users. Certain information provided by BNY Mellon is supplied to BNY Mellon pursuant to third party licensing agreements which restrict the use of such information and protect the proprietary rights of the appropriate licensor ("Licensor") with respect to such information. Therefore, the Fund, on behalf of itself and its users, further agrees not to disclose, disseminate, reproduce, redistribute or republish information provided by BNY Mellon on its websites in any way without the express

written permission of BNY Mellon and the Licensor. (Licensor permission to be obtained by BNY Mellon prior to BNY Mellon providing its permission.)

4. Delivery of Documents.

The Fund shall promptly provide, deliver or cause to be delivered from time to time to BNY Mellon the Fund's Organizational Documents, Documents and other materials used in the distribution of Shares and all amendments thereto as may be necessary for BNY Mellon to perform its duties hereunder. BNY Mellon shall not be deemed to have notice of any information (other than information supplied by BNY Mellon) contained in such Organizational Documents, Documents or other materials until they are actually received by BNY Mellon.

5. Matters Regarding BNY Mellon.

(a) Subject to the direction and control of the Fund's Board and the provisions of this Agreement, BNY Mellon shall provide to the Fund the administrative services and the valuation and computation services listed on Schedule I attached hereto.

(b) In performing hereunder, BNY Mellon shall provide, at its expense, office space, facilities, equipment and personnel.

(c) BNY Mellon shall not provide any services relating to the management, investment advisory or sub-advisory functions of the Fund, distribution of shares of the Fund or other services normally performed by the Fund's counsel or independent auditor and the services provided by BNY Mellon do not constitute, nor shall they be construed as constituting, legal advice or the provision of legal services for or on behalf of the Fund or any other person, and the Fund acknowledges that BNY Mellon does not provide public accounting or auditing services or advice and will not be making any tax filings, or doing any tax reporting on its behalf, other than those specifically agreed to hereunder. The scope of services provided by BNY Mellon under this Agreement shall not be increased as a result of new or revised regulatory or other

requirements that may become applicable with respect to the Fund, unless the Fund and BNY Mellon expressly agree in writing to any such increase in the scope of services.

(d) The Fund shall cause its officers, advisors, sponsor, distributor, legal counsel, independent auditors and accountants, transfer agent and any other service providers to cooperate with BNY Mellon and to provide BNY Mellon, upon request, with such information, documents and advice relating to the Fund as is within the possession or knowledge of such persons, and which in the opinion of BNY Mellon, is necessary in order to enable BNY Mellon to perform its duties hereunder. In connection with its duties hereunder, BNY Mellon shall not be responsible for, under any duty to inquire into, or be deemed to make any assurances with respect to, the accuracy, validity or propriety of any information, documents or advice provided to BNY Mellon by any of the aforementioned persons. BNY Mellon shall not be liable for any loss, damage or expense resulting from or arising out of the failure of the Fund to cause any information, documents or advice to be provided to BNY Mellon as provided herein and shall be held harmless by the Fund when acting in reliance upon such information, documents or advice relating to the Fund. All fees or costs charged by such persons shall be borne by the Fund, and BNY Mellon shall have no liability with respect to such fees or charges, including any increases in, or additions to, such fees or charges related directly or indirectly to the services described herein or the performance by BNY Mellon of its duties hereunder, unless such fees or costs arose due to BNY Mellon's gross negligence, willful misconduct or bad faith. BNY Mellon shall not bear, or otherwise be responsible for, any fees, costs or expenses charged by any third party service providers engaged by the Fund, or by any affiliate of the Fund or by any other third party service provider to the Fund. In the event that any services performed by BNY Mellon hereunder rely, in whole or in part, upon information obtained from a third party service utilized

or subscribed to by BNY Mellon which BNY Mellon in its reasonable judgment deems reliable, BNY Mellon shall not have any responsibility or liability for, be under any duty to inquire into, or be deemed to make any assurances with respect to, the accuracy or completeness of such information.

(e) Nothing in this Agreement shall limit or restrict BNY Mellon, any BNY Mellon Affiliate or any officer or employee thereof from acting for or with any third parties, and providing services similar or identical to some or all of the services provided hereunder.

(f) The Fund shall furnish BNY Mellon' with any and all instructions, explanations, information, specifications and documentation deemed necessary by BNY Mellon in the performance of its duties hereunder, including, without limitation, the amounts or written formula for calculating the amounts and times of accrual of Fund liabilities and expenses, and the value of any securities lending related collateral investment account(s). BNY Mellon shall not be required to include as Fund liabilities and expenses, nor as a reduction of Net Asset Value, any accrual for any federal, state or foreign income taxes unless the Fund shall have specified to BNY Mellon in Instructions the precise amount of the same to be included in liabilities and expenses or used to reduce Net Asset Value. The Fund shall also furnish BNY Mellon with bid, offer or market values of securities if BNY Mellon notifies the Fund that the same are not available to BNY Mellon from a security pricing or similar service utilized, or subscribed to, by BNY Mellon which the Fund directs BNY Mellon to utilize, and which BNY Mellon in its judgment deems reliable at the time such information is required for calculations hereunder. At any time and from time to time, the Fund also may furnish BNY Mellon with bid, offer or market values of securities and instruct BNY Mellon in Instructions to use such information in its calculations hereunder. BNY Mellon shall at no time be required or obligated to commence or

maintain any utilization of, or subscriptions to, any securities pricing or similar service. In no event shall BNY Mellon be required to determine, or have any obligations with respect to, whether a market price represents any fair or true value, nor to adjust any price to reflect any events or announcements, including, without limitation, those with respect to the issuer thereof, it being agreed that all such determinations and considerations shall be solely for the Fund.

(g) BNY Mellon may apply to an Authorized Person of the Fund for Instructions with respect to any matter arising in connection with BNY Mellon's performance hereunder for the Fund, and BNY Mellon shall not be liable for any action taken or omitted to be taken by it in good faith without gross negligence or willful misconduct in accordance with such Instructions. Such application for Instructions may, at the option of BNY Mellon, set forth in writing any action proposed to be taken or omitted to be taken by BNY Mellon with respect to its duties or obligations under this Agreement and the date on and/or after which such action shall be taken. BNY Mellon shall not be liable for any action taken or omitted to be taken in accordance with a proposal included in any such application after the date such application is received by the Fund unless, prior to taking or omitting to take any such action, BNY Mellon has received Instructions from an Authorized Person in response to such application specifying the action to be taken or omitted.

(h) The Bank of New York Mellon Corporation is a global financial organization that provides services to clients through its affiliates and subsidiaries in multiple jurisdictions (the "BNY Mellon Group"). The BNY Mellon Group may centralize functions including audit, accounting, risk, legal, compliance, sales, administration, product communication, relationship management, storage, compilation and analysis of customer-related data, and other functions (the "Centralized Functions") in one or more affiliates, subsidiaries and

third-party service providers. Solely in connection with the Centralized Functions, (i) the Fund consents to the disclosure of and authorizes BNY Mellon to disclose information regarding the Fund ("Customer-Related Data") to the BNY Mellon Group and to its third-party service providers who are subject to confidentiality obligations with respect to such information which are the same as or similar to the confidentiality obligations contained herein and (ii) BNY Mellon may store the names and business addresses of the Fund's employees on the systems or in the records of the BNY Mellon Group or its service providers who are subject to confidentiality obligations with respect to such information which are the same as or similar to the confidentiality obligations contained herein . The BNY Mellon Group may aggregate Customer-Related Data with other data collected and/or calculated by the BNY Mellon Group, and notwithstanding anything in this Agreement to the contrary the BNY Mellon Group will own all such aggregated data, provided that the BNY Mellon Group shall not distribute the aggregated data in a format that identifies Customer-Related Data with the Fund.

(i) BNY Mellon may consult with counsel to the Fund or its own counsel, at the Fund's expense if the communication was previously approved by the Fund or otherwise at its own expense, and shall be fully protected with respect to anything done or omitted by it in good faith in accordance with the advice or opinion of such counsel.

(j) Notwithstanding any other provision contained in this Agreement or Schedule I attached hereto, BNY Mellon shall have no duty or obligation with respect to, including, without limitation, any duty or obligation to determine, or advise or notify the Fund of: (i) the taxable nature of any distribution or amount received or deemed received by, or payable to, the Fund, (ii) the taxable nature or effect on the Fund or its shareholders of any corporate actions, class actions, tax reclaims, tax refunds or similar events, (iii) the taxable nature

or taxable amount of any distribution or dividend paid, payable or deemed paid, by the Fund to its shareholders; or (iv) the effect under any federal, state or foreign income tax laws of the Fund making or not making any distribution or dividend payment, or any election with respect thereto. Further, BNY Mellon is not responsible for the identification of securities requiring U.S. tax treatment that differs from treatment under U.S. generally accepted accounting principles. BNY Mellon is solely responsible for processing such securities, as identified by the Fund or its Authorized Persons, in accordance with U.S. tax laws and regulations.

(k) BNY Mellon shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement and Schedule I attached hereto, and no covenant or obligation shall be implied against BNY Mellon in connection with this Agreement.

(l) BNY Mellon, in performing the services required of it under the terms of this Agreement, shall be entitled to rely fully on the accuracy and validity of any and all Instructions, explanations, information, specifications, Documents and documentation furnished to it by the Fund by an Authorized Person and shall have no duty or obligation to review the accuracy, validity or propriety of such Instructions, explanations, information, specifications, Documents or documentation, including, without limitation, evaluations of securities; the amounts or formula for calculating the amounts and times of accrual of the Fund's or Series' liabilities and expenses; and the amounts receivable and the amounts payable on the sale or purchase of securities. In the event BNY Mellon's computations hereunder rely, in whole or in part, upon information, including, without limitation, bid, offer or market values of securities or other assets, or accruals of interest or earnings thereon, from a pricing or similar service utilized, or subscribed to, by BNY Mellon which the Fund directs BNY Mellon to utilize, and which

BNY Mellon in its judgment deems reliable, BNY Mellon shall not be responsible for, under any duty to inquire into, or deemed to make any assurances with respect to, the accuracy or completeness of such information. Without limiting the generality of the foregoing, BNY Mellon shall not be required to inquire into any valuation of securities or other assets by the Fund or any third party described in this sub-section (1) even though BNY Mellon in performing services similar to the services provided pursuant to this Agreement for others may receive different valuations of the same or different securities of the same issuers.

(m) BNY Mellon, in performing the services required of it under the terms of this Agreement, shall not be responsible for determining whether any interest accruable to the Fund is or will be actually paid, but will accrue such interest until otherwise instructed by the Fund.

(n) BNY Mellon shall not be responsible for damages (including without limitation damages caused by delays, failure, errors, interruption or loss of data) which occur directly or indirectly by reason of circumstances beyond its reasonable control in the performance of its duties under this Agreement, including, without limitation, mechanical breakdowns, flood or catastrophe, acts of God, failures of transportation, interruptions, loss or malfunctions of utilities, action or inaction of civil or military authority, national emergencies, public enemy, war, terrorism, riot, sabotage, non-performance by a third party, failure of the mails, communications or computer (hardware or software) services or functions or malfunctions of the internet, firewalls, encryption systems or security devices caused by any of the above. BNY Mellon shall not be responsible for delays or failures to supply the information or services specified in this Agreement where such delays or failures are caused by the failure of any person(s) other than BNY Mellon and the vendors and affiliates specifically selected by BNY

Mellon to supply any instructions, explanations, information, specifications or documentation deemed necessary by BNY Mellon in the performance of its duties under this Agreement.

(o) BNY Mellon shall enter into and shall maintain in effect with appropriate parties one or more agreements making reasonable provisions for emergency use of electronic data processing equipment to the extent appropriate equipment is available. In the event of equipment failures,

BNY Mellon shall, at no additional expense to the Fund, take reasonable steps to minimize service interruptions. BNY Mellon shall have no liability with respect to the loss of data or service interruptions caused by equipment failure, provided such loss or interruption is not caused by BNY Mellon's own intentional misconduct, bad faith or reckless disregard in the performance of its duties under this Agreement. Upon reasonable request, BNY Mellon will provide Fund with a summary of its Business Continuity Plan and any updates to it.

6. Allocation of Expenses.

Except as otherwise provided herein, all costs and expenses arising or incurred in connection with the performance of this Agreement shall be paid by the Fund, including but not limited to, organizational costs and costs of maintaining corporate existence, taxes, interest, brokerage fees and commissions, insurance premiums, compensation and expenses of the Fund's directors, officers or employees, legal, accounting and audit expenses, management, advisory, sub-advisory, administration and shareholder servicing fees, charges of custodians, transfer and dividend disbursing agents, expenses (including clerical expenses) incident to the issuance, redemption or repurchase of Fund shares or membership interests, as applicable, fees and expenses incident to the registration or qualification under the Securities Laws and state and other applicable securities laws of the Fund or its shares or membership interests, as applicable, costs (including printing and mailing costs) of preparing and distributing Offering Materials, reports, notices and proxy material to the Fund's shareholders or members, as applicable, all

expenses incidental to holding meetings of the Fund's trustees, directors and shareholders, and extraordinary expenses as may arise, including litigation affecting the Fund and legal obligations relating thereto for which the Fund may have to indemnify its trustees, directors, officers, managers and/or members, as may be applicable.

7. Portfolio Compliance Services.

(a) If Schedule I contains a requirement for BNY Mellon to provide the Fund with portfolio compliance services, such services shall be provided pursuant to the terms of this Section 7 (the "Portfolio Compliance Services"). The precise compliance review and testing services to be provided shall be as directed by the Fund and as mutually agreed between BNY Mellon and the Fund, and the results of BNY Mellon's Portfolio Compliance Services shall be detailed in a portfolio compliance summary report (the "Compliance Summary Report") prepared on a periodic basis as mutually agreed. Each Compliance Summary Report shall be subject to review and approval by the Fund. BNY Mellon shall have no responsibility or obligation to provide Portfolio Compliance Services other that those services specifically listed in Schedule I.

(b) The Fund will examine each Compliance Summary Report delivered to it by BNY Mellon and notify BNY Mellon of any error, omission or discrepancy within thirty (30) days of its receipt. The Fund agrees to notify BNY Mellon promptly in writing if it fails to receive any such Compliance Summary Report. The Fund further acknowledges that unless it notifies BNY Mellon of any error, omission or discrepancy within thirty (30) days, such Compliance Summary Report shall be deemed final and shall not be reissued. In addition, if the Fund learns of any out-of-compliance condition before receiving a Compliance Summary Report reflecting such condition, the Fund will notify BNY Mellon of such condition within one (1) business day after discovery thereof.

(c) While BNY Mellon will endeavor to identify out-of-compliance conditions, BNY Mellon does not and could not for the fees charged, make any guarantees, representations or warranties with respect to its ability to identify all such conditions. In the event of any errors or omissions in the performance of Portfolio Compliance Services not resulting from BNY Mellon's gross negligence, willful misconduct or willful breach of this Agreement, the Fund's sole and exclusive remedy and BNY Mellon's sole liability shall be limited to re-performance by BNY Mellon of the Portfolio Compliance Services affected and in connection therewith the correction of any error or omission, if practicable, and the preparation of a corrected report, at no cost to the Fund.

8. Rule 38a-l and Regulatory Administration Services.

(a) If Schedule I contains a requirement for BNY Mellon to provide the Fund with compliance support services related to Rule 38a-l promulgated under the 1940 Act and/or Regulatory Administration services, such services shall be provided pursuant to the terms of this Section 8 (such services, collectively hereinafter referred to as the "Regulatory Support Services").

(b) Notwithstanding anything in this Agreement to the contrary, the Regulatory Support Services provided by BNY Mellon under this Agreement are administrative in nature and do not constitute, nor shall they be construed as constituting, legal advice or the provision of legal services for or on behalf of the Fund or any other person.

(c) All work product produced by BNY Mellon as outlined at Schedule I in connection with its provision of Regulatory Support Services under this Agreement is subject to review and approval by the Fund and by the Fund's legal counsel. The Regulatory Support Services performed by BNY Mellon under this Agreement will be at the request and direction of the Fund and/or its chief compliance officer (the "Fund's CCO"), as applicable. BNY Mellon

disclaims liability to the Fund, and the Fund is solely responsible, for the selection, qualifications and performance of the Fund's CCO and the adequacy and effectiveness of the Fund's compliance program.

9. Standard of Care; Indemnification.

(a) Except as otherwise provided herein, BNY Mellon and any BNY Mellon Affiliate shall not be liable for any costs, expenses, damages, liabilities or claims (including attorneys' and accountants' fees) incurred by or asserted against the Fund, unless those costs, expenses, damages, liabilities or claims arose out of BNY Mellon's own bad faith, gross negligence or willful misconduct. In no event shall BNY Mellon or any BNY Mellon Affiliate be liable to the Fund or any third party for any special, indirect or consequential damages, or lost profits or loss of business, arising under or in connection with this Agreement, even if previously informed of the possibility of such damages and regardless of the form of action. BNY Mellon and any BNY Mellon Affiliate shall not be liable for any loss, damage or expense, including counsel fees and other costs and expenses of a defense against any claim or liability, resulting from, arising out of, or in connection with its performance hereunder, including its actions or omissions, the incompleteness or inaccuracy of any specifications or other information furnished by the Fund, or for delays caused by circumstances beyond BNY Mellon's reasonable control, unless such loss, damage or expense arises out of the bad faith, gross negligence or willful misconduct of BNY Mellon.

(b) The Fund shall indemnify and hold harmless BNY Mellon and any BNY Mellon Affiliate from and against any and all costs, expenses, damages, liabilities and claims (including claims asserted by the Fund), and reasonable attorneys' and accountants' fees relating thereto, which are sustained or incurred or which may be asserted against BNY Mellon or any BNY Mellon Affiliate, by reason of or as a result of any action taken or omitted to be taken by

BNY Mellon or any BNY Mellon Affiliate without bad faith, gross negligence, willful misconduct or material breach of this Agreement, or in reliance upon (i) any law, act, regulation or interpretation of the same even though the same may thereafter have been altered, changed, amended or repealed, (ii) the Fund's Offering Materials or Documents (excluding information provided by BNY Mellon), (iii) any Instructions or (iv) any opinion of legal counsel for the Fund, or arising out of transactions or other activities of the Fund which occurred prior to the commencement of this Agreement; provided, that no Fund shall indemnify BNY Mellon nor any BNY Mellon Affiliate for costs, expenses, damages, liabilities or claims for which BNY Mellon or any BNY Mellon Affiliate is liable under the preceding sub-section 9(a). This indemnity shall be a continuing obligation of the Fund, its successors and assigns, notwithstanding the termination of this Agreement. Without limiting the generality of the foregoing, the Fund shall indemnify BNY Mellon and any BNY Mellon Affiliate against and save BNY Mellon and any BNY Mellon Affiliate harmless from any loss, damage or expense, including counsel fees and other costs and expenses of a defense against any claim or liability, arising from any one or more of the following:

I. Errors in records or instructions, explanations, information, specifications or documentation of any kind, as the case may be, supplied to BNY Mellon by any third party, approved by the Fund or directed to be used by the Fund, described above or by or on behalf of the Fund;

II. Action or inaction taken or omitted to be taken by BNY Mellon or any BNY Mellon Affiliate pursuant to Instructions of the Fund or otherwise without gross negligence, willful misconduct or bad faith;

III. Any action taken or omitted to be taken by BNY Mellon in good faith in accordance with the advice or opinion of counsel for the Fund or its own counsel;

IV. Any improper use by the Fund or its agents, distributor or investment advisor of any valuations or computations supplied by BNY Mellon pursuant to this Agreement;

V. The method of valuation of the securities and the method of computing each Series' Net Asset Value, so long as such method was approved in advance by Authorized Person or provided in the Fund's Offering Materials or Documents; and

VI. Any valuations of securities or other assets so long as such valuation was approved by Authorized Person or provided in the Fund's Offering materials or Documents.

(c) Actions taken or omitted in reliance on Instructions or upon any information, order, indenture, stock certificate, membership certificate, power of attorney, assignment, affidavit or other instrument reasonably believed by BNY Mellon in good faith to be from an Authorized Person, received in accordance to this Agreement, or upon the opinion of legal counsel for the Fund, shall be conclusively presumed to have been taken or omitted in good faith.

10. Compensation.

For the services provided hereunder, the Fund agrees to pay BNY Mellon such compensation as is mutually agreed to in writing by the Fund and BNY Mellon from time to time and such out-of-pocket expenses (etc., telecommunication charges, postage and delivery charges, costs of independent compliance reviews, record retention costs, reproduction charges and transportation and lodging costs) as are incurred by BNY Mellon in performing its duties hereunder. Except as hereinafter set forth, compensation shall be calculated and accrued daily

and paid quarterly. The Fund authorizes BNY Mellon to debit the Fund's custody account for all amounts due and payable hereunder, other than indemnification payments, in accordance with the following procedure. The Fund shall deliver all valuation information to BNY Mellon within five (5) business days after each quarter-end date. BNY Mellon shall deliver to the Fund invoices for services rendered based upon such valuation information within five (5) business days after receiving such valuation information each quarter-end. Upon receiving BNY Mellon's invoice, the Fund shall review and approve each invoice within three (3) business days at which time BNY Mellon is authorized to debit the Fund's custody account for the approved invoice amount. If an invoice amount is disputed, the parties hereto agree to negotiate in good faith on a time is of the essence basis to reconcile and resolve any such dispute. Similarly, if adjustments are subsequently posted to the valuation information provided to BNY Mellon by the Fund, the parties hereto agree to revise and re-approve the necessary invoices in good faith on a time is of the essence basis to correct the impacted amounts previously debited to the Fund's

custody account. Upon termination of this Agreement, the compensation for such part of a quarter shall be prorated according to the proportion which such period bears to the full quarterly period and shall be payable in accordance with the procedure outlined above substituting the effective date of termination of this Agreement as the quarter-end date. For the purpose of determining compensation payable to BNY Mellon, the Fund's Net Asset Value shall be computed at the times and in the manner specified in the Fund's Offering Materials.

11. Records; Visits.

(a) The books and records pertaining to the Fund and the Fund's Series which are in the possession or under the control of BNY Mellon shall be the property of the Fund. The Fund and Authorized Persons and their respective accountants, attorneys and other agents shall have access to such books and records at all times during BNY Mellon's normal business hours.

Upon the reasonable request of the Fund, copies of any such books and records shall be provided by BNY Mellon to the Fund or to an Authorized Person, at the Fund's expense.

(b) BNY Mellon shall keep all books and records with respect to each Series' books of account, records of each Series' securities transactions and all other books and records as BNY Mellon is required to maintain pursuant to Rule 31a-l of the 1940 Act in connection with the services provided hereunder.

12. Term of Agreement.

(a) This Agreement shall be effective on the date first written above and, unless terminated pursuant to its terms, shall continue until 11:59 PM (Eastern time) on the date which is the third anniversary of such date (the "Initial Term"), at which time this Agreement shall terminate, unless renewed in accordance with the terms hereof.

(b) This Agreement shall automatically renew for successive terms of two (2) years each (each, a "Renewal Term"), unless the Fund or BNY Mellon gives written notice to the other party of its intent not to renew and such notice is received by the other party not less than ninety (90) days prior to the expiration of the Initial Term or the then-current Renewal Term (a "Non- Renewal Notice"). In the event a party provides a Non-Renewal Notice, this Agreement shall terminate at 11:59 PM (Eastern time) on the last day of the Initial Term or Renewal Term, as applicable. If the last day does not fall upon a month-end date then this Agreement shall terminate at 11:59 PM (Eastern time) on the last day of the month.

(c) If (i) the Fund or BNY Mellon materially breaches this Agreement (a "Defaulting Party") or (ii) the Fund is in good faith dissatisfied with a material element of the service relationship contemplated hereunder, the other party (the "Non-Defaulting Party") may give written notice thereof to the Defaulting Party or BNY Mellon, as applicable ("Breach Notice"), and if such material breach or material element of the service relationship

contemplated hereunder shall not have been remedied within thirty (30) days after the Breach Notice is given, then the Non-Defaulting Party may terminate this Agreement by giving written notice of termination to the Defaulting Party or BNY Mellon, as applicable ("Breach Termination Notice"), in which case this Agreement shall terminate as of 11:59 PM (Eastern time) on the last day of the month following the date the Breach Termination Notice is given, or such later date as may be specified in the Breach Termination Notice (but not later than the last day of the month of the Initial Term or then-current Renewal Term, as appropriate). In all cases, termination by the Non-Defaulting Party shall not constitute a waiver by the Non-Defaulting Party of any other rights it might have under this Agreement or otherwise against the Defaulting Party.

(d) Notwithstanding anything contained in this Agreement to the contrary, (i) if in connection with a Change in Control (defined below) the Fund gives notice to BNY Mellon terminating this Agreement or terminating it as the provider of any of the services hereunder or (ii) if the Fund otherwise terminates this Agreement, except for a termination by the Fund pursuant to Section 12(c) above, or terminates any of the services hereunder, before the expiration of, as appropriate, the Initial Term or the then-current Renewal Term ("Early Termination"), the following terms shall apply:

(i) Before the effective date of the Early Termination and before any conversion of Fund records and accounts to a successor service provider, the Fund shall pay to BNY Mellon an amount equal to all fees and other amounts ("Early Termination Fee") calculated as if BNY Mellon were to provide all services hereunder until the expiration of, as appropriate, the Initial Term or the then-current Renewal Term. The Early Termination Fee shall be calculated using the average of the monthly fees and other amounts due to BNY Mellon under

this Agreement during the last three calendar months before the date of the notice of Early Termination (or, if not given, the date services are terminated hereunder).

(ii) The Fund expressly acknowledges and agrees that the Early Termination Fee is not a penalty but reasonable compensation to BNY Mellon for the termination of services before the expiration of, as appropriate, the Initial Term or the then-current Renewal Term.

(iii) For the purposes of this Section 12(d), "Change in Control" means a merger, consolidation, adoption, acquisition, change in control, re-structuring or re-organization of or any other similar occurrence involving the Fund or a change in the Investment Advisor.

(iv) If the Fund gives notice of Early Termination (or an Early Termination without such notice occurs) after expiration of the notice period specified in Section 12(b) above, the references above to "expiration of, as appropriate, the Initial Term or the then-current Renewal Term" shall be deemed to mean "expiration of the Renewal Term immediately following, as appropriate, the Initial Term or the then-current Renewal Term."

(v) If any of the Fund's assets serviced by BNY Mellon under this Agreement are removed from the coverage of this Agreement ("Removed Assets") and are subsequently serviced by another service provider (including the Fund or an affiliate of the Fund): (i) the Fund will be deemed to have caused an Early Termination with respect to such Removed Assets as of the day immediately preceding the first such removal of assets and owe BNY Mellon an Early Termination Fee calculated as if the Removed Assets constituted a "Fund"; and (ii) at BNY Mellon's option, either (a) the Fund will also be deemed to have caused an Early Termination with respect to all non-Removed Assets as of a date selected by BNY

Mellon resulting in the Fund owing BNY Mellon the Early Termination Fee, unless BNY Mellon is the Defaulting Party pursuant to the provisions in 12(c) or (b) this Agreement will remain in full force and effect with respect to all non-Removed Assets.

(e) Notwithstanding any other provision of this Agreement, a party hereto may in its sole discretion terminate this Agreement immediately by sending notice thereof to the other party hereto upon the happening of any of the following: (i) a party hereto commences as debtor any case or proceeding under any bankruptcy, insolvency or similar law, or there is commenced against such party any such case or proceeding; (ii) a party hereto commences as debtor any case or proceeding seeking the appointment of a receiver, conservator, trustee, custodian or similar official for such party or any substantial part of its property or there is commenced against such party any such case or proceeding; (iii) a party hereto makes a general assignment for the benefit of creditors; or (iv) a party hereto admits in any recorded medium, written, electronic or otherwise, its inability to pay its debts as they come due. A party hereto may exercise its termination right under this Section 12(e) at any time after the occurrence of any of the foregoing events notwithstanding that such event may cease to be continuing prior to such exercise, and any delay in exercising this right shall not be construed as a waiver or other extinguishment of that right. Any exercise by a party hereto of its termination right under this Section 12(e) shall be without any prejudice to any other remedies or rights available to such party and shall not be subject to any fee or penalty, whether monetary or equitable. Notwithstanding the provisions of Section 18 below, notice of termination under this Section 12(e) shall be considered given and effective when given, not when received.

13. Amendment.

This Agreement may not be amended, changed or modified in any manner except by a written agreement executed by BNY Mellon and the Fund to be bound thereby, and authorized or approved by the Fund's Board.

14. Assignment; Subcontracting.

(a) This Agreement shall extend to and shall be binding upon the parties hereto, and their respective successors and assigns; provided, however, that this Agreement shall not be assignable or delegable by the Fund without the written consent of BNY Mellon, or by BNY Mellon without the written consent of the Fund.

(b) Notwithstanding the foregoing: (i) BNY Mellon may assign or transfer this Agreement to any BNY Mellon Affiliate or transfer this Agreement in connection with a sale of a majority or more of its assets, equity interests or voting control, provided that BNY Mellon gives the Fund thirty (30) days' prior written notice of such assignment or transfer and such assignment or transfer does not impair the provision of services under this Agreement in any material respect, and the assignee or transferee agrees to be bound by all terms of this Agreement in place of BNY Mellon; (ii) BNY Mellon may subcontract with, hire, engage or otherwise outsource to any BNY Mellon Affiliate with respect to the performance of any one or more of the functions, services, duties or obligations of BNY Mellon under this Agreement but any such subcontracting, hiring, engaging or outsourcing shall not relieve BNY Mellon of any of its liabilities hereunder; (iii) BNY Mellon may subcontract with, hire, engage or otherwise outsource to an unaffiliated third party with respect to the performance of any one or more of the functions, services, duties or obligations of BNY Mellon under this Agreement but any such subcontracting, hiring, engaging or outsourcing shall (A) require the prior written consent of the Fund and (B) limit BNY Mellon's liability such that BNY Mellon shall only be liable for failure

to reasonably select such unaffiliated third party, and BNY Mellon shall have no liability for any acts or omissions to act of such unaffiliated third party; and (iv) BNY Mellon, in the course of providing certain additional services requested by the Fund, including but not limited to, Typesetting or eBoard Book services ("Vendor Eligible Services") as further described in Schedule I, may in its sole discretion, enter into an agreement or agreements with a financial printer or electronic services provider ("Vendor") to provide BNY Mellon with the ability to generate certain reports or provide certain functionality. BNY Mellon shall not be obligated to perform any of the Vendor Eligible Services unless an agreement between BNY Mellon and the Vendor for the provision of such services is then-currently in effect, and shall only be liable for the failure to reasonably select the Vendor. Upon request, BNY Mellon will disclose the identity of the Vendor and the status of the contractual relationship, and the Fund is free to attempt to contract directly with the Vendor for the provision of the Vendor Eligible Services.

(c) As compensation for the Vendor Eligible Services rendered by BNY Mellon pursuant to this Agreement, the Fund will pay to BNY Mellon such fees as may be agreed to in writing by the Fund and BNY Mellon. In turn, BNY Mellon will be responsible for paying the Vendor's fees. For the avoidance of doubt, BNY Mellon anticipates that the fees it charges hereunder will be more than the fees charged to it by the Vendor, and BNY Mellon will retain the difference between the amount paid to BNY Mellon hereunder and the fees BNY Mellon pays to the Vendor as compensation for the additional services provided by BNY Mellon in the course of making the Vendor Eligible Services available to the Fund.

15. Governing Law; Consent to Jurisdiction.

This Agreement shall be construed in accordance with the laws of the State of New York, without regard to conflict of laws principles thereof. The Fund hereby consents to the jurisdiction of a state or federal court situated in New York City, New York in connection with

any dispute arising hereunder, and waives to the fullest extent permitted by law its right to a trial by jury. To the extent that in any jurisdiction the Fund may now or hereafter be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (before or after judgment) or other legal process, the Fund irrevocably agrees not to claim, and it hereby waives, such immunity.

16. Severability; No Third Party Beneficiaries.

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations shall not in any way be affected or impaired thereby, and if any provision is inapplicable to any person or circumstances, it shall nevertheless remain applicable to all other persons and circumstances. A person who is not a party to this Agreement shall have no rights to enforce any provision of this Agreement. BNY Mellon shall not be responsible for any costs or fees charged to the Fund or an affiliate of the Fund by consultants, counsel, auditors, public accountants or other service providers retained by the Fund or any such affiliate, provided, however, that such costs or fees may be included with the costs, expenses, damages and other amounts contemplated with regard to a breach of BNY Mellon's standard of care as more fully described at Section 9 above.

17. No Waiver.

Each and every right granted to either party hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of either party to exercise, and no delay in exercising, any right will operate as a waiver thereof, nor will any single or partial exercise by such party of any right preclude any other or future exercise thereof or the exercise of any other right.

18. Notices.

All notices, requests, consents and other communications pursuant to this Agreement in writing shall be sent as follows:

if to the Fund, at

StoneCastle Financial Corp.
Legal Department
152 West 57th Street, 35th Floor
New York, NY 10019
Email: legal@stonecastle.com

if to BNY Mellon, at

BNY Mellon
103 Bellevue Parkway
Wilmington, Delaware 19809
Attention: Head of U.S. Fund Accounting

with a copy to (which shall not constitute notice hereunder):

The Bank of New York Mellon
One Wall Street
New York, New York 10286
Attention: Legal Dept. - Asset Servicing

or at such other place as may from time to time be designated in writing. Notices hereunder shall be effective upon receipt.

19. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute only one instrument.

20. Confidentiality.

BNY Mellon shall keep confidential any information relating to the Fund's business and the Fund shall keep confidential any information relating to BNY Mellon's business (each, "Confidential Information"), except as expressly agreed in writing by the protected party. Confidential Information shall include (a) any data or information that is competitively sensitive

material, and not generally known to the public, including, but not limited to, information about product plans, marketing strategies, finances, operations, customer relationships, customer profiles, customer lists, sales estimates, business plans and internal performance results relating to the past, present or future

business activities of the Fund or BNY Mellon and their respective subsidiaries and affiliated companies; (b) any scientific or technical information, design, process, procedure, formula or improvement that is commercially valuable and secret in the sense that its confidentiality affords the Fund or BNY Mellon a competitive advantage over its competitors; (c) all confidential or proprietary concepts, documentation, reports, data, specifications, computer software, source code, object code, flow charts, databases, inventions, know-how and trade secrets, whether or not patentable or copyrightable; and (d) anything designated as confidential. Notwithstanding the foregoing, as between BNY Mellon and the Fund information shall not be Confidential Information and shall not be subject to such confidentiality obligations if it: (a) is already known to the receiving party at the time it is obtained; (b) is or becomes publicly known or available through no wrongful act of the receiving party or its affiliates; (c) is rightfully received from a third party who, to the best of the receiving party's knowledge after due inquiry, is not under a duty of confidentiality to the Fund or BNY Mellon; (d) is released by the protected party to a third party without restriction; (e) is requested or required to be disclosed by the receiving party pursuant to a court order, subpoena, governmental or regulatory authority request or law; (f) is relevant to the defense of any claim or cause of action asserted against the receiving party; (g) is Fund information provided by BNY Mellon in connection with an independent third party compliance or other review, solely to the extent used or provided by BNY Mellon for such purposes; (h) is released in connection with the provision of services under this Agreement in a manner contemplated by this Agreement; or (i) has been or is independently

developed or obtained by the receiving party. Provisions authorizing the disclosure of information shall survive any termination of this Agreement. The obligations set forth in this Section 20 shall survive any termination of this Agreement for a period of one (1) year after such termination.

21. Non-Solicitation.

During the term of this Agreement and for one (1) year thereafter., the Fund shall not (with the exceptions noted in the immediately succeeding sentence) knowingly solicit or recruit for employment or hire any of BNY Mellon's employees, and the Fund shall cause the Fund's sponsor and any affiliates of the Fund to not (with the exceptions noted in the immediately succeeding sentence) knowingly solicit or recruit for employment or hire any of BNY Mellon's employees. To "knowingly" solicit, recruit or hire within the meaning of this provision does not include, and therefore does not prohibit, solicitation, recruitment or hiring of a BNY Mellon employee by the Fund, the Fund's sponsor or an affiliate of the Fund if the BNY Mellon employee was identified by such entity solely as a result of the BNY Mellon employee's response to a general advertisement by such entity in a publication of trade or industry interest or other similar general solicitation by such entity.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused the foregoing instrument to be executed by their duly authorized officers and their seals to be hereunto affixed, all as of the day and year first above written.

STONECASTLE FINANCIAL CORP.

By: /s/ Erik Minor

Name: /s/ Erik Minor

Title: /s/ CEO

THE BANK OF NEW YORK MELLON

By: /s/ Peter D. Holland

Name: /s/ Peter D. Holland

Title: /s/ Director

EXHIBIT A

I, Rachel Schatten, of StoneCastle Financial Corp., a Delaware corporation (the "Fund"), do hereby certify that:

The following individuals serve in the following positions with the Fund, and each has been duly elected or appointed by the Board of the Fund to each such position and qualified therefor in conformity with the Fund's Organizational Documents, and the signatures set forth opposite their respective names are their true and correct signatures. Each such person is designated as an Authorized Person under the Fund Administration and Accounting Agreement dated as of October 1, 2013, between the Fund and The Bank of New York Mellon.

George Shilowitz	President	/s/ George Shilowitz
Joshua Siegel	Chief Executive Officer	/s/ Joshua Siegel

Erik Minor Chief Financial Officer /s/ Erik Minor

/s/ Rachel Schatten
Name: Rachel Schatten
Title: General Counsel, CCO and Secretary

SCHEDULE I

Schedule of Services

All services provided in this Schedule of Services are subject to the review and approval of the appropriate Fund officers, Fund counsel and accountants of the Fund, as may be applicable. The services included on this Schedule of Services may be provided by BNY Mellon or a BNY Mellon Affiliate, collectively referred to herein as "BNY Mellon".

VALUATION SUPPORT AND COMPUTATION ACCOUNTING SERVICES

BNY Mellon shall provide the following valuation support and computation accounting services for the Fund:

- Journalize investment, capital share and income and expense activities;
- Maintain individual ledgers for investment securities;
- Maintain historical tax lots for each security;
- " Reconcile cash and investment balances of the Fund with the Fund's custodian and provide the Fund's investment adviser, as applicable, with the beginning cash balance available for investment purposes upon request;
- Calculate various contractual expenses;
- Calculate capital gains and losses;
- Calculate daily distribution rate per share;
- Determine net income;
- Obtain security market quotes and currency exchange rates from pricing services approved by the Fund's investment adviser, or if such quotes are unavailable, then obtain such prices from the Fund's investment adviser, and in either case, calculate the market value of the Fund's investments in accordance with the Fund's valuation policies or guidelines; provided, however, that BNY Mellon shall not under any circumstances be under a duty to independently price or value any of the Fund's investments, including securities lending related cash collateral investments, itself or to confirm or validate any information or valuation provided by the investment adviser or any other pricing source, nor shall BNY Mellon have any liability relating to inaccuracies or otherwise with respect to such information or valuations;
- Calculate Net Asset Value in the manner specified in the Fund's Offering Materials (which, for the service described herein, shall include the Fund's Net Asset Value error policy);
- Transmit or make available a copy of the daily portfolio valuation to the Fund's investment adviser;
- Calculate yields and portfolio average dollar-weighted maturity as applicable; and
- Calculate portfolio turnover rate for inclusion in the annual and semi-annual shareholder reports.

FINANCIAL REPORTING

BNY Mellon shall provide the following financial reporting services for the Fund:

- *Financial Statement Preparation & Review*
  - Prepare the Fund's annual and semi-annual shareholder reports(1) for shareholder delivery and for inclusion in Form N-CSR;
  - Prepare the Fund's quarterly schedule of portfolio holdings(1) for inclusion in Form N-Q;
  - Prepare and file (or coordinate the filing of) the Fund's Form N-SAR; and
  - Provide financial reporting calendar that includes when drafts of the above will be available and the due dates for each.

- *Typesetting Services*
  - Create financial compositions for the applicable financial report and related EDGAR files;
  - Maintain country codes, industry class codes, security class codes and state codes;
  - Map individual general ledger accounts into master accounts to be displayed in the applicable financial reports;
  - Create components that will specify the proper grouping and sorting for display of portfolio information; .
  - Create components that will specify the proper calculation and display of financial data required for each applicable financial report (except for identified manual entries, which BNY Mellon will enter);
  - Process, convert and load security and general ledger data; provide an extract of all general ledger data to Fund on a monthly basis in a format mutually agreed upon;
  - Include data in financial reports provided from external parties to BNY Mellon which includes, but is not limited to: shareholder letters, "Management Discussion and Analysis" commentary, notes on performance, notes to financials, report of independent auditors, Fund management listing, service providers listing and Fund spectrums;
  - Document publishing, including the output of print-ready PDF files and EDGAR html files (such EDGAR html files will be limited to one per the applicable financial report and unless mutually agreed to in writing between BNY Mellon and the Fund, BNY Mellon will use the same layout for production data for every successive reporting period);

(1) Requires “Typesetting Services” as described herein.

- Generate financial reports using the Vendor’s capabilities which include the following:
  - front/back cover;
  - table of contents;
  - shareholder letter;
  - Management Discussion and Analysis commentary;
  - sector weighting graphs/tables;
  - disclosure of Fund expenses;
  - schedules of investments;
  - statement of net assets;
  - statements of assets and liabilities;
  - statements of operation;
  - statement of changes;
  - statements of cash flows;
  - financial highlights;
  - notes to financial statements;
  - report of independent registered public accounting firm;
  - tax information; and
  - additional Fund information as mutually agreed in writing between BNY Mellon and the Fund.
- Unless mutually agreed in writing between BNY Mellon and the Fund, BNY Mellon will use the same layout and format for every successive reporting period for the typeset reports. At the request of the Fund and upon the mutual written agreement of BNY Mellon and the Fund as to the scope of any changes and additional compensation of BNY Mellon, BNY Mellon will, or will cause the Vendor to, change the format or layout of reports from time to time.

TAX SERVICES

BNY Mellon shall provide the following tax services for the Fund:

- *Tax Provision Preparation*
  - Prepare fiscal year-end tax provision analysis;
  - Process tax adjustments on securities identified by the Fund that require such treatment;
  - Prepare ROCSOP adjusting entries; and
  - Prepare financial statement footnote disclosures.
- *Excise Tax Distributions Calculations*
  - Prepare calendar year tax distribution analysis;
  - Process tax adjustments on securities identified by the Fund that require such treatment; and
  - Prepare annual tax-based distribution estimate for the Fund.

- *Other Tax Services*
  - Prepare for execution and filing, the federal and state income and excise tax returns;
  - Prepare year-end Investment Company Institute broker/dealer reporting and prepare fund distribution calculations disseminated to broker/dealers; and
  - Coordinate U.S.C. Title 26 Internal Revenue Code (“IRC”) §855 and excise tax distribution requirements.
- *Uncertain Tax Provisions*
  - Documentation of all material tax positions taken by the Fund with respect to specified fiscal years and identified to BNY Mellon (“Tax Positions”);
  - Review of the Fund’s: (i) tax provision work papers, (ii) excise tax distribution work papers, (iii) income and excise tax returns, (iv) tax policies and procedures and (v) Subchapter M compliance work papers;
  -
  - Determine whether Tax Positions have been consistently applied, and documentation of any inconsistencies;
  - Review relevant statutory authorities;
  - Review tax opinions and legal memoranda prepared by tax counsel or tax auditors to the Fund;
  - Review standard mutual fund industry practices, to the extent such practices are known to, or may reasonably be determined by, BNY Mellon;
  - Delivery of a written report to the Fund detailing such items; and
  - Maintain a calendar that includes dates when drafts of the above will be available and the due dates for each.

FUND ADMINISTRATION SERVICES

BNY Mellon shall provide the following fund administration services for the Fund:

- In accordance with Instructions received from the Fund, and subject to portfolio limitations as provided by the Fund to BNY Mellon in writing from time to time, monitor the Fund’s compliance, on a post-trade basis, with such portfolio limitations,

provided that BNY Mellon maintains in the normal course of its business all data necessary to measure the Fund's compliance;
- Monitor the Fund's status as a regulated investment company under Subchapter M of the IRC (if required).
- Establish appropriate expense accruals and compute expense ratios, maintain expense files and coordinate the payment of Fund approved invoices;

- Calculate Fund approved income and per share amounts required for periodic distributions to be made by the Fund;
- Calculate total return information;
- Coordinate the Fund's annual audit;
- Supply various normal and customary portfolio and Fund statistical data as requested on an ongoing basis; and
- If the chief executive officer or chief financial officer of the Fund is required to provide a certification as part of the Fund's Form N-Q or Form N-CSR filing pursuant to regulations promulgated by the SEC under Section 302 of the Sarbanes-Oxley Act of 2002, provide a sub-certification in support of certain matters set forth in the aforementioned certification. Such sub-certification is to be in such form and relating to such matters as agreed to by BNY Mellon in advance. BNY Mellon shall be required to provide the sub-certification only during the term of this Agreement with respect to the Fund and only if it receives such cooperation as it may request to perform its investigations with respect to the sub-certification. For clarity, the sub-certification is not itself a certification under the Sarbanes-Oxley Act of 2002 or under any other law, rule or regulation.

REGULATORY ADMINISTRATION SERVICES

BNY Mellon shall provide the following regulatory administration services for the Fund:

- Maintain a regulatory calendar for the Fund listing various SEC filing and Board approval deadlines;
- Assemble and distribute board materials for quarterly meetings of the Board, including the drafting of agendas and resolutions for such quarterly meetings of the Board (with final selection of agenda items made by Fund counsel);
- Attend (in-person or telephonically) quarterly Board meetings and draft minutes thereof;
- As needed, prepare and coordinate the filing of annual post-effective amendments to the Fund's registration statement (not including the initial registration statement or related to the addition of one or more classes of shares or series);
- Prepare and coordinate the filing of Forms N-CSR, N-Q and N-PX, as applicable (with the Fund supplying the voting records in the format required by BNY Mellon);
- Assist the Fund in the handling of SEC examinations by providing requested documents in the possession of BNY Mellon that are on the SEC examination request list;
- Assist in the preparation of notices of annual meetings of shareholders and proxy materials relating to such meetings; and
- Assist with and/or coordinate such other filings, notices and regulatory matters on such terms and conditions as BNY Mellon and the Fund may mutually agree upon in writing from time to time.

- *38a-l Compliance Support Services*
  - Provide compliance policies and procedures related to services provided by BNY Mellon and, if mutually agreed, certain of the BNY Mellon Affiliates; summary procedures thereof; and periodic certification letters.

APPENDIX I

ELECTRONIC ACCESS SERVICES AGREEMENT

These Electronic Access Terms and Conditions (the "Terms and Conditions") set forth the terms and conditions under which The Bank of New York Mellon Corporation and/or its subsidiaries or joint ventures (collectively, "BNY Mellon") will provide the entities and its (their) affiliates listed on Schedule A ("You" and "Your") with access to and use of BNY Mellon's electronic information delivery site known as "BNY Mellon Connect" and/or other BNY Mellon-designated access portals ("Electronic Access"). Access to and use of Electronic Access by You is contingent upon and is in consideration for Your compliance with the terms and conditions set forth below. Electronic Access includes access to BNY Mellon web sites accessible via BNY Mellon Connect and/or other BNY Mellon-designated access portals ("Sites"), pursuant to which You are able to access products and services provided by BNY Mellon as well as data regarding Your accounts. You may amend Schedule A by delivering a revised version to BNY Mellon.

Any particular product or service accessed by You through Electronic Access may be subject to a separate written agreement between You and BNY Mellon with respect to such products and services (each a "Services Agreement"). In addition, terms and conditions and restrictions with respect to any particular product or service accessed through Electronic Access (such as privacy and internet security matters), together with any disclaimers related to the specific products or services, may be set forth on the Sites (hereinafter referred to as "Terms of Use") and are applicable to such products and services. You agree to the Terms and Conditions. By any of Your Users accessing the Sites, and the products and services available through Electronic Access, You agree to any Terms of Use and acknowledge and accept any disclaimers and disclosures included on the Sites and the restrictions concerning the use of proprietary data provided by Information Providers (as defined below) that are posted on the Data Terms Web Site (as defined below). For the avoidance of doubt, the execution of these Terms and Conditions will not alter or amend or otherwise affect any Services Agreement whether such Services Agreement is executed prior to or after the execution of these Terms and Conditions.

1. Access Administration:

a. To facilitate access to Electronic Access, You will furnish BNY Mellon with a written list of the names, and the extent of authority or level of access, of persons You are authorizing to access the Sites, products and services and to use the Electronic Access ("**Authorized Users**") on a read-only basis. In addition, You may also designate Authorized Users who will have authority to enter transactions and provide instructions to BNY Mellon that cause a change in or have an impact on assets held by BNY Mellon for Your accounts ("**Authorized Transactional Users**"). Where appropriate, Authorized Users and Authorized Transactional Users are collectively referred to herein as "**Users**." If You wish to allow any third party (such as an investment manager, consultant or third party service provider) or any employee of a third party to have access to Your account information through Electronic Access and be included as a "User" under these Terms and Conditions, You may designate a third party or employee of a third party as an Authorized User or Authorized Transactional User under these Terms

and Conditions and any such third party or employee of a third party so designated by You (and, if a third party is so designated, any employee of such third party designated by such third party) will be included within the definition of Authorized User, Authorized Transactional User, and User as appropriate.

b. Upon BNY Mellon's approval of Users (which approval will not be unreasonably withheld), BNY Mellon will send You a user-id, temporary password and, where applicable, a security identification device for each User. You will be responsible for providing to Users the user-ids, temporary passwords and, where applicable, secure identification devices. You will ensure that any User receiving a secure identification device returns such device immediately following the termination of the User's authorization to access the products and services for which the secure identification device was provided to such User. You are solely responsible for Users' access to Electronic Access, and You and Users are solely responsible for the confidentiality of the user-ids and passwords and secure identification devices that are provided to them and will remain responsible for each secure identification device until it is returned to BNY Mellon. You, on behalf of You and Your affiliates, acknowledge and agree that, BNY Mellon will have no duty or obligation to verify or confirm the actual identity of the person who accessed Electronic Access using a validly issued user-id and password (and, where applicable, security identification device) or that the person who accessed Electronic Access using such validly issued user-id and password (and, where applicable, security identification device) is, in fact, a User (whether an Authorized User or an Authorized Transactional User).

c. You shall not, and shall not permit any User or third party to, breach or attempt to breach any security measures used in connection with Electronic Access or Proprietary Software. Any attempt to circumvent or penetrate any application, network or other security measures used by BNY Mellon or its suppliers in connection with Electronic Access is strictly prohibited.

d. You are also solely responsible for ensuring that all Users comply with these Terms and Conditions and any Terms of Use included on the Sites, the Service Agreement for each product or services accessed through the Sites and their associated services and all applicable terms and conditions, restrictions on the use of such products and services and data obtained through the use of Electronic Access. BNY Mellon reserves the right to prohibit access or revoke the access of any User to Electronic Access whom BNY Mellon determines has violated or breached these terms and conditions or any Terms of Use on a Site accessed by the User, including the Data Terms Web Site (as defined below), or whose conduct BNY Mellon reasonably determines may constitute a criminal offense, violate any applicable local, state, national, or international law or constitute a security risk for BNY Mellon, a BNY Mellon's third party supplier ("**BNY Mellon's Supplier**"),BNY Mellon's clients or any Users of Electronic Access. BNY Mellon may also terminate access to all Users following termination of all Services Agreements between You and BNY Mellon.

2. **Proprietary Software:** Depending upon the products and services You elect to access through Electronic Access, You may be provided software owned by BNY Mellon or licensed to BNY Mellon by a BNY Mellon Supplier ("Proprietary Software"). You are granted a limited, non-exclusive, non-transferable license to install the Proprietary Software on Your authorized computer system (including mobile devices registered with BNY Mellon) and to use the Proprietary Software solely for Your own internal purposes in connection with Electronic Access and solely for the purposes for which it is provided to You. You and Your Users may make copies of the Proprietary Software for backup purposes only, provided all copyright and other proprietary information included in the original copy of the Proprietary Software are reproduced in or on such backup copies. You shall not reverse engineer, disassemble, decompile or attempt to determine the source code for, any Proprietary Software. Any attempt to circumvent or penetrate security of Electronic Access is strictly prohibited.

3. Use of Data:

a. Electronic Access may include information and data that is proprietary to the providers of such information or data **("Information Providers")** or may be used to access Sites that include such information or data from Information Providers. This information and data may be subject to restrictions and requirements which are imposed on BNY Mellon by the Information Providers and which are posted on http://www.bnymellon.cora/products/assetservicing/vendoragreement.pdf or any successor web site of which You are provided notice from time to time (the **"Data Terms Web Site").** You will be solely responsible for ensuring that Users comply with the restrictions and requirements concerning the use of proprietary data that are posted on the Data Terms Web Site.

b. You consent to BNY Mellon, its affiliates and BNY Mellon's Suppliers disclosing to each other and using data received from You and Users and, where applicable, Your third parties in connection with these Terms and Conditions (including, without limitation, client data and personal data of Users) (1) to the extent necessary for the provision of Electronic Access; (2) in order for BNY Mellon and its affiliates to meet any of their obligations under these Terms and Conditions to provide Electronic Access; or (3) to the extent necessary for Users to access Electronic Access.

c. In addition, You permit BNY Mellon to aggregate data concerning Your accounts with other data collected and/or calculated by BNY Mellon. BNY Mellon will own such aggregated data, but will not distribute the aggregated data in a format that identifies You or Your data.

4. Ownership and Rights:

a. Electronic Access, including any database, any software (including for the avoidance of doubt, Proprietary Software) and any proprietary data, processes, scripts, information, training materials, manuals or documentation made available as part of the Electronic Access (collectively, the **"Information"),** are the

exclusive and confidential property of BNY Mellon and/or BNY Mellon's suppliers. You may not use or disclose the Information except as expressly authorized by these Terms and Conditions. You will, and will cause Users and Your third parties and their users, to keep the Information confidential by using the same care and discretion that You use with respect to Your own confidential information, but in no event less than reasonable care.

b. The provisions of this paragraph will not affect the copyright status of any of the Information which may be copyrighted and will apply to all Information whether or not copyrighted.

c. Nothing in these Terms and Conditions will be construed as giving You or Users any license or right to use the trade marks, logos and/or service marks of BNY Mellon, its affiliates, its Information Providers or BNY Mellon's Suppliers.

d. Any Intellectual Property Rights and any other rights or title not expressly granted to You or Users under these Terms and Conditions are reserved to BNY Mellon, its Information Providers and BNY Mellon's Suppliers. "Intellectual Property Rights" includes all copyright, patents, trademarks and service marks, rights in designs, moral rights, rights in computer software, rights in databases and other protectable lists of information, rights in confidential information, trade secrets, inventions and know-how, trade and business names, domain names (including all extensions, revivals and renewals, where relevant) in each case whether registered or unregistered and applications for any of them and the goodwill attaching to any of them and any rights or forms of protection of a similar nature and having equivalent or similar effect to any of them which may subsist anywhere in the world.

5. Reliance:

a. BNY Mellon will be entitled to rely on, and will be fully protected in acting upon, any actions or instructions associated with a user-id or a secure identification device issued to a User until such time BNY Mellon receives actual notice in writing from You of the change in status of the User and receipt of the secure identification device issued to such User. You acknowledge that all commands, directions and instructions, including commands, directions and instructions for transactions issued by a User are issued at Your sole risk. You agree to accept full and sole responsibility for all such commands, directions and instructions and that BNY Mellon, will have no liability for, and you hereby release BNY Mellon from, any losses, liabilities, damages, costs, expenses, claims, causes of action or judgments (including attorneys' fees and expenses) (collectively "Losses") incurred or sustained by you or any other party in connection with or as a result of BNY Mellon's reliance upon or compliance with such commands, directions and instructions.

b. All commands, directions and instructions involving a transaction entered by Authorized Transactional User will be treated as an authorized instruction under

the applicable Services Agreement(s) between You and BNY Mellon covering accounts, products and services and products provided by BNY Mellon with respect to which Electronic Access is being used whether such Services Agreement is executed prior to or after the execution of these Terms and Conditions.

6. Disclaimers:

a. Although BNY Mellon uses reasonable efforts to provide accurate and up-to-date information through Electronic Access, BNY Mellon, its Content Providers and Information Providers make no warranties or representations under these Terms and Conditions as to accuracy, reliability or comprehensiveness of the content, information or data accessed through Electronic Access. Without limiting the foregoing, some of the content on Electronic Access may be provided by sources unaffiliated with BNY Mellon **("Content Providers")** and by Information Providers. For that content BNY Mellon is a distributor and not a publisher of such content and has no control over it. Information provided by Information Providers has not been independently verified by BNY Mellon and BNY Mellon makes no representation as to the accuracy or completeness of the content or information provided. Any opinions, advice, statements, services, offers or other information given or provided by Content Providers and Information Providers (including merchants and licensors) are those of the respective authors of such content and not that of BNY Mellon. BNY Mellon will not be liable to You or Users for such content or information in any way nor for any action taken in reliance on such information nor for direct or indirect damages resulting from the use of such information. For purposes of these Terms and Conditions, all information and data, including all proprietary information and materials and all client data, provided to You through Electronic Access are provided on an "AS-IS", "AS AVAILABLE" basis.

b. BNY Mellon makes no guarantee and does not warrant that Electronic Access or the information and data provided through the Electronic Access are or will be virus-free or will be free of viruses, worms, Trojan horses or other code with contaminating or destructive properties. BNY Mellon will employ commercially reasonable anti-virus software to its systems to protect its systems against viruses.

c. Some Sites accessed through the use of Electronic Access may include links to websites provided by parties that are not affiliated with BNY Mellon ("Third Party Websites"). BNY Mellon will not be liable to any person for the content found on such Third Party Websites. BNY Mellon will not be responsible for Third Party Websites that collect information from parties who visit their web sites through links on the Sites. BNY Mellon will not be liable or responsible for any loss suffered by any person as a result of their use of any Third Party Websites that are linked to the BNY Mellon Sites.

d. BNY Mellon retains complete discretion and authority to add, delete or revise in whole or in part Electronic Access, including its Sites, and to modify from time to

time any Proprietary Software provided in conjunction with the use of Electronic Access and/or any of the Sites. To the extent reasonably possible, BNY Mellon will provide notice of such modifications. BNY Mellon may terminate, immediately and without advance notice, and without right of cure, any portion or component of Electronic Access or the Sites.

e. TO THE FULLEST EXTENT PERMITTED BY LAW, THERE IS NO WARRANTY OF MERCHANTABILITY, NO WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, NO WARRANTY OF QUALITY AND NO WARRANTY OF TITLE OR NONINFRINGEMENT. THERE IS NO OTHER WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, REGARDING ELECTRONIC ACCESS, THE SITES, ANY PROPRIETARY SOFTWARE, INFORMATION, MATERIALS OR CLIENT DATA.

f. Notwithstanding the prior paragraph, The Bank of New York Mellon or an Affiliate designated by it will defend You and pay any amounts agreed to by BNY Mellon in a settlement and damages finally awarded by a court of competent jurisdiction, in an action or proceeding commenced against You based on a claim that Electronic Access or the Proprietary Software infringe plaintiff(s)'s patent, copyright, or trade secret, provided that You (i) notify BNY Mellon promptly of any such action or claim (except that the failure to so notify BNY Mellon will not limit BNY Mellon's obligations hereunder except to the extent that such failure prejudices BNY Mellon); (ii) grant BNY Mellon or its designated Affiliate full and exclusive authority to defend, compromise or settle such claim or action; and (iii) provide BNY Mellon or its designated Affiliate all assistance reasonably necessary to so defend, compromise or settle. The foregoing obligations will not apply, however, to any claim or action arising from (i) use of the Proprietary Software Information or Electronic Access in a manner not authorized under these Terms and Conditions, the Terms of Use, or the Data Terms Web Site; or (ii) use of the Proprietary Software or Electronic Access in combination with other software or services not supplied by BNY Mellon.

7. Limitation of Liability:

a. IN NO EVENT WILL BNY MELLON, BNY MELLON'S SUPPLIERS OR ITS CONTENT PROVIDERS OR INFORMATION PROVIDERS BE LIABLE TO YOU OR ANYONE ELSE UNDER THESE TERMS AND CONDITIONS FOR ANY LOSSES, LIABILITIES, DAMAGES, COSTS OR EXPENSES INCLUDING BUT NOT LIMITED TO, ANY DIRECT DAMAGES, CONSEQUENTIAL DAMAGES, RELIANCE DAMAGES, EXEMPLARY DAMAGES, INCIDENTAL DAMAGES, SPECIAL DAMAGES, PUNITIVE DAMAGES, INDIRECT DAMAGES OR DAMAGES FOR LOSS OF PROFITS, GOOD WILL, BUSINESS INTERRUPTION, USE, DATA, EQUIPMENT OR OTHER INTANGIBLE LOSSES (EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES) THAT RESULT FROM (1) THE USE OF OR INABILITY TO USE ELECTRONIC ACCESS (2) THE CONSEQUENCES OF ANY DECISION MADE OR

ACTION OR NON-ACTION TAKEN BY YOU OR ANY OTHER PERSON, OR FOR ANY ERRORS BY YOU IN COMMUNICATING SUCH INFORMATION; (3) THE COST OF SUBSTITUTE ACCESS SERVICES; OR (4) ANY OTHER MATTER RELATING TO THE CONTENT OR ACCESS THROUGH ELECTRONIC ACCESS. BNY MELLON WILL NOT BE LIABLE FOR LOSS, DAMAGE OR INJURY TO PERSONS OR PROPERTY ARISING FROM ANY USE OF ANY PRODUCT, INFORMATION, PROCEDURE, OR SERVICE OBTAINED THROUGH ELECTRONIC ACCESS. BNY MELLON WILL NOT BE LIABLE FOR ANY LOSS, DAMAGE OR INJURY RESULTING FROM VOLUNTARY SHUTDOWN OF THE SERVER, ELECTRONIC ACCESS OR ANY OF THE SITES TO ADDRESS TECHNICAL PROBLEMS, COMPUTER VIRUSES, DENIAL-OF-SERVICE MESSAGES OR OTHER SIMILAR PROBLEMS.

b. BNY MELLON'S ENTIRE LIABILITY AND YOUR EXCLUSIVE REMEDY UNDER THESE TERMS AND CONDITIONS FOR ANY DISPUTE OR CLAIM RELATED TO THESE TERMS OF USE, ELECTRONIC ACCESS OR SITES, IS AS FOLLOWS: IF YOU REPORT A MATERIAL MALFUNCTION IN ELECTRONIC ACCESS THAT BNY MELLON IS ABLE TO REPRODUCE, BNY MELLON WILL USE REASONABLE EFFORTS TO CORRECT THE MALFUNCTION. IF BNY MELLON IS UNABLE TO CORRECT THE MALFUNCTION, YOU MAY CEASE ALL USE OF ELECTRONIC ACCESS AND RECEIVE A REFUND OF ANY FEES PAID IN ADVANCE, SPECIFICALLY FOR ELECTRONIC ACCESS, APPLICABLE TO PERIODS AFTER CESSATION OF SUCH USE. BECAUSE SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OR LIMITATION OF LIABILITY FOR DAMAGES, IN SUCH JURISDICTIONS LIABILITY IS LIMITED TO THE FULLEST EXTENT PERMITTED BY LAW.

c. The limitation of liability set forth in this Limitation of Liability section and in other provisions in these Terms and Conditions is in addition to any limitation of liability provisions contained in any Services Agreements and will not supersede or be superseded by limitation of liability provisions contained in such Services Agreements, whether executed prior to or after the execution of these Terms and Conditions, except to the extent specifically set forth in such other Services Agreements containing a reference to these Terms and Conditions.

8. Indemnification:

a. You agree to indemnify, protect and hold BNY Mellon, BNY Mellon's Suppliers, Content Providers and Information Providers harmless from and against all liability, claims damages, costs and expenses, including reasonable attorneys' fees and expenses, resulting from a claim that arises out of (i) any breach by You or Users of these Terms and Conditions, the Terms of Use or the Data Terms Web Site and (ii) any person obtaining access to Electronic Access through You or Users or through use of any password, user-id or secure identification device issued to a User, whether or not You or a User authorized such access where such

Electronic Access is due to actions or inactions of You or User. For the avoidance of doubt, and by way of illustration and not by way of limitation, the forgoing indemnity is applicable to disputes between the parties, including the enforcement of these Terms and Conditions. The rights and remedies conferred hereunder will be cumulative and the exercise or waiver of any such right or remedy will not preclude or inhibit the exercise of additional rights or remedies or the subsequent exercise of such right or remedy.

b. The indemnity provided in herein is in addition to any indemnity and other remedies contained in any Services Agreements and will not supersede or be superseded by such Services Agreements, whether executed prior to or after the execution of these Terms and Conditions, except to the extent specifically set forth in such other Services Agreements and expressly stating an intent to modify this Terms and Conditions. Nothing contained herein will, or be deemed to, alter or modify the rights and remedies of BNY Mellon as set forth in the Services Agreements.

9. Choice of Law and Forum: Unless otherwise agreed and specified herein, these Terms and Conditions are governed by and construed in accordance with the laws of the State of New York, without giving effect to any principles of conflicts of law; You expressly and irrevocably agree that exclusive jurisdiction and venue for any claim or dispute with BNY Mellon, its employees, contractors, officers or directors or relating in any way to Your use of Electronic Access resides in the state or federal courts in New York City, New York; and You further irrevocably agree and expressly and irrevocably consent to the exercise of personal jurisdiction in those courts over any action brought with respect to these Terms and Conditions. BNY Mellon and You hereby waive the right of trial by jury in any action arising out of or related to the BNY Mellon or these Terms and Conditions.

10. Term and Termination:

a. Either BNY Mellon or You may terminate these Terms and Conditions and the Electronic Access upon thirty (30) days' written notice to the other party.

b. In the event of any breach of the provisions of these Terms and Conditions or a breach by any Authorized User of the Terms of Use or the restrictions and requirements concerning the use of Information Providers' proprietary data that are posted on the Data Terms Web Site, the non-breaching party may terminate these Terms and Conditions and the Electronic Access immediately upon written notice to the breaching party if any breach remains uncured after ten (10) days' written notice of the breach is sent to the breaching party.

c. BNY Mellon may immediately terminate access through an Authorized User's user-id and password and may, at its discretion, also terminate access by an Authorized User, without right of cure, in the event of an unauthorized use of an Authorized User's user-id or password, or where BNY Mellon believes there is a security risk created by such access.

d. BNY Mellon may terminate, without advance notice, Your access or the access of Users to any portion or component of Electronic Access or the Sites in the event a BNY Mellon Supplier, Content Provider or Information Provider prohibits BNY Mellon from permitting You or Users to have access to their information or services.

e. Promptly upon receiving or giving notice of termination, You will notify all Users of the effective date of the termination.

f. Upon termination of Your access to Electronic Access, You shall return of manuals, documentation, workflow descriptions and the like that are in Your possession or under Your control and all security identification devices.

g. The Reliance, Disclaimers, Limitation of Liability Indemnification and confidentiality provisions of the Terms and Conditions (and other provision of these Terms and Conditions containing disclaimers, limitation of liability and indemnification) shall survive the termination of these Terms and Conditions.

You represent and warrant to BNY Mellon that these Terms and Conditions and the indemnity contained herein have been duly authorized and accepted, that You have full authority to enter into these Terms and Conditions, both for the entities at Schedule A and for any affiliate with Electronic Access, and that these Terms and Conditions constitute a binding obligation enforceable in accordance with its terms.

SCHEDULE A

AFFILIATES

STAFFING AGREEMENT

THIS STAFFING AGREEMENT ("Agreement") is made and entered into as of the 1st day of November, 2013, by and among StoneCastle Partners, LLC ("SCP"), StoneCastle Cash Management, LLC ("SCCM" and, together with SCP, the "SCP Affiliates") and StoneCastle Asset Management LLC ("SAM").

WHEREAS, SCCM and SAM are registered investment advisers that are wholly-owned subsidiaries of SCP; and

WHEREAS, SAM is entering into a management agreement (the "Management Agreement") with StoneCastle Financial Corp., a newly organized Delaware corporation ("SCFC") established to continue and expand the business of SCP and its affiliates (including SCCM) making investments in community banks located throughout the United States; and

WHEREAS, SAM desires to utilize certain officers, employees and resources of the SCP Affiliates in order to conduct its operations and perform its duties and obligations to SCFC under the Management Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises hereinafter set forth, the Parties agree as follows:

1. Term: The term of this Agreement shall commence on November 1, 2013 ("Effective Date") and shall continue in effect for five (5) years through November 1, 2018. This Agreement will automatically renew for consecutive one (1) year renewal terms unless either party provides written notice of its intent not to renew to the other party at least sixty (60) days in advance of a renewal term, or unless earlier terminated in accordance with Section 2 below.

2. Termination:

2.1 Either party may terminate this Agreement without cause upon one hundred eighty (180) days written notice to the other party.

2.2 If either party breaches a material provision of this Agreement, the other party may terminate upon thirty (30) days' written notice to the breaching party in the event that the breach is not cured within the thirty (30) day period.

2.3 In the event SAM is no longer under contractual obligation to provide investment advisory services to SCFC under the Management Agreement, this Agreement shall be automatically terminated.

3. Investment Personnel and Office Staff Services: The SCP Affiliates on a full- time basis employ a number of officers, senior management personnel and experienced investment professionals (together referred to as "Investment Personnel") and back office personnel and administrative personnel (together referred to as "Office Staff). The SCP Affiliates shall provide, on a shared basis, the following Investment Personnel and Office Staff and services to SAM:

3.1 For such time per week as mutually agreed among SAM and the SCP Affiliates, each of the SCP Affiliates shall provide access to SAM to its Investment Personnel who shall provide investment services to SAM necessary for SAM to fulfill its duties and obligations to SCFC as described under Section 2 of the Management Agreement.

3.2 For such time per week as mutually agreed among SAM and the SCP Affiliates, each of the SCP Affiliates shall provide access to SAM to its Office Staff who shall provide administrative services to SAM necessary for SAM to fulfill its duties and obligations to SCFC as described under Section 3 of the Management Agreement.

3.3 For such time per week as mutually agreed among SAM and the SCP Affiliates, each of the SCP Affiliates shall provide access to SAM to its officers, management and employees (including without limitation the Investment Personnel and the Office Staff) who shall provide such other services to SAM necessary for SAM to conducts its business operations and activities, including without limitation maintaining its legal existence; maintaining its registration as an investment adviser with the Securities and Exchange Commission (the "SEC") pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act") and ensuring SAM's compliance with the rules and regulations of the SEC promulgated thereunder.

3.4 The SCP Affiliates shall provide such technological support, office space, office supplies, and other resources reasonably required by SAM in connection with the services to be provided by the Investment Personnel and the Office Staff to SAM.

4. Training: In order for the Investment Personnel and the Office Staff to be able to provide services hereunder, such Investment Personnel and Office Staff may be required to participate in various SCP training activities (e.g., compliance, credit, etc.). The parties agree that the Investment Personnel and Office Staff shall undergo such required training at mutually agreeable times at the expense of the SCP Affiliates.

5. Fee: In consideration of the Investment Personnel and the Office Staff being provided by the SCP Affiliates to SAM, SAM shall pay an annual services fee (the "Fee") in an amount to be mutually agreed by SCP and SAM immediately prior to the commencement of each year during the term of this Agreement

6. Insurance: The SCP Affiliates shall purchase (directly or indirectly) and keep in full force and effect at their own cost such following insurance coverage with companies of recognized responsibility and authorized to do business in New York as is standard and customary for businesses engaged in the provision of investment advisory services, which shall include:

6.1 Occurrence based Professional Liability insurance covering personal and bodily injury and contractual liability;

6.2 Occurrence based Commercial General Liability insurance, including coverage for bodily injury, personal injury, property damage (including loss of use thereof) and contractual liability;

6.3 Workers' Compensation, including Employer's Liability coverage and Disability Insurance at levels established by applicable State Laws for their respective employees.

7. Indemnity: Each party agrees to indemnify, defend and hold harmless the other party, its officers, directors, trustees, members, managers, contractors and employees, from and against any and all liability, suits, claims, losses, damages and expenses (including reasonable attorneys' fees) to the extent that they arise in connection with such person's performance of its duties and obligations under this Agreement and from any material breach by a party, its officers, directors, trustees, members, managers, contractors or employees of its obligations hereunder or from any negligent or willful misconduct by a party, its officers, directors, trustees, members, managers, contractors, or employees.

8. Confidential Information: All business and professional documents prepared or maintained by the SCP Affiliates in connection with the services performed on behalf of SAM are the sole property of the respective SCP Affiliate and constitute confidential information. SAM shall not, during or at any time after the term of this Agreement, in whole or in part, disclose to any person or entity, or, for SAM's own purposes or for the benefit of any other person or entity, make use of, any of the information contained in this Agreement, any confidential information concerning the nature or operations of any SCP Affiliate, or any information contained in any of the above-referenced business or professional for any reason or purpose whatsoever, unless pursuant to a court order that has been reviewed and verified by SCP's attorney, or in order to properly perform the SAM's duties under this Agreement. The covenants contained in this Section shall survive the termination of this Agreement. [We should make sure this matches off the privacy policy the board needs to approve, see Timing and Responsibilities #47]

9. Miscellaneous:

9.1 This Agreement contains the entire understanding of the parties with respect to the matters contained herein and supersedes all prior verbal and written agreements, negotiations, proposals, and representations and statements with respect thereto and may not be modified or amended except by an instrument in writing signed by the parties.

9.2 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns. Neither party may assign this Agreement without the prior written consent of the other party.

9.3 It is understood that the parties are independent contractors engaged in the operation of their own respective business, and neither party is the agent or employee of the other party, and shall not have the authority to bind the other party. This Agreement is not intended and shall not be construed or deemed to create a partnership, joint venture, association taxable as a corporation, or agency relationship.

9.4 Each party reciprocally represents to the other that it will, at all times during the term hereof, fully comply with all federal, state, and local laws, rules, and regulations concerning the services contemplated hereunder.

9.5 All notices pertaining to this Agreement must be sent via confirmed facsimile, email or certified or registered mail to each of the parties hereto at the principal offices of such entity.

9.6 All questions concerning the validity and operation of this Agreement and the performance of the obligations imposed upon the parties hereunder shall be governed by the laws of the State of New York. The parties hereby consent to the jurisdiction and venue of the courts of the State of New York and the Federal District Court for the Southern District of New York with respect to any legal proceeding arising with respect to this Agreement.

9.7 Any provision prohibited by or unlawful or unenforceable under any applicable law of any jurisdiction shall, as to such jurisdiction, be ineffective, without effecting any other provision hereof. To the extent that the provisions of any such law may be waived, they are hereby waived to the end that this Agreement be deemed to be a valid and binding agreement and enforceable in accordance with its terms.

9.8 This Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which shall be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their duly authorized representatives as of the day and year first above written.

StoneCastle Cash Management, LLC

By: /s/ Joshua Siegel
Name: Joshua Siegel
Title: Chairman
Date:

StoneCastle Asset Management LLC

By: /s/ Joshua Siegel
Name: Joshua Siegel
Title: Manager
Date:

Stone Castle Partners, LLC

By: /s/ Joshua Siegel

Name: Joshua Siegel
Title: Managing Partner & CEO
Date:

[Signature Page to Staffing Agreement]

TRADEMARK LICENSE AGREEMENT

THIS TRADEMARK LICENSE AGREEMENT ("Agreement") is made as of November 1, 2013 ("Effective Date") by and between StoneCastle Partners, LLC, a Delaware limited liability company with a principal place of business located at 152 W 57th St., 35th Floor, New York, NY 10019 ("Licensor") and StoneCastle Financial Corp., a Delaware corporation, with a principal place of business located at 152 W 57th St., 35th Floor, New York, NY 10019 ("Licensee", with Licensor collectively the "Parties" and singularly a "Party").

WHEREAS, Licensor uses in Licensor's business of providing financial services using the common law trademarks "StoneCastle" and the StoneCastle design (each in the form as set forth on Exhibit A) and has filed application number 86/050427 with the United States Patent and Trademark Office relating to the federal registration of certain marks (collectively, the "Trademarks" and individually a "Trademark"); and

WHEREAS, Licensor desires to grant, and Licensee desires to obtain, a non-exclusive license to use the Trademarks in accordance with this Agreement.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

Section 1. **Term**. This Agreement and the license hereby granted shall commence on the date hereof and, unless terminated pursuant to Section 7 below, shall continue until the date upon which the engagement of StoneCastle Asset Management LLC (or its successor, assign or affiliate) as the Licensee's investment advisor expires or is earlier terminated (the "Term").

Section 2. **Grant of Rights**. During the Term of this Agreement, and subject to the terms of this Agreement, Licensor hereby grants Licensee a non-exclusive personal license to display, reproduce and otherwise use the Trademarks. The foregoing notwithstanding, Licensor retains the right to use the Trademarks for any purpose. Other than as expressly set forth herein, Licensee expressly acknowledges and agrees that it has no right or claim to any intellectual property of Licensor and all rights thereto are reserved to Licensor. No right or license is granted hereby by implication or otherwise under any other trademark, service mark, trade name, copyrighted work or other intellectual property of Licensor. Nothing herein shall give to Licensee any right, title or interest in the Trademarks, express or implied, except the right to use them in accordance with the terms of this Agreement. All other rights are exclusively and expressly reserved to Licensor.

Section 3. **The Trademarks**.

(a) Licensee acknowledges that Licensor is the exclusive owner of all right, title and interest in and to the Trademarks in any form or embodiment thereof and is also the owner of the goodwill attached, or which shall become attached, to the Trademarks. Licensee agrees and disclaims any present or future right, title, or interest in the Trademarks and agrees to refrain from doing or causing to be done any act or thing contesting or in any way impairing or tending to impair any part of such right, title and interest, nor shall Licensee attack, dispute, or challenge, nor aid others to do so, Licensor's right, title, and interest in and to the Trademarks, or

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the validity or enforceability of the Trademarks. Licensee further acknowledges that the Trademarks have acquired or will acquire secondary meaning under the relevant trademark laws.

(b) Licensee shall not use (including use of any domain name), register, or attempt to register anywhere in the world any Trademark or any trademark, service mark, trade name, or other mark or name that contains, is the same as, or is confusingly similar to any of the Trademarks. Any rights that may be acquired by Licensee anywhere in the world by reason of the registration or use of any Trademark (including use of any domain name) shall inure to the benefit of Licensor, and title thereto shall be assigned to Licensor by Licensee upon request of Licensor. Licensee agrees that any use of a domain name utilizing any Trademark, or a trademark confusingly similar to any Trademark, after the expiration or termination of this Agreement shall be considered a use in bad faith as such term is defined in ICANN's Uniform Domain Name Dispute Resolution Policy and/or applicable law and shall entitle Licensor to possession of and title to any such domain name. Licensee shall not take any action or fail to take any action that may reduce the value of the Trademarks or detract from the reputation of Licensor.

(c) At Licensor's request, Licensee shall execute any documents reasonably required by Licensor to confirm Licensor's ownership of all rights in and to the Trademark and the respective rights of Licensor and Licensee pursuant to this Agreement. Licensee shall cooperate with Licensor at Licensor's expense in connection with the filing and prosecution by Licensor of applications in Licensor's name to register the Trademark and the maintenance and renewal of such registrations.

(d) In the event that Licensee learns of any infringement or imitation of a Trademark, or of any use by any person of a trademark or materials similar to a Trademark, it shall promptly notify Licensor thereof. Licensor thereupon may take such action as it deems advisable for the protection of its rights in and to the Trademark, and, if requested to do so by Licensor, Licensee shall cooperate with Licensor in all respects, including without limitation by being a plaintiff or co-plaintiff and by causing its officers to execute pleadings and other necessary documents. Licensor shall reimburse Licensee for any out-of-pocket expenses incurred by Licensee in connection therewith. In no event shall Licensor be required to take any action if it deems it inadvisable to do so and Licensee shall have no right to take any action with respect to the Trademark without Licensor's prior written approval. If any action or suit shall be brought against Licensee in connection with the Trademark for alleged infringement of the trademark of a third party through Licensee's use of the Trademark, Licensor shall have the right to control the defense of such action or suit. Licensor shall be entitled to any and all damages, awards, or proceeds recovered in any action regarding infringement of the Trademarks.

Section 4. **Quality**. The use of the shall at all times conform to standards set forth in this Section 4 (the "Quality Standards").

(a) Licensee shall perform its activities in a competent, diligent and professional manner that is at least consistent with the standards adhered to by reputable businesses in the private equity industry in the United States, and in all cases in accordance with the applicable law, rules and regulation of any foreign, federal, state or local authority. Licensee shall exercise its best efforts to safeguard the prestige and goodwill of the Trademarks and shall

not use any of the Trademarks in any manner that does or would be reasonably likely to disparage Licensor or to cast Licensor or any Trademark into disrepute.

(b) Licensee shall use and display the Trademarks only in such form as set forth on Exhibit A or otherwise as Licensor may specify in writing from time to time. Licensee shall cause to appear on all such materials such legends, markings and notices as Licensor may reasonably request (i.e., ®, "™" or "SM").

(c) No Trademark shall be combined with, associated with, or used in conjunction with any other trademark, service mark, corporate name, or any trade name without the prior written approval of Licensor (which approval may be withheld in Licensor's sole discretion for any reason).

(d) In order to confirm that Licensee's use of the Trademarks complies with this Agreement, upon reasonable written notice, Licensee shall submit to Licensor or its representative samples of any materials bearing any Trademark.

Section 5. **Warranties; Limitation of Liability**. LICENSOR MAKES NO REPRESENTATION OR WARRANTY TO LICENSEE REGARDING THE TRADEMARKS AND/OR ANY MARKET, OPPORTUNITIES, SALES, OR PROFITS WITH RESPECT TO OR ARISING OUT OF THE USE OF THE TRADEMARKS AND LICENSOR LICENSES THE TRADEMARKS TO LICENSEE "AS-IS" and "WITH ALL FAULTS" LICENSOR EXPRESSLY DISCLAIMS, AND LICENSEE HEREBY EXPRESSLY WAIVES, ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT AND TITLE.

IN NO EVENT SHALL LICENSOR BE LIABLE TO LICENSEE FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL OR RELIANCE DAMAGES, INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOST PROFITS REGARDLESS OF THE FORM OF ACTION AND REGARDLESS OF WHETHER SUCH PARTY HAS REASON TO KNOW OR IN FACT KNOWS OF THE POSSIBILITY THEREOF.

Section 6. **Indemnification**. Licensee shall indemnify, defend and hold harmless Licensor and its subsidiaries and affiliates and each of their respective officers, directors, shareholders, managers, members, legal representatives, successors, agents and assigns (the "Indemnified Parties") from and against any and all any liability, loss, claim, settlement payment, cost and expense, interest, award, judgment, damages (including punitive damages), diminution in value, fines, fees and penalties or other charge, (and including reasonable attorneys' fees, court costs and witness fees relating to any claim or necessary to enforce the Indemnified Party's rights under this Section 6) (collectively "Liability"), arising out of or related to (i) Licensee's use of any Trademark, or (ii) any breach by Licensee of any representation, warranty or covenant of Licensee in this Agreement, except for any such Losses that have been finally judicially determined to have resulted solely from action of the Licensor. Licensor shall have the right to select and control legal counsel for the defense of any such claim, suit, demand or cause of action and for any negotiations relating thereto.

Section 7. **Termination**.

(a) Licensor shall have the right to terminate this Agreement by written notice to Licensee if:

(i) Licensee shall fail to perform any provision hereof and does not cure such failure within ten (10) days after receipt of written notice thereof from Licensor,

(ii) (A) Licensee is adjudicated a bankrupt or insolvent, (B) a petition under any applicable bankruptcy or insolvency law is filed by Licensee, or if any such petition is filed against Licensee and is not dismissed with 60 days, (C) Licensee makes any assignment for the benefit of its creditors, (D) a receiver is appointed for Licensee, or (E) Licensee shall become insolvent, or

(iii) there is any attempted or actual sublicense, assignment, pledge or transfer by Licensee of this Agreement, in whole or in part (including without limitation should Licensee be a party to or otherwise involved in any merger, consolidation, reorganization, recapitalization, sale of all or substantially all of its assets, or other transaction involving or causing any transfer or assignment by operation of law).

(b) Upon any termination of this Agreement, all right, title or interest in or to the Trademarks shall automatically revert to Licensor and Licensee shall refrain from further use of the Trademarks or any other trademark, trade name or logo that is confusingly similar to any Trademark, or associated with any Trademark, in any way.

(c) It is expressly understood, that under no circumstances shall Licensee be entitled, directly or indirectly, to any form of compensation or indemnity from Licensor as a consequence of the termination of this Agreement in accordance with its terms. Without limiting the generality of the foregoing, by its execution of the present Agreement, Licensee hereby waives any claim that it has or that it may have in the future against Licensor arising from any alleged goodwill created by Licensee for the benefit of any or all of the Parties.

(d) Upon the expiration of the Term, Licensee shall file a Certificate of Amendment with the Secretary of State of the State of Delaware to change its corporate name to not include the word "StoneCastle" or any other word that may reasonably be misleading as to the association between Licensee and Licensor.

(e) Notwithstanding ay termination or expiration of this Agreement, the Parties' rights and obligations set forth in Sections 5, 6, 7(b), 7(c) and 8 shall survive.

Section 8. **General**.

(a) Assignment; Transfer; Sublicense. Except as otherwise provided herein, Licensee may not assign, transfer or sublicense its rights or obligations under this Agreement without the prior written consent of Licensor (which may be withheld in Licensor's sole discretion for any reason). For

purposes of the foregoing any merger, consolidation, purchase of stock or securities, purchase of assets, reorganization, recapitalization or any transfer or assignment by operation of law or other similar transaction involving Licensee as a party shall be

considered an assignment that requires the prior written consent of Licensor. Any assignment, transfer or sublicense made without the prior written consent of Licensor is void.

(b) Governing Law; Venue. Any and all claims or controversies arising out of or relating to Parties rights and responsibilities under this Agreement and/or the transaction contemplated thereby shall be governed by and construed in accordance with the laws of the State of New York, without regard to its principles of conflicts of laws, and shall be tried and litigated only in the state and federal courts located in New York, New York. Each Party hereby irrevocably submits to the personal and exclusive jurisdiction of such courts, waives any claim of inconvenient forum or other challenge to venue in such court, agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court and waives any right it may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement.

(c) Amendment; Waiver. This Agreement may be amended, or a Party's rights waived or modified, only by a written instrument signed by each of the Parties hereto.

(d) Status of Parties. There is no relationship of agency, partnership, joint venture, employment, or franchise between the Parties. Neither Party shall have any right, power or authority to obligate or bind the other in any manner whatsoever, and nothing herein contained shall give or is intended to give any rights of any kind to any third persons.

(e) Remedies. Each party hereby acknowledges and agrees that monetary damages would not be a sufficient remedy for, and that Licensor would be irreparably harmed by, any breach by Licensee of this Agreement and Licensor shall be entitled to specific performance and injunctive or other equitable relief, without payment of bond or security, as remedies for any such breach. Such remedies shall not be deemed to be the exclusive remedies for a breach of this Agreement but shall be in addition to all other remedies available to Licensor at law or in equity.

(f) Negotiated Agreement. This Agreement is a negotiated document and the terms of this Agreement reflect the informed business decisions of sophisticated parties, and therefore no part of this Agreement should be construed more harshly against one party over the other.

(g) Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to its subject matter, supersedes all prior written and oral agreements and may not be explained or supplemented by course of dealing, usage of trade or course of performance. The transactions contemplated by this Agreement are made on the terms and conditions contained herein only, which take precedence over and may not be modified by any terms and conditions of any document or communication, whether verbal or written, sent by a party unless signed by the party to be charged.

(h) Construction and Severability. All references in this Agreement to the singular shall include the plural where applicable. If any part of this Agreement for any reason shall be declared invalid, void or unenforceable, such decision shall not affect the validity of any remaining portion, which shall remain in full force and effect. In the event that any material

provision of this Agreement shall be stricken or declared invalid, Licensor reserves the right to terminate this Agreement.

(g) Notices. Any notices required or permitted to be given under this Agreement shall be deemed sufficiently given if mailed by registered mail, postage prepaid, addressed to the Party to be notified at its address first above written, or at such other address as may be furnished in writing to the notifying Party.

(h) Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each party as of the Effective Date.

STONECASTLE CASTLE PARTNERS, LLC

By: /s/ George Shilowitz
Name: George Shilowitz
Title: Managing Partner

STONECASTLE PARTNERS, LLC, as Licensor

By: /s/ Joshua Siegel
Name: Joshua Siegel
Title: Managing Partner & CEO

STONECASTLE FINANCIAL CORP., as Licensee

By: /s/ Joshua Siegel

Name: Joshua Siegel
Title: Chief Executive Officer

[Signature Page to Trademark License Agreement]

Exhibit A

Trademarks

STONECASTLE

FINANCIAL CORP.

STONECASTLE

FINANCIAL CORP.

Exhibit 99.5

Execution Copy

CREDIT AGREEMENT

among

STONECASTLE FINANCIAL CORP.,
as Borrower

THE LENDERS FROM TIME TO TIME PARTY HERETO

and

TEXAS CAPITAL BANK, NATIONAL ASSOCIATION,
as Administrative Agent

TEXAS CAPITAL BANK, NATIONAL ASSOCIATION,
as Sole Lead Arranger and Sole Book Runner

DATED AS OF June 9, 2014

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INDEX TO EXHIBITS

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this ***"Agreement"***), dated as of June 9, 2014, is among STONECASTLE FINANCIAL CORP., a Delaware corporation (***"Borrower"***), the lenders from time to time party hereto (collectively, ***"Lenders"*** and individually, a ***"Lender"***), and TEXAS CAPITAL BANK, NATIONAL ASSOCIATION, a national banking association, as Administrative Agent.

RECITALS

Borrower has requested that Lenders extend credit to Borrower as described in this Agreement. Lenders are willing to make such credit available to Borrower upon and subject to the provisions, terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.1. **Definitions.** As used in this Agreement, all exhibits, appendices and schedules hereto and in any note, certificate, report or other Loan Documents made or delivered pursuant to this Agreement, the following terms will have the meanings given such terms in this ***Article 1*** or in the provision, section or recital referred to below:

"***Administrative Agent***" means Texas Capital Bank, National Association, in its capacity as administrative agent under any of the Loan Documents, until the appointment of a successor administrative agent pursuant to the terms of this Agreement and, thereafter, shall mean such successor administrative agent.

"***Administrative Questionnaire***" means an Administrative Questionnaire in a form supplied by Administrative Agent.

"***Adverse Claim***" means any Lien, encumbrance, or other right or claim in, of or on any Person's assets or properties (including the segregation thereof or the deposit thereof to satisfy margin requirements) in favor of any Person.

"***Advisory Fee***" means any advisory, management, consulting, monitoring, oversight, corporate overhead (including legal, marketing and human resources or similar fees) paid by the Borrower to the Investment Advisor or any Affiliate of the Investment Advisor; provided that any Advisory Fees payable during a Restricted Period shall not exceed 0.250% of Borrower's assets as of the fiscal year immediately preceding such Restricted Period.

"***Affiliate***" means, as to any Person, any other Person (a) that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such Person; (b) that directly or indirectly beneficially owns or holds 10% or more of any class of voting stock of such Person; or (c) 10% or more of the voting stock of which is directly

or indirectly beneficially owned or held by such Person. The term *"control"* means the possession, directly or indirectly, of the power to direct or cause direction of the management or policies of a Person, whether through the ownership of voting securities, by contract, or otherwise; *provided, however,* in no event shall any Lender be deemed an Affiliate of Borrower or any of its Subsidiaries or Affiliates.

"***Agent Parties***" means, collectively, Administrative Agent or any of its Related Parties.

"***Agreement***" has the meaning set forth in the introductory paragraph hereto, and includes all schedules, exhibits and appendices attached or otherwise identified therewith.

"***Applicable Law***" means the Law of any Governmental Authority, including without limitation, all federal and state banking or securities laws to which the Person in question is subject or by which it or any of its property is bound.

"***Applicable Margin***" means the applicable percentages per annum set forth below, based upon Borrower's Debt Rating:

Pricing Level	Debt Rating	Applicable Margin for Base Rate Portion	Applicable Margin for LIBOR Portion	Commitment Fee
1	Baa3 or better	1.85%	2.85%	0.500%

2	Bal or lower	3.35%	4.35%	0.500%

Initially, the Applicable Margin shall be determined based upon the Debt Rating specified in the certificate delivered pursuant to ***Section 5.1(e)***. Thereafter, each change in the Applicable Margin resulting from a publicly announced change in the Debt Rating shall be effective, in the case of an upgrade, during the period commencing on the date of delivery by Borrower to Administrative Agent of notice thereof pursuant to ***Section 7.1(n)*** and ending on the date immediately preceding the effective date of the next such change and, in the case of a downgrade, during the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change; *provided* that if, at any time, the Borrower has no Debt Rating, then Pricing Level 2 shall apply and shall remain in effect until the date on which such Borrower has obtained a Debt Rating.

Notwithstanding the foregoing, during any Restricted Period, the Applicable Margin shall be increased by 1.00% in excess of the Applicable Margin then in effect.

"***Applicable Percentage***" means with respect to any Revolving Credit Lender at any time, the percentage (carried out to the ninth decimal place) of the Revolving Credit Facility represented by such Revolving Credit Lender's Revolving Credit Commitment at such time; *provided* that if the Revolving Credit Commitments have been terminated pursuant to the terms hereof, then the Applicable Percentage of each Lender shall be determined based upon the Applicable Percentage of such Lender immediately prior to such termination and after giving effect to any subsequent assignments made pursuant to the terms hereof.

"***Applicable Rate***" means (a) in the case of a Portion bearing interest based upon the Base Rate, the Base Rate *plus* the Applicable Margin; and (b) in the case of a Portion bearing interest based upon LIBOR, LIBOR *plus* the Applicable Margin.

"***Approved Fund***" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"***Approved Third-Party Appraiser***" means any independent nationally recognized third-party appraisal firm (a) designated by Borrower in writing to the Administrative Agent (which designation shall be accompanied by a copy of a resolution of the board of directors of Borrower that such firm has been approved by Borrower for purposes of assisting the board of directors of Borrower in making valuations of portfolio assets to determine Borrower's compliance with the applicable provisions of the Investment Company Act) and (b) acceptable to the Administrative Agent. It is understood and agreed that Mercer Capital is acceptable to the Administrative Agent.

"***Arranger***" means Texas Capital Bank in its capacity as sole lead arranger and sole book manager.

"***Assignment and Assumption***" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by ***Section 12.8***), and accepted by Administrative Agent, in substantially the form of ***Exhibit A*** or any other form approved by Administrative Agent.

"***Average Assets***" means, with respect to any issuer, for any period, the aggregate amount of average total assets of the applicable issuer, as reported on the Regulatory Capital Schedule of their respective Call Report applicable to such period.

"***Bank Product Agreements***" means those certain agreements entered into from time to time between any Obligated Party and a Lender or its Affiliate in connection with any of the Bank Products, including without limitation, Hedge Agreements.

"***Bank Product Obligations***" means all obligations, liabilities, contingent reimbursement obligations, fees, and expenses owing by any Obligated Party to any Lender or its Affiliate pursuant to or evidenced by the Bank Product Agreements and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all such amounts that an Obligated Party is obligated to reimburse to any Lender or its Affiliate as a result of such Lender or its Affiliate purchasing participations or executing indemnities or reimbursement obligations with respect to the Bank Products provided to any Obligated Party pursuant to the Bank Product Agreements. For the avoidance of doubt, the Bank Product Obligations arising under any Hedge Agreement shall be determined by the Hedge Termination Value thereof.

"***Bank Product Provider***" means any Person that, at the time it enters into a Bank Product Agreement is a Lender or an Affiliate of a Lender, in its capacity as a party to such Bank Product Agreement.

"***Bank Products***" means any service provided to, facility extended to, or transaction entered into with, any Obligated Party by any Lender or its Affiliate consisting of (a) deposit accounts, (b) cash management services, including treasury, depository, return items, overdraft, controlled disbursement, merchant store value cards, e-payables services, electronic funds transfer, interstate depository network, automatic clearing house transfer (including the Automated Clearing House processing of electronic funds transfers through the direct Federal Reserve Fedline system) and other cash management arrangements maintained with any Lender or its Affiliates, (c) debit cards, stored value cards, and credit cards (including commercial credit cards (including so-called "procurement cards" or "P-cards")) and debit card and credit card processing services or (d) Hedge Agreements.

"***Bank Regulatory Authority***" means the FRB, the OCC, the FDIC and all other relevant regulatory authorities (including, without limitation, any relevant state bank regulatory authorities).

"***Base Rate***" means, for any day, a rate of interest per annum equal to the highest of (a) the Prime Rate for such day; (b) the sum of the Federal Funds Rate for such day *plus* one half of one percent (0.5%); and (c) LIBOR for such day using clause (b) of the definition of LIBOR *plus* one percent (1.00%).

"***Base Rate Portion***" means each Portion bearing interest based on the Base Rate.

"***Borrower***" means the Person identified as such in the introductory paragraph hereto, and its successors and assigns to the extent permitted by ***Section 12.8***.

"***Borrower's Prospectus***" means Borrower's Prospectus dated November 6, 2013.

"***Borrowing Base***" means, as of any date, an amount equal to the sum of (a) 100% of Cash and Cash Equivalents of the Borrower and the Restricted Subsidiaries held by the Collateral Trustee in the Collateral Account for the benefit of the Secured Parties, plus (b) 50% (or such lower percentage as the Administrative Agent shall determine from time to time based on market, liquidity and other factors) of the Fair Market Value of all Publicly-Traded Securities owned by the Borrower and the Restricted Subsidiaries and held by the Collateral Trustee in the Collateral Account for the benefit of the Secured Parties, plus (c) 40% of the Market Value of all Eligible Securities owned by the Borrower and the Restricted Subsidiaries and held by the Collateral Trustee in the Collateral Account for the benefit of the Secured Parties minus (d) $250,000; *provided*, that (i) if the Market Value or Fair Market Value, as appropriate, of the aggregate Eligible Securities of issuers located in the same state exceed 20% of the Eligible Securities and Publicly-Traded Securities eligible to be included in the Borrowing Base, the amount of such excess shall not be included in the Borrowing Base and (ii) if the Market Value or Fair Market Value, as appropriate, of the aggregate Eligible Securities in any single issuer would otherwise constitute more than 15% of the Borrowing Base, the amount of such excess shall not be included in the calculation of the Borrowing Base without the prior approval (not to be unreasonably withheld or delayed) of the Lenders, which shall be communicated to Borrower within three Business Days from the date Borrower submits a written request to the Administrative Agent for such approval; *provided*, that the Administrative Agent's failure to

respond to such request within such three day period shall be deemed to be a denial of such request.

"***Borrowing Base Deficiency***" means, at any time, the failure of the Borrowing Base to equal or exceed the Revolving Credit Exposures of all Lenders at such time.

"***Borrowing Base Report***" means, as of any date of preparation, a certificate, substantially the form of ***Exhibit B***, or in any other form agreed to by Borrower and Administrative Agent, prepared by and certified by a Responsible Officer of Borrower.

"***Business Day***" means (a) for all purposes, a weekday, Monday through Friday, except a legal holiday or a day on which banking institutions in Dallas, Texas are authorized or required by law to be closed, and (b) for purposes of any LIBOR Portion, a day that satisfies the requirements of *clause (a)* and that is a day on which commercial banks in the City of London, England are open for business and dealing in offshore Dollars. Unless otherwise provided, the term "days" when used herein means calendar days.

"***Call Report***" means the "Consolidated Reports of Condition and Income" (FFIEC Form 031 or Form 041), or any successor form promulgated by the FFIEC.

"***Capitalized Lease Obligation***" means, with respect to any Person, the amount of Debt under a lease of Property by such Person that would be shown as a liability on a balance sheet of such Person prepared for financial reporting purposes in accordance with GAAP.

"***Cash***" means any immediately available funds in Dollars.

"***Cash Equivalents***" means, collectively, (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency thereof maturing within one hundred twenty (120) days from the date of acquisition thereof, (b) commercial paper maturing no more than one hundred twenty (120) days from the date of creation thereof and currently having the highest rating obtainable from either S&P or Moody's, (c) certificates of deposit maturing no more than one hundred twenty (120) days from the date of creation thereof issued by commercial banks incorporated under the laws of the United States, each having combined capital, surplus and undivided profits of not less than $500,000,000 and having a rating of "A" or better by a nationally recognized rating agency; provided that the aggregate amount invested in such certificates of deposit shall not at any time exceed $5,000,000 for any one such certificate of deposit and $10,000,000 for any one such bank, (d) time deposits maturing no more than thirty (30) days from the date of creation thereof with commercial banks or savings banks or savings and loan associations each having membership either in the FDIC or the deposits of which are insured by the FDIC and in amounts not exceeding the maximum amounts of insurance thereunder or (e) money market funds that invest exclusively in assets satisfying the requirements of clauses (a) through £d) of this definition; *provided* that in no event shall Cash Equivalents include any obligation that is not denominated in Dollars.

"***Cash Interest Expense***" means, for any Person for any period, total interest expense in respect of all outstanding Debt actually paid or that is payable by such Person during such period, including, without limitation, all commissions, discounts, and other fees and charges with respect to letters of credit and all net costs under Hedge Agreements in respect of interest rates to

the extent such costs are allocable to such period, but excluding interest expense not payable in cash, all as determined in accordance with GAAP.

"***Cash Income Tax Expense***" means, for any period, the provision for Federal, state, local and foreign income taxes payable by the Borrower and its Restricted Subsidiaries for such period, but excluding taxes not payable in cash, all as determined in accordance with GAAP; *provided that* for with respect to the fiscal quarter ended on (i) September 30, 2014, Cash Income Tax Expense shall be the product of (A) Cash Income Tax Expense for such fiscal quarter, multiplied by (B) four, (ii) December 31, 2014, Cash Income Tax Expense shall be the product of (A) Cash Income Tax Expense for the two fiscal quarters ended on such date, multiplied by (B) two, and (iii) March 31, 2015, Cash Income Tax Expense shall be the product of (A) the result of (x) Cash Income Tax Expense for the three fiscal quarters ended on such date, divided by (y) three, multiplied by (B) four.

"***CDOs***" means collateralized debt obligations.

"***CET1 Leverage Ratio***" means the CET1 risk based capital ratio (expressed as a percentage rounded to two decimal places), determined in accordance with the then-current regulations of the applicable Bank Regulatory Authority of such issuer.

"***Change in Law***" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; *provided* that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a *"Change in Law"*, regardless of the date enacted, implemented, adopted or issued.

"***Change of Control***" means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of 25% or more of the equity securities of Borrower entitled to vote for members of the board of directors or equivalent governing body of Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors); or

(c) the passage of thirty days from the date upon which any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of Borrower, or control over the equity securities of Borrower entitled to vote for members of the board of directors or equivalent governing body of Borrower on a fully-diluted basis (and taking into account all such securities that such Person or group has the right to acquire pursuant to any option right) representing 25% or more of the combined voting power of such securities; or

(d) (i) any investment advisory agreement or management agreement with the Investment Advisor which is in effect on the Closing Date for Borrower shall terminate, (ii) the Investment Advisor shall cease to be the investment advisor to Borrower; or (iii) the Investment Advisor shall (x) sell or otherwise dispose of all or substantially all of its assets or (y) consolidate with or merge into any other Person;

"***Closing Date***" means the first date all the conditions precedent in ***Section 5.1*** are satisfied or waived in accordance with ***Section 12.10***.

"***Code***" means the Internal Revenue Code of 1986.

"***Collateral***" means substantially all of the Property of Borrower and its Restricted Subsidiaries as described in the Security Documents (including, without limitation, equity interests in any Unrestricted Subsidiary owned by the Borrower or any of its Restricted Subsidiaries), together with any other Property and collateral described in the Security Documents, including, among other things, any Property which may now or hereafter secure the Obligations or any part thereof.

"***Collateral Account***" means one or more pledged accounts maintained by Borrower with the Collateral Trustee and pledged to Administrative Agent for the benefit of the Secured Parties to secure the Obligations.

"***Collateral Account Control Agreement***" means a collateral account control agreement, dated as of the date hereof, among the Collateral Trustee, the Administrative Agent and Borrower in form and substance satisfactory to the Administrative Agent.

"***Collateral Trustee***" means The Bank of New York Mellon, or such other financial institution acceptable to the Administrative Agent.

"***Commitment***" means a Revolving Credit Commitment.

"***Commodity Exchange Act***" means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.)*, as amended from time to time, and any successor statute.

"***Communications***" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of Borrower pursuant to any Loan Document or the transactions contemplated therein which is distributed to Administrative Agent or any Lender, by means of electronic communications pursuant to ***Section 12.11(d)***, including through the Platform.

"***Compliance Certificate***" means a certificate, substantially in the form of ***Exhibit*** C, or in any other form agreed to by Borrower and Administrative Agent, prepared by and certified by a Responsible Officer of Borrower.

"***Connection Income Taxes***" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"***Consolidated Net Income***" means, with respect to any issuer, for any period, the net income or loss of such issuer and its subsidiaries for such period, determined on a consolidated basis and in accordance with GAAP.

"***Constituent Documents***" means (a) in the case of a corporation, its articles or certificate of incorporation and bylaws; (b) in the case of a general partnership, its partnership agreement; (c) in the case of a limited partnership, its certificate of limited partnership or certificate of formation, as applicable, and partnership agreement; (d) in the case of a trust, its trust agreement; (e) in the case of a joint venture, its joint venture agreement; (f) in the case of a limited liability company, its articles of organization, operating agreement, regulations and/or other organizational and governance documents and agreements; and (g) in the case of any other entity, its organizational and governance documents and agreements.

"***Coverage Amount***" means, as of any date of determination, the sum of (a) all Revolving Credit Exposures of all Lenders on such date divided by 10, plus (b) Cash Interest Expense for the period of four consecutive fiscal quarters ending on such date; *provided* that for with respect to the fiscal quarter ended on (i) September 30, 2014, Cash Interest Expense shall be the product of (A) Cash Interest Expense for such fiscal quarter, multiplied by (B) four, (ii) December 31, 2014, Cash Interest Expense shall be the product of (A) Cash Interest Expense for the two fiscal quarters ended on such date, multiplied by (B) two, and (iii) March 31, 2015, Cash Interest Expense shall be the product of (A) the result of (x) Cash Interest Expense for the three fiscal quarters ended on such date, divided by (y) three, multiplied by (B) four.

"***Credit Extension***" means a Revolving Credit Borrowing.

"***Custodian Instructions***" means those instructions required to be delivered to The Bank of New York Mellon by Borrower pursuant to Section 5.6 of the Custody Agreement.

"***Custody Agreement***" means that certain Custody Agreement between Borrower and The Bank of New York Mellon dated as of November 15, 2013.

"***Debt***" means, of any Person as of any date of determination (without duplication): (a) all obligations of such Person for borrowed money; (b) all obligations of such Person evidenced by bonds, notes, debentures, or other similar instruments; (c) all obligations of such Person to pay the deferred purchase price of Property or services, except trade accounts payable of such Person arising in the ordinary course of business that are not past due by more than ninety (90) days; (d) all Capitalized Lease Obligations of such Person; (e) all Debt or other obligations of others Guaranteed by such Person; (f) all obligations secured by a Lien existing on Property owned by such Person, whether or not the obligations secured thereby have been assumed by such Person or are non-recourse to the credit of such Person; (g) any other obligation for borrowed money or other financial accommodations which in accordance with GAAP would be shown as a liability on the balance sheet of such Person; (h) any repurchase obligation or liability of a Person with respect to accounts, chattel paper or notes receivable sold by such Person; (i) any liability under a sale and leaseback transaction that is not a Capitalized Lease Obligation; (j) any obligation under any so called "synthetic leases;" (k) any obligation arising with respect to any other transaction that is the functional equivalent of borrowing but which does not constitute a liability on the balance sheets of a Person; (1) all payment and reimbursement obligations of such Person (whether contingent or otherwise) in respect of letters of credit, bankers' acceptances, surety or other bonds and similar instruments; (m) all liabilities of such Person in respect of unfunded vested benefits under any Plan; (n) all net Hedge Obligations of such Person, valued at the Hedge Termination Value thereof; and (o) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any equity interests in such Person or any other Person, valued, in the case of redeemable preferred stock interests, at the greater of its voluntary or involuntary liquidation preference plus all accrued and unpaid dividends.

For all purposes, the Debt of any Person shall include the Debt of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Debt is expressly made non-recourse to such Person.

"***Debt Service Coverage Ratio***" means, as of the date of determination, for Borrower and its Restricted Subsidiaries on a consolidated basis in accordance with GAAP, the ratio of (a) the sum of (i) Net Investment Income for the period of four consecutive fiscal quarters ending on such *date plus* (ii) Cash Interest Expense for the period of four consecutive fiscal quarters ending on such date, divided by (b) the Coverage Amount; *provided, however,* without duplication, all components of the Debt Service Coverage Ratio (other than clause (a) of the definition of Coverage Amount) for the fiscal quarter ending September 30, 2014 and the two fiscal quarters immediately thereafter shall be annualized as provided in the definitions of such components.

"***Debt Rating***" means, as of any date of determination, the rating as determined by Moody's of Borrower's non-credit-enhanced, senior secured long-term debt.

"***Debtor Relief Laws***" means Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, assignment for the benefit of creditors, moratorium, arrangement or composition, extension or adjustment of debts, or similar Laws affecting the rights of creditors.

"***Default***" means an Event of Default or the occurrence of an event or condition which with notice or lapse of time or both would become an Event of Default.

"***Default Interest Rate***" means an interest rate equal to (a) the Base Rate plus (b) the Applicable Margin, if any, applicable to a Base Rate Portion *plus* (c) two percent (2%) per annum; *provided, however,* that with respect to a LIBOR Portion, the Default Interest Rate shall be an interest rate equal to the interest rate (including any Applicable Margin) otherwise applicable to such Portion *plus* two percent (2%) per annum; *provided, however,* in no event shall the Default Interest Rate exceed the Maximum Rate.

"***Defaulting Lender***" means, subject to ***Section 12.22(b),*** any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies Administrative Agent and Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two (2) Business Days of the date when due, (b) has notified Borrower or Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by Administrative Agent or Borrower, to confirm in writing to Administrative Agent and Borrower that it will comply with its prospective funding obligations hereunder *(provided* that such Lender shall cease to be a Defaulting Lender pursuant to this ***clause*** *(c)* upon receipt of such written confirmation by Administrative Agent and Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; *provided* that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject,

repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by Administrative Agent that a Lender is a Defaulting Lender under any one or more of ***clauses (a)*** through ***(d)*** above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to ***Section 12.22(b)***) upon delivery of written notice of such determination to Borrower and each Lender.

"***Disposition***" means any sale, lease, sub-lease, transfer, assignment, conveyance, release, loss or other disposition, or entry into any contract the performance of which would result in any of the foregoing, of any interest in Property, or of any interest in a Subsidiary that owns Property, in any transaction or event or series of transactions or events, and "***Dispose***" has the correlative meaning thereto.

"***Dollars***" and "***$***" mean lawful money of the United States of America.

"***Eligible Assignee***" means any Person that meets the requirements to be an assignee under ***Section 12.8(b)(iii)***, ***(v)*** and ***(vi)*** (subject to such consents, if any, as may be required under ***Section 12.8(b)(iii)***).

"***Eligible Securities***" means any Portfolio Investment of Borrower that meets all of the criteria set forth below:

(a) such Portfolio Investment is free and clear of any Adverse Claims,

(b) the Administrative Agent has, for the benefit of the Secured Parties, a first priority perfected security interest in such Portfolio Investment pursuant to the Security Documents securing the obligations of the Obligated Parties under the Loan Documents,

(c) such Portfolio Investment is not comprised of options, warrants, puts, calls, strips, repurchase agreements (other than Permitted Treasury Repos), reverse repurchase agreements or similar securities,

(d) if such Portfolio Investment is not a "restricted security" under the Securities Act, (x) such Portfolio Investment is not subject to any restriction on transfer and (y) has not become materially unmarketable, due to a Change in Law, as determined by the Administrative Agent in its reasonable discretion,

(e) if such Portfolio Investment is a "restricted security" under the Securities Act (w) such Portfolio Investment is a security which is eligible to be sold pursuant to Rule 144A promulgated by the SEC ("Rule 144A"), (x) reasonably current financial information on the issuer of such Portfolio Investment required for a sale under Rule 144A is publically available in a form that satisfies the current information requirements of Rule 144A, (y) such Portfolio Investment has not become materially unmarketable, due to a Change in Law, as determined by the Administrative Agent in its reasonable discretion and (z) such Portfolio Investment is not subject to any restriction on transfer (excluding restrictions set forth in the Securities Act or Exchange Act in effect on the Closing Date),

(f) such Portfolio Investment is legally available to be pledged or hypothecated by Borrower to the Administrative Agent pursuant to this Agreement,

(g) (i) if such Portfolio Investment is a debt instrument or equity security, such Portfolio Investment is not (A) in default, (B) deferring payment or (C) non-paying for any reason, or (ii) if such Portfolio Investment is a CDO, the debt instrument or equity security that is securing such CDO is not (A) in default, (B) deferring payment or (C) non-paying for any reason, provided that if only a portion of the collateral securing such CDO is (A) in default, (B) deferring payment or (C) non-paying for any reason (each such portion, a "Non-Performing Portion"), only such Non-Performing Portion shall be excluded from the definition of "Eligible Securities",

(h) such Portfolio Investment is held in the Collateral Account,

(i) the Portfolio Company of such Portfolio Investment (i) is not the subject of any bankruptcy arrangement, receivership, conservatorship, reorganization proceeding or other proceeding for relief of debtors, (ii) is not insolvent, and (iii) has not admitted its inability to pay its debts generally,

(j) such Portfolio Investment is not issued by Affiliates of the Administrative Agent or any Lender,

(k) such Portfolio Investment is permitted to be purchased or held by Borrower in accordance with Borrower's Investment Policies and Restrictions,

(1) if such Portfolio Investment is a CDO backed by TruPS, the collateral securing such CDO shall be rated investment grade by one or more nationally recognized statistical rating organizations, provided that if only a portion of the collateral securing such CDO is not rated investment grade by one or more nationally recognized statistical rating organizations (each such portion, a "Non-Investment Grade Portion"), only such Non-Investment Grade Portion shall be excluded from the definition of "Eligible Securities",

(m) if such Portfolio Investment is issued by a bank or a bank holding company, the bank or the bank subsidiary of such bank holding company, as applicable, shall have exhibited all of the following characteristics in the immediately preceding fiscal quarter:

(a) a Texas Ratio of less than 60%;

(b) a Return on Average Assets Ratio on a rolling four-quarter basis of no less than 0.35%; and

(c) it is Well Capitalized.

For the avoidance of doubt, convertible preferred securities shall not be deemed to be options and therefore shall not be excluded by reason of clause (c) of this definition.

"***Environmental Laws***" means any and all federal, state, and local Laws, regulations, judicial decisions, orders, decrees, plans, rules, permits, licenses, and other governmental restrictions and requirements pertaining to health, safety, or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 et seq., the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq., the Clean Air Act, 42 U.S.C. § 7401 et seq., the Clean Water Act, 33 U.S.C. § 1251 et seq., and the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.

"***Environmental Liabilities***" means, as to any Person, all liabilities, obligations, responsibilities, Remedial Actions, losses, damages, punitive damages, consequential damages, treble damages, costs, and expenses (including, without limitation, all reasonable fees, disbursements and expenses of counsel, expert and consulting fees and costs of investigation and feasibility studies), fines, penalties, sanctions, and interest incurred as a result of any claim or demand, by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, including any Environmental Law, permit, order or agreement with any Governmental Authority or other Person, arising from environmental, health or safety conditions or the Release or threatened Release of a Hazardous Material into the environment, resulting from the past, present, or future operations of such Person or its Affiliates.

"***ERISA***" means the Employee Retirement Income Security Act of 1974.

"***ERISA Affiliate***" means any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of ***Section 414(b)*** of the Code) as an Obligated Party or is under common control (within the meaning of ***Section 414(c)*** of the Code and ***Sections 414(m)*** and ***(o)*** of the Code for purposes of the provisions relating to ***Section 412*** of the Code) with an Obligated Party.

"***ERISA Event***" means (a) a Reportable Event with respect to a Plan, (b) a withdrawal by any Obligated Party or any ERISA Affiliate from a Plan subject to ***Section 4063*** of ERISA during a plan year in which it was a substantial employer (as defined in ***Section 4001(a)(2)*** of ERISA) or a cessation of operations which is treated as such a withdrawal under ***Section 4062(e)*** of ERISA, (c) a complete or partial withdrawal by any Obligated Party or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization, (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under ***Section 4041*** or ***4041A*** of ERISA, or the commencement of proceedings by the PBGC to terminate a Plan or Multiemployer Plan, (e) the occurrence of an event or condition which might reasonably be expected to constitute grounds under ***Section 4042*** of ERISA for the termination of, or the appointment of a trustee to administer, any Plan or Multiemployer Plan, (f) the imposition of any liability to the PBGC under Title IV of ERISA, other than for PBGC premiums due but not delinquent under ***Section 4007*** of ERISA, upon any Obligated Party or any ERISA Affiliate, (g) the failure of any Obligated Party or ERISA Affiliate to meet any funding obligations with respect to any Plan or Multiemployer Plan, or (h) a Plan becomes subject to the at-risk requirements in ***Section 303*** of ERISA and ***Section 430*** of the Code.

"***Event of Default***" has the meaning set forth in ***Section 10.1.***

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder, as modified or interpreted by orders of the SEC, or other interpretative releases or letters issued by the SEC or its staff, all as from time to time in effect, or any successor law, rules or regulations, and any reference to any statutory or regulatory provision shall be deemed to be a reference to any successor statutory or regulatory provision.

"***Excluded Swap Obligation***" means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guaranty of such Guarantor of, or the grant by such Guarantor of a Lien to secure, such Swap Obligation (or any Guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act (determined after giving effect to any "keepwell, support or other agreement" for the benefit of such Guarantor and any and all guarantees of such Guarantor's Swap Obligations by Borrower or any other Guarantor) at the time the Guaranty of such Guarantor, or a grant by such Guarantor of a Lien, becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such

exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guaranty or Lien is or becomes excluded in accordance with the first sentence of this definition.

"***Excluded Taxes***" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the Laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in such Loan or Commitment (other than pursuant to an assignment request by Borrower under ***Section 3.6(b)***) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to ***Section 3.4***, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with ***Section 3.4(g)*** and (d) any U.S. federal withholding Taxes imposed under FATCA.

"***FATCA***" means ***Sections 1471*** through ***1474*** of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to ***Section 1471(b)(l)*** of the Code.

"***Fair Market Valuation Report***" means that certain valuation report consisting of summary information used by Borrower's internal management, board of directors, audit committee and Borrower's auditors to determine the fair market value of any asset in accordance

with GAAP and the Investment Company Act, certified by a Responsible Officer as prepared in compliance with the Valuation Procedures and the Investment Company Act.

"***Fair Market Value***" means with respect to any Publicly-Traded Security, (a) as of the date of acquisition of such Publicly-Traded Security, the closing share price of such Publicly-Traded Security as of such day and (b) as of the last trading day of each fiscal quarter, the closing share price of such Publicly-Traded Security as of such day.

"***FDIA***" means the Federal Deposit Insurance Act of 1933, as amended from time to time, and the regulations promulgated pursuant thereto.

"***FDIC***" means the Federal Deposit Insurance Corporation, or any successor thereto.

"***FRB***" means the Board of Governors of the Federal Reserve System.

"***Federal Funds Rate***" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York, on the Business Day next succeeding such day, *provided* that (a) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to Administrative Agent on such day on such transactions as determined by Administrative Agent.

"***Fee Letter***" means the separate fee letter dated as of March 4, 2014, between Borrower and Texas Capital Bank and any other fee letter among Borrower and Administrative Agent, Arranger and/or Texas Capital Bank concerning fees to be paid by Borrower in connection with this Agreement including any amendments, restatements, supplements or modifications thereof. By its execution of this Agreement, each Lender acknowledges and agrees that Administrative Agent, Arranger and/or Texas Capital Bank may elect to treat as confidential and not share with Lenders any Fee Letters executed from time to time in connection with this Agreement.

"***Financial Covenant***" means the financial covenant set forth in ***Section 9.1***.

"***FFIEC***" means the Federal Financial Institutions Examination Council, or any successor thereto.

"***Foreign Lender***" means (a) if Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if Borrower is not a U.S. Person, a Lender that is resident or organized under the Laws of a jurisdiction other than that in which Borrower is resident for tax purposes.

"***Fund***" means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

"***GAAP***" means generally accepted accounting principles, applied on a consistent basis, as set forth in opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants and/or in statements of the Financial Accounting Standards Board and/or their respective successors and which are applicable in the circumstances as of the date in question. Accounting principles are applied on a "consistent basis" when the accounting principles applied in a current period are comparable in all material respects to those accounting principles applied in a preceding period.

"***Governmental Authority***" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank, tribal body or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank), and any group or body charged with setting financial accounting or regulatory capital rules or standards (including without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

"***Governmental Guaranty***" means any guaranty or other agreement by which (a) the FDIC or FRB agrees to indemnify such Person or any Subsidiary of such Person for any loss related to any asset of any Subsidiary of such Person acquired by such Subsidiary from the FDIC, and (b) any agency not described in *clause (a)* of the federal government of the United States of America which agrees to indemnify such Person or any Subsidiary of such Person for any loss related to any asset of such Person or a Subsidiary of such Person and which indemnity is backed by the full faith and credit of the federal government of the United States of America.

"***Guarantee***" by any Person means any obligation or liability, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person as well as any obligation or liability, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation or liability (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to operate Property, to take-or-pay, or to maintain net worth or working capital or other financial statement conditions or otherwise) or (b) entered into for the purpose of indemnifying or assuring in any other manner the obligee of such Debt or other obligation or liability of the payment thereof or to protect the obligee against loss in respect thereof (in whole or in part); *provided* that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "***Guarantee***" used as a verb has a corresponding meaning.

"***Guarantors***" means each Person who from time to time Guarantees all or any part of the Obligations under the Loan Documents, and "Guarantor" means any one of the Guarantors.

"***Guaranty***" means a written guaranty of each Guarantor in favor of Administrative Agent, for the benefit of Lenders, in form and substance satisfactory to Administrative Agent.

"***Hazardous Material***" means any substance, product, waste, pollutant, material, chemical, contaminant, constituent, or other material which is or becomes listed, regulated, or addressed under any Environmental Law, including, without limitation, asbestos, petroleum, and polychlorinated biphenyls.

"***Hedge Agreement***" means (a) any and all interest rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules and annexes, a "***Master Agreement***") and (c) any and all Master Agreements and any and all related confirmations.

"***Hedge Obligations***" means, at any time with respect to any Person, all indebtedness, liabilities, and obligations of such Person under or in connection with any Hedge Agreement, whether actual or contingent, due or to become due and existing or arising from time to time.

"***Hedge Termination Value***" means, in respect of any one or more Hedge Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Hedge Agreements, (a) for any date on or after the date such Hedge Agreements have been closed out and settlement amounts, early termination amounts or termination value(s) determined in accordance therewith, such settlement amounts, early termination amounts or termination value(s), and (b) for any date prior to the date referenced in *clause (a)*, the amount(s) determined as the mark-to-market value(s) for such Hedge Agreements, as determined based upon one or more commercially reasonable mid-market or other readily available quotations provided by any dealer which is a party to such Hedge Agreement or any other recognized dealer in such Hedge Agreements (which may include a Lender or any Affiliate of a Lender).

"***Increase Effective Date***" has the meaning set forth in ***Section 2.8(d)***.

"***Indemnified Taxes***" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of Borrower under any Loan Document and (b) to the extent not otherwise described in ***clause (a)***, Other Taxes.

"***Information***" has the meaning set forth in ***Section 12.25***.

"***Intellectual Property***" means all copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses and other types of intellectual property, in whatever form, now owned or hereafter acquired.

"***Interest Period***" means with respect to any LIBOR Portion, the period commencing on the date such Portion becomes a LIBOR Portion (whether by the making of a Loan or its continuation or conversion) and ending on the numerically corresponding day in the calendar month that is one (1), two (2) or three (3) months thereafter, as Borrower may elect; *provided*, that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period pertaining to a LIBOR Portion that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period.

"***Interest Rate***" means the rate equal to the lesser of (a) the Maximum Rate and (b) the Applicable Rate.

"***Investment Advisor***" means StoneCastle Asset Management LLC, a Delaware limited liability company.

"***Investment Company Act***" means the Investment Company Act of 1940 as amended, and the rules and regulations of the SEC thereunder, as modified or interpreted by orders of the SEC, or other interpretative releases or letters issued by the SEC or its staff, all as from time to time in effect, or any successor law, rules or regulations, and any reference to any statutory or regulatory provision shall be deemed to be a reference to any successor statutory or regulatory provision.

"***Investment Policies and Restrictions***" means, with respect to Borrower, the provisions dealing with objectives, policies and restrictions relating to investment and borrowing by Borrower, as set forth in the Borrower's Prospectus and in Borrower's "Investment Policies and Techniques", as are in effect on the Closing Date and as modified as permitted under this Agreement, or such other objectives, policies and restrictions as are otherwise consented to in writing by the Administrative Agent and the Lenders.

"***IRS***" means the Internal Revenue Service or any entity succeeding to all or any of its functions.

"***Laws***" means, collectively, all international, foreign, federal, state, provincial and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administrative thereof by any Governmental Authority charged with the enforcement, interpretation or administrative thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"***Lender***" and "***Lenders***" have the meanings set forth in the introductory paragraph hereto.

"***Lending Office***" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify Borrower and Administrative Agent.

"***LIBOR***" means:

(a) with respect to each Interest Period, the rate per annum for deposits for the same term in United States Dollars that appears on Thomson Reuters British Banker's Association LIBOR Rates Page (or the successor thereto if the British Banker's Association is no longer making a LIBOR rate available) at approximately 11:00 a.m., London, England time, on the related LIBOR Determination Date. If such rate does not appear on such screen or service, or such screen or service shall cease to be available, then LIBOR shall be determined by Administrative Agent to be the offered rate on such other screen or service that displays an average Interest Settlement Rate for deposits in United States Dollars (for delivery on the first day of such Interest Period) for a term equivalent to such Interest Period as of 11:00 a.m. on the relevant LIBOR Determination Date. If the rates referenced in the two (2) preceding sentences are not available, then LIBOR for the relevant Interest Period will be determined by such alternate method as is reasonably selected by Administrative Agent; and

(b) for any interest calculation with respect to a Loan that bears interest based on the Base Rate on any date, the rate per annum for deposits in United States Dollars that appears on Thomson Reuters British Banker's Association LIBOR Rates Page (or the successor thereto if the British Banker's Association is no longer making a LIBOR rate available) at approximately 11:00 a.m., London, England time, on the related LIBOR Determination Date for a term of one (1) month commencing on the date of calculation. If such rate does not appear on such screen or service, or such screen or service shall cease to be available, then LIBOR shall be determined by Administrative Agent to be the offered rate on such other screen or service that displays an average Interest Settlement Rate for deposits in United States Dollars (for delivery on such date of calculation) for a term of one (1) month as of 11:00 a.m. on the relevant LIBOR Determination Date. If the rates referenced in the two (2) preceding sentences are not available, then LIBOR for a term of one (1) month will be determined by such alternate method as is reasonably selected by Administrative Agent.

"***LIBOR Determination Date***" means a day that is two (2) Business Days prior to the beginning of the relevant Interest Period or prior to the applicable date, as applicable.

"***LIBOR Portion***" means each Portion bearing interest based on the LIBOR.

"***Lien***" means, as to any Property of any Person, (a) any lien, mortgage, security interest, tax lien, pledge, charge, hypothecation, collateral assignment, preference, priority, or other encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or title retention agreement), whether arising by contract, operation of law, or otherwise, affecting such Property and (b) the signing or filing of a financing statement which names the Person as debtor or the signing of any security agreement or the signing of any document authorizing a secured party to file any financing statement which names such Person as debtor.

"Loan" means an extension of credit by a Lender to Borrower under ***Article 2*** in the form of a Revolving Credit Loan.

"***Loan and Lease Allowance***" means, as of any date of determination, as determined on a consolidated basis for the applicable Person and its subsidiaries and in accordance with GAAP, the aggregate amount of the allowance for loan and lease losses of such Person, as reported on the Regulatory Capital Schedule of their respective Call Report applicable to such period.

"***Loan Documents***" means this Agreement, the Guaranty, the Security Documents, the Notes, and all other promissory notes, security agreements, deeds of trust, assignments, letters of credit, guaranties, and other instruments, documents, or agreements executed and delivered pursuant to or in connection with this Agreement or the Security Documents; *provided* that the term "Loan Documents" shall not include any Bank Product Agreement.

"***Loss***" has the meaning set forth in ***Section 7.5(c)***.

"***Margin Stock***" has the meaning assigned to such term in Regulation U.

"***Market Value***" means, as of any date of determination, in respect of any asset of Borrower and its Restricted Subsidiaries, the lesser of (a) the market value assigned to such asset pursuant to Borrower's Fair Market Valuation Report and (b) the market value assigned to such asset pursuant to the Third-Party Valuation Report; *provided* that, in each case, (i) such Market Value shall be computed in accordance with the Valuation Procedures and Applicable Law, including, without limitation, the Investment Company Act and (ii) the Market Value of any asset shall be net of Borrower and its Restricted Subsidiaries' liabilities relating thereto, including without limitation all of Borrower's and its Restricted Subsidiaries' obligations to pay any unpaid portion of the purchase price thereof, but excluding any liabilities under this Agreement. Notwithstanding the foregoing, if on any date of determination, a current Third-Party Valuation Report is not available, the Market Value of an asset shall be determined using the lesser of (x) the actual cost of such asset and (y) the market value of such asset determined pursuant to clause (a) of the previous sentence.

"***Material Adverse Event***" means any act, event, condition, or circumstance which could reasonably materially and adversely affect (a) the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of Borrower or Borrower and its Restricted Subsidiaries, taken as a whole; (b) the ability of any Obligated Party to perform its obligations under any Loan Document to which it is a party; or (c) the legality, validity, binding effect or enforceability against any Obligated Party of any Loan Document to which it is a party. For the avoidance of doubt, so long as the Debt Rating remains investment grade, a lowering of the Debt Rating at any time shall not be deemed a Material Adverse Event.

"***Maturity Date***" means June 9, 2019, or such earlier date on which the Revolving Credit Commitment of each Revolving Credit Lender terminates as provided in this Agreement; *provided, however,* that, in each case, if such date is not a Business Day, the Maturity Date shall be the next succeeding Business Day.

"***Maximum Rate***" means, at all times, the maximum rate of interest which may be charged, contracted for, taken, received or reserved by Lenders in accordance with applicable

Texas law (or applicable United States federal law to the extent that such law permits Lenders to charge, contract for, receive or reserve a greater amount of interest than under Texas law). The Maximum Rate shall be calculated in a manner that takes into account any and all fees, payments, and other charges in respect of the Loan Documents that constitute interest under applicable law. Each change in any interest rate provided for herein based upon the Maximum Rate resulting from a change in the Maximum Rate shall take effect without notice to Borrower at the time of such change in the Maximum Rate.

"***Mercer Capital***" means Mercer Capital, Inc., a Delaware corporation.

"***Moody's***" means Moody's Investors Service, Inc. and any successor thereto.

"***Multiemployer Plan***" means a multiemployer plan defined as such in *Section 3(37)* of ERISA to which contributions are being made or have been made by, or for which there is an obligation to make by or there is any liability, contingent or otherwise, with respect to an Obligated Party or any ERISA Affiliate and which is covered by Title IV of ERISA.

"***Net Cash Proceeds***" means with respect to the sale of any asset by Borrower or any Restricted Subsidiary or issuance of Debt by such Person, the excess, if any, of (i) the sum of cash and cash equivalents received in connection with such sale (including any cash received by way of deferred payment pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received) over (ii) the sum of (A) the principal amount of any Debt that is secured by such asset and that is required to be repaid in connection with the sale thereof (other than Debt under the Loan Documents), (B) the out-of-pocket expenses incurred by Borrower or any Restricted Subsidiary in connection with such sale and (C) income taxes reasonably estimated to be actually payable within two years of the date of the relevant asset sale as a result of any gain recognized in connection therewith.

"***Net Investment Income***" means, for Borrower and its Restricted Subsidiaries for any period, the sum of (a)(i) all interest income, (ii) dividend income, and (iii) all fees earned on Eligible Securities, in each case actually accrued or received by Borrower and its Restricted Subsidiaries on a consolidated basis in accordance with GAAP minus (b) the sum of (i) all Advisory Fees, (ii) ABA affiliate fees, (iii) total administration fees and expenses, (iv) if applicable, Cash Income Tax Expense of Borrower and its Restricted Subsidiaries on a consolidated basis in accordance with GAAP and (v) any other cash-based expense (including, without limitation, Cash Interest Expense); *provided* that with respect to the fiscal quarter ended on (i) September 30, 2014, Net Investment Income shall be the product of (A) Net Investment Income for such fiscal quarter, multiplied by (B) four, (ii) December 31, 2014, Net Investment Income shall be the product of (A) Net Investment Income for the two fiscal quarters ended on such date, multiplied by (B) two, and (iii) March 31, 2015, Net Investment Income shall be the product of (A) the result of (x) Net Investment Income for the three fiscal quarters ended on such date, divided by (y) three, multiplied by (B) four. Notwithstanding the foregoing, Net Investment Income shall include, without duplication, any accrual of dividends payable not less than quarterly from preferred securities although such accrued dividends would not be recognized as income in accordance with GAAP.

"***Non-Consenting Lender***" means any Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all affected Lenders in accordance with the terms of ***Section 12.10*** and (b) has been approved by the Required Lenders.

"***Non-Defaulting Lender***" means, at any time, each Lender that is not a Defaulting Lender at such time.

"***Non-Performing Assets***" means, at any date, as determined on a consolidated basis for the applicable Person and in accordance with GAAP, the aggregate amount of (a) all non-accrual loans (net of the amount (without duplication) payable to the applicable Person with respect to such asset pursuant to any Governmental Guaranty), (b) all loans that are ninety (90) days or more past due and that are still accruing interest (net of the amount (without duplication) payable to the applicable Person with respect to such asset pursuant to any Governmental Guaranty), (c) all other real estate owned (OREO (as defined by the applicable Bank Regulatory Authority)) (net of the amount (without duplication) payable to the applicable Person with respect to such asset pursuant to any Governmental Guaranty), (d) all other repossessed assets (net of the amount (without duplication) payable to the applicable Person with respect to such asset pursuant to any Governmental Guaranty), and (e) all loans that were restructured in troubled debt restructurings (net of the amount (without duplication) payable to the applicable Person with respect to such asset pursuant to any Governmental Guaranty).

"***Non-Performing Portfolio Investments***" means (i) with respect to a Portfolio Investment that is a debt instrument or equity security, Portfolio Investments which are (A) in default, (B) deferring payment or (C) non-paying for any reason, and (ii) with respect to a Portfolio Investment that is a CDO, the debt instrument or equity security that is securing such CDO is (A) in default, (B) deferring payment or (C) non-paying for any reason. For the avoidance of doubt, with respect to clause (ii) above, only those debt instruments or equity securities which secure such CDO and are (A) in default, (B) deferring payment or (C) non-paying for any reason shall be "Non-Performing Portfolio Investments."

"***Notes***" means, collectively, the Revolving Credit Notes, and *"Note"* means any one of the Notes.

"***Obligated Party***" means Borrower, each Guarantor or any other Person who is or becomes party to any agreement that obligates such Person to pay or perform, or that Guarantees or secures payment or performance of, the Obligations under the Loan Documents or any part thereof.

"***Obligations***" means all obligations, indebtedness, and liabilities of Borrower, each Guarantor and any other Obligated Party to Administrative Agent, each Lender and any Affiliates of Administrative Agent or any Lender now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several, arising under or pursuant to this Agreement, the other Loan Documents, any Bank Product Agreements, and all interest accruing thereon (whether a claim for post-filing or post-petition interest is allowed in any bankruptcy, insolvency, reorganization or similar proceeding) and all attorneys' fees and other expenses incurred in the enforcement or collection

thereof; *provided* that, as to any Guarantor, the "Obligations" shall exclude any Excluded Swap Obligations of such Guarantor.

"***OCC***" means the Office of the Comptroller of the Currency, or any agency succeeding to any of its principal functions.

"***OFAC***" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"***Other Connection Taxes***" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"***Other Taxes***" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to ***Section 3.6***).

"***Outstanding Amount***" means, with respect to the Revolving Credit Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Revolving Credit Loans occurring on such date.

"***Participant***" means any Person (other than a natural Person, a Defaulting Lender, or Borrower or any of Borrower's Affiliates or Subsidiaries or any other Obligated Party) to which a participation is sold by any Lender in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it).

"***Participant Register***" means a register in the United States on which each Lender that sells a participation enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents.

"***Patriot Act***" means the Uniting and Strengthening America by Providing Appropriate Tools to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. 107-56, signed into law October 26, 2001).

"***Payment Date***" means (a) in respect of each Base Rate Portion, the last day of each and every calendar quarter during the term of this Agreement and the Maturity Date, and (b) in respect of each LIBOR Portion, the last day of each Interest Period applicable to such LIBOR Portion (or the day that is three months after the first day of such Interest Period if such Interest Period has a length of more than three (3) months) and the Maturity Date.

"***PBGC***" means the Pension Benefit Guaranty Corporation or any entity succeeding to all or any of its functions under ERISA.

"***Permitted Liens***" means those Liens permitted by ***Section 8.2***.

"***Permitted Treasury Repos***" means repurchase obligations for underlying securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality of thereof, having maturities of not more than one hundred and twenty (120) days from the date of acquisition; *provided* such repurchase obligations are entered into with any commercial bank having combined capital and surplus in excess of $250,000,000.

"***Person***" means any individual, corporation, limited liability company, business trust, association, company, partnership, joint venture, Governmental Authority, or other entity, and shall include such Person's heirs, administrators, personal representatives, executors, successors and assigns.

"***Plan***" means any employee benefit or other plan, other than a Multiemployer Plan, established or maintained by, or for which there is an obligation to make contributions by or there is any liability, contingent or otherwise with respect to Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA or subject to ***Section 412*** of the Code.

"***Platform***" means Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system.

"***Portfolio Company***" means the issuer or obligor under any Portfolio Investment held by Borrower.

"***Portfolio Investment***" means any investment held by Borrower in its asset portfolio consisting of TARP Preferred Securities, debt instruments issued by banks or bank holding companies, CDOs backed by TruPS and other preferred (including convertible preferred) and common equity securities issued by banks or bank holding companies and any Publicly-Traded Securities.

"***Portion***" means any principal amount of any Loan bearing interest based upon the Base Rate or LIBOR.

"***Prime Rate***" means the rate of interest per annum publicly announced from time to time by Texas Capital Bank as its prime rate in effect at its Principal Office; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective. Such rate is set by Texas Capital Bank as a general reference rate of interest, taking into account such factors as Texas Capital Bank may deem appropriate; it being understood that many of Texas Capital Bank's commercial or other loans are priced in relation to such rate, that it is not necessarily the lowest or best rate actually charged to any customer and that Texas Capital Bank may make various commercial or other loans at rates of interest having no relationship to such rate.

"***Principal Office***" means the principal office of Administrative Agent, presently located at the address set forth on ***Schedule 12.11***.

"***Pro Forma Basis***" means, for any disposition of Portfolio Investments or for any acquisition of Portfolio Investments, for purposes of determining compliance with the covenant set forth in Section 8.4(c), each such transaction shall be deemed to have occurred on and as of the first day of such four fiscal quarter period, and the following pro forma adjustments shall be made:

(a) in the case of a disposition, all income statement items (whether positive or negative) attributable to the Portfolio Investment subject to such disposition shall be excluded from the results of the Borrower and its Restricted Subsidiaries for such four quarter period; and

(b) in the case of an acquisition, all income statement items (whether positive or negative) attributable to the Portfolio Investment subject to such acquisition shall be included in the results of the Borrower and its Restricted Subsidiaries for such four quarter period on an annualized basis.

"***Prohibited Transaction***" means any transaction set forth in ***Section 406*** of ERISA or ***Section 4975*** of the Code.

"***Property***" of a Person means any and all property, whether real, personal, tangible, intangible or mixed, of such Person, or any other assets owned, operated or leased by such Person.

"***Publicly-Traded Securities***" means securities (other than Eligible Securities) (including, but not limited to, securities of financial institutions) (a) constituting common equity securities, (b) issued by an issuer domiciled in, and having its principal place of business in, the United States of America with a market capitalization of at least $500,000,000, (c) that are publicly traded, (d) priced in Dollars, (e) having a price per share or other unit of at least $5.00 and (f) for which the inclusion of such securities in the Borrowing Base has received the prior written consent of the Administrative Agent. If securities do not meet the requirements set forth in clauses (a) through (e) above, Borrower may request that Administrative Agent approve their inclusion in the Borrowing Base, which response shall be communicated to Borrower within three Business Days from the date Borrower submits a written request to Administrative Agent for such approval; *provided*, that the Administrative Agent's failure to respond to such request within such three day period shall be deemed to be a denial of such request.

"***Recipient***" means Administrative Agent, and any Lender, as applicable.

"***Register***" means a register for the recordation of the names and addresses of Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time.

"***Regulation U***" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time, and all official rulings and interpretations thereunder and thereof.

"***Related Indebtedness***" means any and all indebtedness paid or payable by Borrower to Administrative Agent or any Lender pursuant to any Loan Document other than any Note.

"***Related Parties***" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"***Release***" means, as to any Person, any release, spill, emission, leaking, pumping, injection, deposit, disposal, disbursement, leaching, or migration of Hazardous Materials into the indoor or outdoor environment or into or out of property owned by such Person, including, without limitation, the movement of Hazardous Materials through or in the air, soil, surface water, ground water, or Property.

"***Remedial Action***" means all actions required to (a) clean up, remove, treat, or otherwise address Hazardous Materials in the indoor or outdoor environment, (b) prevent the Release or threat of Release or minimize the further Release of Hazardous Materials so that they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, or (c) perform pre-remedial studies and investigations and post-remedial monitoring and care.

"***Removal Effective Date***" has the meaning set forth in ***Section 11.6(b)***.

"***Reportable Event***" means any of the events set forth in ***Section 4043*** of ERISA.

"***Required Lenders***" means, as of any date of determination, Revolving Credit Lenders holding more than 66 2/3% of the sum of the (a) Revolving Credit Exposure of all Revolving Credit Lenders and (b) aggregate unused Revolving Credit Commitments; *provided* that, if one Revolving Credit Lender holds more than 66 2/3% but less than 100% of the sum of the Revolving Credit Exposure and the unused Revolving Credit Commitments at such time, subject to the last sentence of ***Section 12.10***, Required Lenders shall be at least two Revolving Credit Lenders. The unused Revolving Credit Commitment of, and the portion of the Revolving Credit Exposure of all Revolving Credit Lenders held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"***Resignation Effective Date***" has the meaning set forth in ***Section 11.6(a)***.

"***Responsible Officer***" means the chief executive officer, president, chief financial officer, or treasurer of an Obligated Party or any Person designated by a Responsible Officer to act on behalf of a Responsible Officer; *provided* that such designated Person may not designate any other Person to be a Responsible Officer. Any document delivered hereunder that is signed by a Responsible Officer of an Obligated Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Person and such Responsible Officer shall be conclusively presumed to have acted on behalf of Obligated Party.

"***Restricted Period***" means each and every period commencing upon the occurrence of a Restricted Period Trigger Date and continuing until such date that (a) there exists no Default on such date, and (b) the Borrower has delivered a Compliance Certificate as required by, and in accordance with the terms of, ***Section 7.1(c)*** for a quarterly period that ended after the most recent Restricted Period Trigger Date, demonstrating that (i) there existed no Default on the last day of the fiscal quarter for which such Compliance Certificate was delivered and (ii) the Debt

Service Coverage Ratio was greater than or equal to 1.25 to 1.00 on the last day of fiscal quarter for which such Compliance Certificate was delivered; ***provided*** that at any time after the occurrence of a Restricted Period Trigger Date and before such Restricted Period ends if (x) the Non-Performing Portfolio Investments of Borrower and its Restricted Subsidiaries comprise 4% or more of the total assets of the Borrower and its Restricted Subsidiaries or (y) Borrower fails to comply with ***Section 2.7(e)*** or ***Section 7.1(q)***, then such Restricted Period shall immediately terminate and an Event of Default shall exist.

For the avoidance of doubt, for a Restricted Period to end, the Compliance Certificate required to be delivered demonstrating that the Debt Service Coverage Ratio was greater than or equal to 1.25 to 1.00 must be the quarterly or annual Compliance Certificate required to be delivered by ***Section 7.1(c)***, and there must not have been a Restricted Period Trigger Date since the last day of the applicable fiscal quarter or year for which such Compliance Certificate was delivered.

"***Restricted Period Trigger Date***" means the first day on which the Debt Service Coverage Ratio is less than 1.25 to 1.00 but greater than 1.15 to 1.00.

"***Restricted Subsidiary***" means (unless designated an "***Unrestricted Subsidiary***" in accordance with the terms of the definition of "***Unrestricted Subsidiary***"), each Subsidiary of the Borrower, which such Subsidiary shall also be a Guarantor. To the extent that (a) there exists no Default prior to and/or after giving effect thereto, and (b) any Unrestricted Subsidiary (i) executes a Guaranty of the Obligations, (ii) has 100% of its equity interests pledged to secure the Obligations, (iii) grants a Lien in its assets to secure the Obligations, and (iv) has no existing Debt or Liens at the time of designation as a Restricted Subsidiary that would not have been permitted to be incurred or exist under ***Section 8.1*** and ***Section 8.2*** if such Unrestricted Subsidiary had been a Restricted Subsidiary at the time of its incurrence, then after such notice to the Administrative Agent that such conditions have been met, such Unrestricted Subsidiary shall thereafter be included in the definition of Restricted Subsidiaries and treated as such, and shall not be included in the definition of Unrestricted Subsidiary.

"***Return of Capital***" means (a) any cash amount (and net cash proceeds of any noncash amount) received by any Obligated Party at any time in respect of the outstanding principal of any Portfolio Investment (whether at stated maturity, by acceleration or otherwise), (b) without duplication of amounts received under clause (a), any net cash proceeds (including net cash proceeds of any noncash consideration) received by any Obligated Party at any time from the sale of any property or assets pledged as collateral in respect of any Portfolio Investment to the extent such net cash proceeds are less than or equal to the outstanding principal balance of such Portfolio Investment, (c) any cash amount (and net cash proceeds of any noncash amount) received by any Obligated Party at any time in respect of any Portfolio Investment that is an equity interest (i) upon the liquidation or dissolution of the issuer of such Portfolio Investment, (ii) as a distribution of capital made on or in respect of such Portfolio Investment, or (iii) pursuant to the recapitalization or reclassification of the capital of the issuer of such Portfolio Investment or pursuant to the reorganization of such issuer or (d) any similar return of capital received by any Obligated Party in cash (and net cash proceeds of any noncash amount) in respect of any Portfolio Investment.

"***Return on Average Assets Ratio***" means, for the most recently completed four fiscal quarters of the applicable issuer, the ratio (expressed as a percentage rounded to two decimal places) of (a) Consolidated Net Income of such issuer, to (b) Average Assets of such issuer.

"***Revolving Credit Availability***" means, as of any date, the difference between (a) an amount equal to the lesser of (i) the Borrowing Base in effect on such date and (ii) the aggregate amount of the Commitments of the Revolving Credit Lenders on such date less (b) the total Revolving Credit Exposure of the Revolving Credit Lenders on such date.

"***Revolving Credit Borrowing***" means a borrowing consisting of simultaneous Revolving Credit Loans made by each of the Revolving Credit Lenders pursuant to ***Section 2.1.***

"***Revolving Credit Borrowing Request***" means a writing, substantially in the form of ***Exhibit* D,** properly completed and signed by Borrower, requesting a Revolving Credit Borrowing.

"***Revolving Credit Commitment***" means, as to each Revolving Credit Lender, its obligation to make Revolving Credit Loans to Borrower pursuant to ***Section 2.1 (a)***, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on ***Schedule***

2.1 under the caption "Revolving Credit Commitment" or opposite such caption in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"***Revolving Credit Exposure***" means, as to any Revolving Credit Lender at any time, the aggregate principal amount at such time of its outstanding Revolving Credit Loans at such time.

"***Revolving Credit Facility***" means, at any time, the aggregate amount of the Revolving Credit Lenders' Revolving Credit Commitments at such time.

"***Revolving Credit Lender***" means, (a) at any time prior to the termination of the Revolving Credit Commitments, any Lender that has a Revolving Credit Commitment at such time, and (b) at any time after the termination of the Revolving Credit Commitments, any Lender that has Revolving Credit Exposure at such time.

"***Revolving Credit Loan***" has the meaning set forth in ***Section 2.1 (a).***

"***Revolving Credit Note***" means a promissory note made by Borrower in favor of a Revolving Credit Lender evidencing Revolving Credit Loans made by such Revolving Credit Lender, substantially in the form of ***Exhibit E.***

"***RIC***" means a Person qualifying for treatment as a "regulated investment company" under the Code.

"***RICO***" means the Racketeer Influenced and Corrupt Organization Act of 1970.

"***S&P***" means Standard & Poor's Ratings Services, LLC, a division of The McGraw Hill Companies, Inc. and any successor thereto.

"***SDN List***" has the meaning set forth in ***Section 6.19.***

"***SEC***" means the Securities and Exchange Commission or any other governmental authority of the United States of America at the time administering the Securities Act, the Investment Company Act or the Exchange Act.

"***Securities Act***" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder, as modified or interpreted by orders of the SEC, or other interpretative releases or letters issued by the SEC or its staff, all as from time to time in effect, or any successor law, rules or regulations, and any reference to any statutory or regulatory provisions shall be deemed to be a reference to any successor statutory or regulatory provision.

"***Secured Parties***" means the collective reference to Administrative Agent, each Lender, each Bank Product Provider, and any other Person the Obligations owing to which are, or are purported to be, secured by the Collateral under the terms of the Security Documents.

"***Security Documents***" means each and every security agreement, pledge agreement, mortgage, deed of trust, control agreement or other collateral security agreement required by or delivered to Administrative Agent from time to time that purport to create a Lien in favor of any of the Secured Parties to secure payment or performance of the Obligations or any portion thereof.

"***Solvent***" means, with respect to any Person, as of any date of determination, that the fair value of the assets of such Person (at fair valuation) is, on the date of determination, greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such Person as of such date, that the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the probable liability of such Person on its debts as such debts become absolute and matured, and that, as of such date, such Person will be able to pay all liabilities of such Person as such liabilities mature and such Person does not have unreasonably small capital with which to carry on its business. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability discounted to present value at rates believed to be reasonable by such Person acting in good faith.

"***Subsidiary***" of a Person means (a) any corporation of which at least a majority of the outstanding shares of stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more of other Subsidiaries of such Person or by such Person and one or more of such Subsidiaries of such Person, and (b) any other entity (i) of which at least a majority of the ownership, equity or voting interest is at the time directly or indirectly owned or controlled by one or more of such Person and other Subsidiaries of such Person and (ii) which is treated as a subsidiary in accordance with GAAP. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

"***Swap Obligations***" means with respect to any Guarantor any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section la(47) of the Commodity Exchange Act.

"***TARP Preferred Securities***" means preferred securities issued pursuant to the Troubled Asset Relief Program established by the Emergency Economic Stabilization Act of 2005 (Division A of Public Law 110-343).

"***Taxes***" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"***Texas Capital Bank***" means Texas Capital Bank, National Association, a national banking association, and its successors and assigns.

"***Texas Ratio***" means, with respect to each issuer of securities, the ratio (expressed as a percentage rounded to two decimal places) of (a) such issuer's Non-Performing Assets to (b) (i) the aggregate amount of Tier 1 risk based capital of such issuer as at the date of determination, plus (ii) the Loan and Lease Allowance of such issuer as at the date of determination minus (iii) the aggregate amount of all disallowed goodwill and other intangible assets of such issuer as at the date of determination.

"***Third-Party Valuation Report***" means a valuation report of Borrower's assets that is less than thirteen months aged, prepared by an Approved Third-Party Appraiser in accordance with the Investment Company Act and is otherwise in form and substance satisfactory to the Administrative Agent.

"***Tier 1 Leverage Ratio***" means, with respect to each issuer, the Tier 1 leverage ratio (expressed as a percentage rounded to two decimal places), determined in accordance with the then-current regulations of the applicable Bank Regulatory Authority of such issuer.

"***Tier 1 Capital Ratio***" means, with respect to each issuer, the Tier 1 risk based capital ratio (expressed as a percentage rounded to two decimal places), determined in accordance with the then-current regulations of the applicable Bank Regulatory Authority of such issuer.

"***Total Risk-Based Capital Ratio***" means, with respect to each issuer, the total risk-based capital ratio (expressed as a percentage rounded to two decimal places), determined in accordance with the then-current regulations of the applicable Bank Regulatory Authority of such issuer.

"***TruPS***" means trust preferred securities.

"***Type***" means, with respect to a Portion, its character as a LIBOR Portion or a Base Rate Portion.

"***UCC***" means Chapters 1 through 11 of the Texas Business and Commerce Code.

"***Unfunded Pension Liability***" means the excess, if any, of (a) the funding target as defined under *Section 430(d)* of the Code without regard to the special at-risk rules of *Section 430(i)* of the Code, over (b) the value of plan assets as defined under *Section 430(g)(3)(A)* of the Code determined as of the last day of each calendar year, without regard to the averaging which may be allowed under *Section 310(g)(3)(B)* of the Code and reduced for any prefunding balance or funding standard carryover balance as defined and provided for in *Section 430(f)* of the Code.

"***Unrestricted Subsidiary***" means any direct or indirect Subsidiary of Borrower which (a) does not pledge any assets to secure the Obligations, (b) does not own any assets that comprise any part of the Borrowing Base and (c) Borrower has designated as an "***Unrestricted Subsidiary***" by delivering five days prior written notice to Administrative Agent (or such lesser notice as agreed to by the Administrative Agent). Each Subsidiary of an Unrestricted Subsidiary shall also be an Unrestricted Subsidiary.

"***U.S. Person***" means any Person that is a *"United States Person"* as defined in *Section 7701(a)(30)* of the Code.

"***U.S. Tax Compliance Certificate***" has the meaning specified in ***Section 3.4(g)(ii)(B)(3).***

"***Valuation Procedures***" means Borrower's Valuation Policy approved May 20, 2014 and in effect on the date of this Agreement, a copy of which was delivered to the Administrative Agent prior to the date of this Agreement, or such other valuation policies and procedures as are otherwise consented to in writing by the Administrative Agent.

"***Well Capitalized***" has the meaning given to such term by the applicable Bank Regulatory Authority for such issuer from time to time but in any event shall meet or exceed the following requirements for such issuer: (i) a Total Risk-Based Capital Ratio of 10.0% or greater, (ii) a Tier 1 Capital Ratio of 8.0% or greater, (iii) a CET1 Leverage Ratio of 6.5% or greater and (iv) a Tier 1 Leverage Ratio of 5.0% or greater.

"***Withholding Agent***" means each of Borrower and Administrative Agent.

Section 1.2. **Accounting Matters.**

(a) **Generally**. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the audited financial statements described in ***Section 6.2,*** except as otherwise specifically prescribed herein. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Debt of Borrower and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 on financial liabilities shall be disregarded.

(b) **Changes in GAAP**. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth herein, and either Borrower or the Required Lenders shall so request, Administrative Agent, Lenders and Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); *provided* that, until so amended, (A) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (B) Borrower shall provide to Administrative Agent and Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

Section 1.3. **ERISA Matters**. If, after the date hereof, there shall occur, with respect to ERISA, the adoption of any applicable law, rule, or regulation, or any change therein, or any change in the interpretation or administration thereof by the PBGC or any other Governmental Authority, then either

Borrower or Required Lenders may request a modification to this Agreement solely to preserve the original intent of this Agreement with respect to the provisions hereof applicable to ERISA, and the parties to this Agreement shall negotiate in good faith to complete such modification.

Section 1.4. **Other Definitional Provisions**. All definitions contained in this Agreement are equally applicable to the singular and plural forms of the terms defined. The words "hereof, "herein", and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified, all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear. Terms used herein that are defined in the UCC, unless otherwise defined herein, shall have the meanings specified in the UCC. Any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document). Any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time. Words denoting gender shall be construed to include the masculine, feminine and neuter, when such construction is appropriate; and specific enumeration shall not exclude the general but shall be constructed as cumulative; the word "*or*" is not exclusive; the word "*including*" (in its various forms) means "*including, without limitation*"; in the computation of periods of time, the word "*from*" means "from and including" and the words "to" and "until" mean "*to but excluding*"; and all references to money refer to the legal currency of the United States of America.

Section 1.5. **Interpretative Provision**. For purposes of ***Section 10.1***, a breach of a financial covenant contained in *Article 9* shall be deemed to have occurred as of any date of determination thereof by Borrower, the Required Lenders or as of the last date of any specified

measurement period, regardless of when the financial statements or the Compliance Certificate reflecting such breach are delivered to Administrative Agent.

Section 1.6. **Times of Day**. Unless otherwise specified, all references herein to times of day shall be references to central time (daylight or standard, as applicable).

Section 1.7. **Other Loan Documents**. The other Loan Documents, including the Security Documents, contain representations, warranties, covenants, defaults and other provisions that are in addition to and not limited by, or a limitation of, similar provisions of this Agreement. Such provisions in such other Loan Documents may be different or more expansive than similar provisions of this Agreement and neither such differences nor such more expansive provisions shall be construed as a conflict.

ARTICLE 2

THE COMMITMENTS AND CREDIT EXTENSIONS

Section 2.1. **The Loans.**

(a) **Revolving Credit Borrowings**. Subject to the terms and conditions of this Agreement, each Revolving Credit Lender severally agrees to make one or more revolving credit loans (each such loan, a "***Revolving Credit Loan***") to Borrower from time to time from the Closing Date until the Maturity Date for the Revolving Credit Facility in an aggregate principal amount for such Revolving Credit Lender at any time outstanding up to but not exceeding the amount of such Revolving Credit Lender's Revolving Credit Commitment, *provided* that the Revolving Credit Exposure of all Revolving Credit Lenders shall not exceed the lesser of (i) the aggregate amount of the Revolving Credit Commitments of the Revolving Credit Lenders and (ii) the Borrowing Base. Subject to the foregoing limitations, and the other terms and provisions of this Agreement, Borrower may borrow, repay, and reborrow Revolving Credit Loans hereunder.

(b) **Borrowing Procedure.** Each Revolving Credit Borrowing, each conversion of a Portion from one Type to the other, and each continuation of a LIBOR Portion shall be made upon Borrower's irrevocable notice to Administrative Agent, which may be given by telephone. Each such notice must be received by Administrative Agent not later than 11:00 a.m. (i) three (3) Business Days prior to the requested date of any Revolving Credit Borrowing of, conversion to or continuation of a LIBOR Portion or of any conversion of a LIBOR Portion to a Base Rate Portion, and (ii) on the requested date of any Revolving Credit Borrowing of a Base Rate Portion. Each telephonic notice by Borrower pursuant to this ***Section 2.1(b)*** must be confirmed promptly by delivery to Administrative Agent of a written Revolving Credit Borrowing Request, appropriately completed and signed by a Responsible Officer of Borrower. Each Revolving Credit Borrowing of, conversion to or continuation of a LIBOR Portion shall be in a principal amount of $1,000,000 or a whole

multiple of $200,000 in excess thereof. Each Revolving Credit Borrowing of or conversion to a Base Rate Portion shall be in a principal amount of $250,000 or a whole multiple of $50,000 in excess thereof; *provided* that a Base Rate Portion may be in an amount equal to the Revolving Credit Availability. Each Revolving Credit Borrowing Request (whether telephonic or written) shall specify (i) whether Borrower is requesting a Revolving Credit Borrowing, a conversion of Portions from one Type to the other, or a continuation of Portions, (ii) the requested date of the Revolving Credit Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Portions to be borrowed, converted or continued, (iv) the Type of Portions to be borrowed or to which existing Portions are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If Borrower fails to specify a Type of Portion in a Revolving Credit Borrowing Request or if Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Portions shall be made as, or converted to, Base Rate Portions. Any such automatic conversion to Base Rate Portions shall be effective as of the last day of the Interest Period then in effect with respect to the applicable LIBOR Portions. If Borrower requests a Revolving Credit Borrowing of, conversion to, or continuation of a LIBOR Portion in any such Revolving Credit Borrowing Request, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one (1) month.

Notwithstanding the foregoing, the Borrower may provide the Administrative Agent with a standing instruction letter providing for the continuation of all LIBOR Portions upon the expiration of the respective Interest Periods with respect to such LIBOR Portions.

(c) **Funding**. Following receipt of a Revolving Credit Borrowing Request, Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the applicable Portions, and if no timely notice of a conversion or continuation is provided by Borrower, Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Portions as described in ***Section 2.1(b)***. In the case of a Revolving Credit Borrowing, each Lender shall make the amount of its Loan available to Administrative Agent in immediately available funds at Administrative Agent's Principal Office not later than 1:00 p.m. on the Business Day specified in the applicable Revolving Credit Borrowing Request. Upon satisfaction of the applicable conditions set forth in ***Section 5.2*** (and, if such Revolving Credit Borrowing is the initial Credit Extension, ***Section 5.2***), Administrative Agent shall make all funds so received available to Borrower in like funds as received by Administrative Agent either by (i) crediting the account of Borrower on the books of Texas Capital Bank with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) Administrative Agent by Borrower.

(d) **Continuations and Conversions**. Except as otherwise provided herein, a LIBOR Portion may be continued or converted only on the last day of an Interest Period for such LIBOR Portion. During the existence of a Default,

(i) no Loans may be requested as, converted to or continued as LIBOR Portions without the consent of the Required Lenders and (ii) unless repaid, each LIBOR Portion shall be converted to a Base Rate Portion at the end of the Interest Period applicable thereto.

(e) **Notifications**. Administrative Agent shall promptly notify Borrower and Lenders of the interest rate applicable to any Interest Period for LIBOR Portions upon determination of such interest rate. At any time that Base Rate Portions are outstanding, Administrative Agent shall notify Borrower and Lenders of any change in Texas Capital Bank's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(f) **Interest Periods**. After giving effect to all Revolving Credit Borrowings, all conversions of Portions from one Type to the other, and all continuations of Portions as the same Type, there shall not be more than five (5) Interest Periods concurrently in effect with respect to LIBOR Portions.

Section 2.2. **Fees.**

(a) **Fees**. Borrower agrees to pay to Administrative Agent and Arranger, for the account of Administrative Agent, Arranger and each Lender, as applicable, fees, in the amounts and on the dates set forth in the Fee Letter.

(b) **Commitment Fees**. Borrower agrees to pay to Administrative Agent for the account of each Revolving Credit Lender in accordance, subject to ***Section 12.22***, with its Applicable Percentage a commitment fee on the daily average unused amount of the Revolving Credit Commitment of such Revolving Credit Lender for the period from and including the date of this Agreement to and including the Maturity Date for the Revolving Credit Facility (including at any time during which one or more of the conditions in ***Article 5*** is not met), at a rate equal to the Applicable Margin. Accrued commitment fees shall be calculated quarterly in arrears and payable quarterly in arrears on the first day of each April, July, October, and January during the term of this Agreement and on the Maturity Date for the Revolving Credit Facility.

Section 2.3. **Payments Generally; Administrative Agent's Clawback.**

(a) **General**. All payments of principal, interest, and other amounts to be made by Borrower under this Agreement and the other Loan Documents shall be made to Administrative Agent for the account of Administrative Agent, or the pro rata accounts of the applicable Lenders, as applicable, at the Principal Office in Dollars and immediately available funds, without setoff, deduction, or counterclaim, and free and clear of all taxes at the time and in the manner provided herein. Payments by check or draft shall not constitute payment in immediately available funds until the required amount is actually received by Administrative Agent in full. Payments in immediately available funds received by Administrative Agent in the place designated for payment on a Business Day

prior to 11:00 a.m. at such place of payment shall be credited prior to the close of business on the Business Day received, while payments received by Administrative Agent on a day other than a Business Day or after 11:00 a.m. on a Business Day shall not be credited until the next succeeding Business Day. If any payment of principal or interest on the Notes shall become due and payable on a day other than a Business Day, then such payment shall be made on the next succeeding Business Day. Any such extension of time for payment shall be included in computing interest which has accrued and shall be payable in connection with such payment. Administrative Agent is hereby authorized upon notice to Borrower to charge the account of Borrower maintained with Administrative Agent for each payment of principal, interest and fees as it becomes due hereunder.

(b) **Funding by Lenders; Presumption by Administrative Agent**. Unless Administrative Agent shall have received notice from a Lender, that such Lender will not make available to Administrative Agent such Lender's share of a Revolving Credit Borrowing, Administrative Agent may assume that such Lender has made such share available on such date in accordance with this Agreement and may, in reliance upon such assumption, make available to Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Revolving Credit Borrowing available to Administrative Agent, then the applicable Lender and Borrower severally agree to pay to Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to Borrower to but excluding the date of payment to Administrative Agent, at (i) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by Administrative Agent in accordance with banking industry rules on interbank compensation, and (ii) in the case of a payment to be made by Borrower, the interest

rate applicable to the applicable Revolving Credit Borrowing. If Borrower and such Lender shall pay such interest to Administrative Agent for the same or an overlapping period, Administrative Agent shall promptly remit to Borrower the amount of such interest paid by Borrower for such period. If such Lender pays its share of the applicable Revolving Credit Borrowing to Administrative Agent, then the amount so paid shall constitute such Lender's Loan. Any payment by Borrower shall be without prejudice to any claim Borrower may have against a Lender that shall have failed to make such payment to Administrative Agent.

(c) **Payments by Borrower; Presumption by Administrative Agent**. Unless Administrative Agent shall have received notice from Borrower prior to the date on which any payment is due to Administrative Agent for the account of the applicable Lenders hereunder that Borrower will not make such payment, Administrative Agent may assume that Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the applicable Lenders the amount due. In such event, if Borrower has not in fact made such payment, then each applicable Lender

severally agrees to repay to Administrative Agent forthwith on demand the amount so distributed to such Lender, with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 2.4. **Evidence of Debt**. The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by Administrative Agent in the ordinary course of business; *provided* that such Lender or Administrative Agent may, in addition, request that such Loans be evidenced by the Notes. The accounts or records maintained by Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made to Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of Administrative Agent in respect of such matters, the accounts and records of Administrative Agent shall control in the absence of manifest error.

Section 2.5. **Intentionally Omitted**

Section 2.6. **Interest; Payment Terms.**

(a) **Revolving Credit Loans - Payment of Principal and Interest; Revolving Nature**. The unpaid principal amount of each Portion of the Revolving Credit Loans shall, subject to the following sentence and ***Section 2.6(e)***, bear interest at the applicable Interest Rate. If at any time such rate of interest would exceed the Maximum Rate but for the provisions thereof limiting interest to the Maximum Rate, then any subsequent reduction shall not reduce the rate of interest on the Revolving Credit Loans below the Maximum Rate until the aggregate amount of interest accrued on the Revolving Credit Loans equals the aggregate amount of interest which would have accrued on the Revolving Credit Loans if the interest rate had not been limited by the Maximum Rate. All accrued but unpaid interest on the principal balance of the Revolving Credit Loans shall be payable on each Payment Date and on the Maturity Date for the Revolving Credit Facility, *provided* that interest accruing at the Default Interest Rate pursuant to ***Section 2.6(e)*** shall be payable on demand. The then Outstanding Amount of the Revolving Credit Loans and all accrued but unpaid interest thereon shall be due and payable on the Maturity Date for the Revolving Credit Facility. The unpaid principal balance of the Revolving Credit Loans at any time shall be the total amount advanced hereunder by Revolving Credit Lenders less the amount of principal payments made thereon by or for Borrower, which balance may be endorsed on the Revolving Credit Notes from time to time by Revolving Credit Lenders or otherwise noted in Revolving Credit Lenders' and/or Administrative Agent's records, which notations shall be, absent manifest error, conclusive evidence of the amounts owing hereunder from time to time.

(b) **Application**. Except as expressly provided herein to the contrary, all payments on the Obligations under the Loan Documents shall be applied in the following order of priority: (i) the payment or reimbursement of any expenses, costs or obligations (other than the Outstanding Amount thereof and interest thereon) for which Borrower shall be obligated or Administrative Agent, or any Lender shall be entitled pursuant to the provisions of this Agreement, the Notes or the other Loan Documents; (ii) the payment of accrued but unpaid interest thereon; and (iii) the payment of all or any portion of the principal balance thereof then outstanding hereunder as directed by Borrower. If an Event of Default exists under this Agreement, the Notes or under any of the other Loan Documents, any such payment shall be applied as provided in ***Section 10.3*** below.

(c) **Computation Period**. Interest on the Loans and all other amounts payable by Borrower hereunder on a per annum basis shall be computed on the basis of a 360-day year and the actual number of days elapsed (including the first day but excluding the last day) unless such calculation would result in a usurious rate, in which case interest shall be calculated on the basis of a 365-day year or 366-day year, as the case may be. In computing the number of days during which interest accrues, the day on which funds are initially advanced shall be included regardless of the time of day such advance is made, and the day on which funds are repaid shall be included unless repayment is credited prior to the close of business on the Business Day received. Each determination by Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) **Unconditional Payment**. Borrower is and shall be obligated to pay all principal, interest and any and all other amounts which become payable under any of the Loan Documents absolutely and unconditionally and without any abatement, postponement, diminution or deduction whatsoever and without any reduction for counterclaim or setoff whatsoever. If at any time any payment received by Administrative Agent hereunder shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under any Debtor Relief Law, then the obligation to make such payment shall survive any cancellation or satisfaction of the Obligations under the Loan Documents and shall not be discharged or satisfied with any prior payment thereof or cancellation of such Obligations, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof, and such payment shall be immediately due and payable upon demand.

(e) **Partial or Incomplete Payments**. Remittances in payment of any part of the Obligations under the Loan Documents other than in the required amount in immediately available funds at the place where such Obligations are payable shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Administrative Agent in full in accordance herewith and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance

with the practice of the collecting bank or banks. Acceptance by Administrative Agent of any payment in an amount less than the full amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default.

(f) **Default Interest Rate**. For so long as any Event of Default exists, regardless of whether or not there has been an acceleration of the Loans, and at all times after the maturity of the Loans (whether by acceleration or otherwise), and in addition to all other rights and remedies of Administrative Agent or Lenders hereunder, (i) interest shall accrue on the Outstanding Amount of the Loans at the Default Interest Rate and (ii) interest shall accrue on any past due amount (other than the outstanding principal balance) at the Default Interest Rate, and such accrued interest shall be immediately due and payable. Borrower acknowledges that it would be extremely difficult or impracticable to determine Administrative Agent's or Lenders' actual damages resulting from any late payment or Event of Default, and such accrued interest are reasonable estimates of those damages and do not constitute a penalty.

Section 2.7. **Voluntary Termination or Reduction of Revolving Credit Commitments; Prepayments.**

(a) **Voluntary Termination or Reduction of Revolving Credit Commitments**. Borrower may, upon written notice to Administrative Agent, terminate the Revolving Credit Commitments, or from time to time permanently reduce the Revolving Credit Commitments; *provided* that (i) any such notice shall be received by Administrative Agent not later than 11:00 a.m. three (3) Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of $1,000,000 or any whole multiple of $250,000 in excess thereof, and (iii) Borrower shall not terminate or reduce the Revolving Credit Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the Revolving Credit Exposure of all Revolving Credit Lenders would exceed the lesser of (i) the aggregate amount of the Revolving Credit Commitments of the Revolving Credit Lenders and (ii) the Borrowing Base. Administrative Agent will promptly notify Revolving Credit Lenders of any such notice of termination or reduction of the Revolving Credit Commitments. Any reduction of the Revolving Credit Commitments shall be applied to the Revolving Credit Commitment of each Revolving Credit Lender according to its Applicable Percentage. All fees accrued until the effective date of any termination of the Revolving Credit Commitments shall be paid on the effective date of such termination.

(b) **Voluntary Prepayments**. Subject to the conditions set forth below, Borrower shall have the right, at any time and from time to time upon at least three (3) Business Days prior written notice to Administrative Agent, to prepay the principal of the Revolving Credit Loans, in full or in part. If there is a prepayment of all or any portion of the principal of the Revolving Credit Loans on or before the Maturity Date for such Loans, whether voluntary or

because of acceleration or otherwise, such prepayment shall also include any and all accrued but unpaid interest on the amount of principal being so prepaid through and including the date of prepayment, plus any other sums which have become due to Lenders under the other Loan Documents on or before the date of prepayment, but which have not been fully paid.

(c) **Mandatory Prepayment of Revolving Credit Facility for Borrowing Base Deficiency**. If at any time the Revolving Credit Exposure of the Revolving Credit Lenders exceeds the Borrowing Base then in effect, then Borrower shall, within three Business Days of the occurrence of such Borrowing Base Deficiency, prepay the entire amount of such excess to Administrative Agent, for the ratable account of Revolving Credit Lenders. Each prepayment required by this ***Section 2.7(c)*** shall be applied, first, to any Base Rate Portions then outstanding, and, second, to any LIBOR Portions then outstanding, and if more than one LIBOR Portion is then outstanding, to such LIBOR Portions in such order as Borrower may direct, or if Borrower fails to so direct, as Administrative Agent shall elect.

(d) **Other Mandatory Prepayments.**

(i) Concurrently with any disposition (other than dispositions expressly permitted by Section 8.8(a) and excluding any Return of Capital), Borrower shall use 100% of the Net Cash Proceeds of such disposition to prepay the outstanding principal of the Revolving Credit Loans. Each such mandatory prepayment shall be made and applied as provided in ***Section 2.7(d)(iii)***.

(ii) Concurrently with the incurrence or issuance by any Obligated Party of any Debt (other than Debt expressly permitted to be incurred or issued pursuant to ***Section 8.1***), Borrower shall prepay the Revolving Credit Loans in an amount equal to 100% of the Net Cash Proceeds thereof. Each such mandatory prepayment shall be made and applied as provided in ***Section 2.7(d)(iii)***.

(iii) Each prepayment required by this ***Section 2.7(d)*** or any prepayment required by ***Section 4.4(b)*** shall be applied, first, to any Base Rate Portions then outstanding, and, second, to any LIBOR Portions then outstanding, and if more than one LIBOR Portion is then outstanding, to such LIBOR Portions in such order as Borrower may direct, or if Borrower fails to so direct, as Administrative Agent shall elect.

(e) **Mandatory Prepayment of Revolving Credit Facility during a Restricted Period**. At all times during a Restricted Period until such time as the Debt Service Coverage Ratio is equal to or greater than 1.25 to 1.00, Borrower shall prepay the Revolving Credit Loans in an amount equal to the sum of (i) 100% of the cash flow received by Borrower and its Restricted Subsidiaries during such

Restricted Period plus (ii) without duplication, 100% of all Return of Capital received by Borrower and its Restricted Subsidiaries during such Restricted Period minus (iii) the minimum amounts required to be

distributed to investors during such Restricted Period to allow Borrower to satisfy the minimum distribution requirements imposed by the Investment Company Act to maintain its eligibility to be taxed as a RIC minus (iv) amounts payable for third-party operating expenses during such Restricted Period minus (v) the Advisory Fee payable during such period. Each prepayment required by this ***Section 2.7(e)*** shall be applied, first, to any Base Rate Portions then outstanding, and, second, to any LIBOR Portions then outstanding, and if more than one LIBOR Portion is then outstanding, to such LIBOR Portions in such order as Borrower may direct, or if Borrower fails to so direct, as Administrative Agent shall elect.

Section 2.8. **Uncommitted Increase in Revolving Credit Commitments.**

(a) **Request for Increase**. Provided there exists no Default, upon notice to Administrative Agent (which shall promptly notify the Lenders), Borrower may from time to time, request an increase in the aggregate Revolving Credit Commitments by an amount (for all such requests) not exceeding $45,000,000; *provided* that (i) any such request for an increase shall be in a minimum amount of $5,000,000, and (ii) Borrower may make a maximum of three such requests. At the time of sending such notice, Borrower (in consultation with Administrative Agent) shall specify the time period within which each Revolving Credit Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Revolving Credit Lenders).

(b) **Lender Elections to Increase**. Each Revolving Credit Lender shall notify Administrative Agent within such time period whether or not it agrees to increase its Revolving Credit Commitment and, if so, whether by an amount equal to, greater than, or less than its Applicable Percentage of such requested increase. Any Revolving Credit Lender not responding within such time period shall be deemed to have declined to increase its Revolving Credit Commitment.

(c) **Notification by Administrative Agent; Additional Revolving Credit Lenders**. Administrative Agent shall notify Borrower and each Lender of the Revolving Credit Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase and subject to the approval of Administrative Agent (which approvals shall not be unreasonably withheld), Borrower may also invite additional Eligible Assignees to become Revolving Credit Lenders (each an "Additional Lender") pursuant to a joinder agreement in form and substance satisfactory to Administrative Agent and its counsel.

(d) **Effective Date and Allocations**. If the Revolving Credit Commitments are increased in accordance with this Section, Administrative Agent and Borrower shall determine the effective date (the "***Increase Effective Date***") and the final allocation of such increase. Administrative Agent shall

promptly notify Borrower and the Lenders of the final allocation of such increase and the Increase Effective Date.

(e) **Conditions to Effectiveness of Increase**. As a condition precedent to such increase, (i) Borrower shall deliver to Administrative Agent a certificate of each Obligated Party dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of such Obligated Party (x) certifying and attaching the resolutions adopted by such Obligated Party approving or consenting to such increase, and (y) in the case of Borrower, certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in ***Article 6*** and the other Loan Documents are true and correct on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this ***Section 2.8,*** the representations and warranties contained in ***subsections (a)*** **and** ***(b)*** **of** ***Section 7.1*** shall be deemed to refer to the most recent statements furnished pursuant to ***subsections (a)*** **and** ***(b)***, respectively, of ***Section 7.1***, and (B) no Default exists and (ii) Borrower, Administrative Agent and the Lenders (including each Additional Lender) shall have amended the definition of "Eligible Securities" in a manner satisfactory to Administrative Agent and such Lenders. Borrower shall prepay any Revolving Credit Loans outstanding on the Increase Effective Date (and pay any additional amounts required pursuant to ***Section 3.5***) to the extent necessary to keep the outstanding Revolving Credit Loans ratable with any revised Applicable Percentages arising from any non-ratable increase in the Revolving Credit Commitments under this Section.

(f) **Conflicting Provisions**. This Section shall supersede any provisions in ***Section 12.23*** or ***Section 12.10*** to the contrary.

ARTICLE 3

TAXES, YIELD PROTECTION AND INDEMNITY

Section 3.1. **Increased Costs.**

(a) **Increased Costs Generally**. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in ***clauses (b)*** through ***(d)*** of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal,

letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to reduce the amount of any sum received or receivable by such Lender or other Recipient hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or other Recipient, Borrower will pay to such Lender or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) **Capital or Liquidity Requirements**. If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy and liquidity), then from time to time Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) **Certificates for Reimbursement**. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in ***Section 3.1(a)*** or ***(b)*** and delivered to Borrower, shall be conclusive absent manifest error. Borrower shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) **Delay in Requests.** Failure or delay on the part of any Lender to demand compensation pursuant to this ***Section 3.1*** shall not constitute a waiver of such Lender's right to demand such compensation; *provided* that Borrower shall not be required to compensate a Lender pursuant to this ***Section 3.1*** for any increased costs incurred or reductions suffered more than nine (9) months prior to the date that such Lender notifies Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine (9) - month

period referred to above shall be extended to include the period of retroactive effect thereof).

Section 3.2. **Illegality**. If any Lender determines that any law or regulation has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its Lending Office to make, maintain or fund Loans whose interest is determined by reference to LIBOR, or to determine or charge interest rates based upon LIBOR, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to Borrower through Administrative Agent, (i) any obligation of such Lender to make or continue LIBOR Portions or to convert Base Rate Portions to LIBOR Portions shall be suspended, and (ii) if such notice asserts the illegality of such Lender making or maintaining Base Rate Portions the interest rate on which is determined by reference to the LIBOR component of the Base Rate, the interest rate on which Base Rate Portions of such Lender shall, if necessary to avoid such illegality, be determined by Administrative Agent without reference to the LIBOR component of the Base Rate, in each case until such Lender notifies Administrative Agent and Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (x) Borrower shall, upon demand from such Lender (with a copy to Administrative Agent), prepay or, if applicable, convert all LIBOR Portions of such Lender to Base Rate Portions (the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by Administrative Agent without reference to the LIBOR component of the Base Rate), either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such LIBOR Portions to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBOR Portions and (y) if such notice asserts the illegality of such Lender determining or charging interest rates based upon LIBOR, Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Lender without reference to the LIBOR component thereof until Administrative Agent is advised in writing by such Lender that it is no longer illegal for such Lender to determine or charge interest rates based upon the LIBOR. Upon any such prepayment or conversion, Borrower shall also pay accrued interest on the amount so prepaid or converted.

Section 3.3. **Inability to Determine Rates**. If (a) Administrative Agent or the Required Lenders determine that for any reason in connection with any request for a LIBOR Portion or a conversion to or continuation thereof that (i) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such LIBOR Portion, (ii) adequate and reasonable means do not exist for determining LIBOR for any requested Interest Period with respect to a proposed LIBOR Portion or in connection with an existing or proposed Base Rate Portion, or (iii) LIBOR for any requested Interest Period with respect to a proposed LIBOR Portion does not adequately and fairly reflect the cost to such Lenders of funding such LIBOR Portion, or (b) by reason of any Change in Law any Lender would become subject to restrictions on the amount of a category of liabilities or assets which it may hold and notifies Administrative Agent of same, Administrative Agent will promptly so notify Borrower and each Lender. Thereafter, (x) the obligation of Lenders to make or maintain LIBOR Portions shall be suspended, and (y) in the event of a determination described in the preceding sentence with respect to the LIBOR component of the Base Rate, the utilization of the LIBOR component in determining the Base Rate shall be suspended, in each case until Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon

receipt of such notice, Borrower may revoke any pending request for a Revolving Credit Borrowing of, conversion to or continuation of LIBOR Portions or, failing that, will be deemed to have converted such request into a request for a Revolving Credit Borrowing of Base Rate Portions in the amount specified

therein.

Section 3.4. **Taxes.**

(a) **Defined Terms.** For purposes of this Section, the term "applicable law" includes FATCA.

(b) **Payment Free of Taxes.** Any and all payments by or on account of any obligation of Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this ***Section 3.4***) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) **Payment of Other Taxes by Borrower.** Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) **Indemnification by Borrower**. Borrower shall indemnify each Recipient, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this ***Section 3.4***) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to Borrower by a Lender (with a copy to Administrative Agent), or by Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) **Indemnification by Lenders.** Each Lender shall severally indemnify Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that Borrower has not already indemnified Administrative Agent for such Indemnified Taxes and without limiting the obligation of Borrower to do so),

(ii) any Taxes attributable to such Lender's failure to comply with the provisions of ***Section 12.8*** relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by Administrative Agent to such Lender from any other source against any amount due to Administrative Agent under this ***Section 3.4(e)***.

(f) **Evidence of Payments**. As soon as practicable after any payment of Taxes by Borrower to a Governmental Authority pursuant to this ***Section 3.4***, Borrower shall deliver to Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to Administrative Agent.

(g) **Status of Lenders.**

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to Borrower and Administrative Agent, at the time or times reasonably requested by Borrower or Administrative Agent, such properly completed and executed documentation reasonably requested by Borrower or Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by Borrower or Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by Borrower or Administrative Agent as will enable Borrower or Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two (2) sentences, the completion, execution and submission of such documentation (other than such documentation set forth in ***Section 3.4(g)(ii)(A)***, ***(ii)(B)*** and ***(ii)(D)*** below) shall not be required if in such Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to Borrower and Administrative Agent on or prior to the date on which such Lender

becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of Borrower or Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrower and Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of Borrower or Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under *Section 881(c)* of the Code, (x) a certificate substantially in the form of ***Exhibit F-1*** to the effect that such Foreign Lender is not a *"bank"* within the meaning *of Section 881(c)(3)(A)* of the Code, a "10 percent shareholder" of Borrower within the meaning of *Section 881(c)(3)(B)* of the Code, or a *"controlled foreign corporation"* described in *Section 881(c)(3)(C)* of the Code (a "***U.S. Tax Compliance Certificate***") and (y) executed originals of IRS Form W-8BEN; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of ***Exhibit F-2*** or ***Exhibit F-3***, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; *provided* that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of ***Exhibit F-4*** on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrower and Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of Borrower or Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit Borrower or Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in *Section 1471(b)* or *1472(b)* of the Code, as applicable), such Lender shall deliver to Borrower and Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by Borrower or Administrative Agent such documentation prescribed by applicable law (including as prescribed by *Section 1471(b)(3)(C)(i)* of the Code) and such additional documentation reasonably requested by Borrower or Administrative Agent as may be necessary for Borrower and Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this *clause (D)*, "***FATCA***" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify Borrower and Administrative Agent in writing of its legal inability to do so.

(h) **Treatment of Certain Refunds**. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this ***Section 3.4*** (including by the payment of additional amounts pursuant to this ***Section 3.4***), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this ***Section 3.4*** with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this ***Section 3.4(h)*** (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to

repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this ***Section 3.4(h),*** in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this ***Section 3.4(h)*** the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This ***Section 3.4(h)*** shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) **Survival**. Each party's obligations under this ***Section 3.4*** shall survive the resignation or replacement of Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 3.5. **Compensation for Losses**. Upon demand of any Lender (with a copy to Administrative Agent) from time to time, Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any LIBOR Portion on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by Borrower (for a reason other than the failure of such Lender to lend a LIBOR Portion) to prepay, borrow, continue or convert any LIBOR Portion on the date or in the amount notified by Borrower; or

(c) any assignment of a LIBOR Portion on a day other than the last day of the Interest Period therefor as a result of a request by Borrower pursuant to ***Section 3.6(b)****;*

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing

such amount on deposit for a comparable period with leading banks in the interbank eurodollar market.

For purposes of calculating amounts payable by Borrower to the Lenders under this ***Section 3.5***, each Lender shall be deemed to have funded each LIBOR Portion made by it at LIBOR for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such LIBOR Portion was in fact so funded.

Section 3.6. **Mitigation of Obligations; Replacement of Lenders.**

(a) **Designation of a Different Lending Office.** If any Lender requests compensation under ***Section 3.1***, or requires Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to ***Section 3.4***, then such Lender shall (at the request of Borrower) use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to ***Section 3.1*** or ***Section 3.4,*** as the case may be, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) **Replacement of Lenders.** If any Lender requests compensation under ***Section 3.1,*** or if Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to ***Section 3.4*** and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with ***Section 3.6(a)***, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then Borrower may, at its sole expense and effort, upon notice to such Lender and Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, ***Section 12.8),*** all of its interests, rights (other than its existing rights to payments pursuant to ***Section 3.1*** or ***Section 3.4)*** and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that:

(i) Borrower shall have paid to Administrative Agent the assignment fee (if any) specified in ***Section 12.8***,

(ii) such Lender shall have received payment of an amount equal to the Outstanding Amount of its Loans, accrued interest thereon, accrued fees and all

other amounts payable to it hereunder and under the other Loan Documents (including any amounts under ***Section 3.5)*** from the assignee (to the extent of such outstanding principal and accrued interest and fees) or Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under ***Section 3.1*** or payments required to be made pursuant to ***Section 3.4,*** such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable law; and

(v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling Borrower to require such assignment and delegation cease to apply.

Section 3.7. **Survival**. All of Borrower's obligations under this *Article 3* shall survive termination of the Commitments, repayment of all other Obligations hereunder, and resignation of Administrative Agent.

ARTICLE 4

SECURITY

Section 4.1. **Collateral**. To secure full and complete payment and performance of the Obligations, Borrower shall, and shall cause the other Obligated Parties to, execute and deliver or cause to be executed and delivered all of the Security Documents required by Administrative Agent covering the Collateral. Borrower shall execute and cause to be executed such further documents and instruments, including without limitation, UCC financing statements, as Administrative Agent, in its sole discretion, deems necessary or desirable to create, evidence, preserve, and perfect its liens and security interests in the Collateral and maintain the priority thereof as required by the Loan Documents.

Section 4.2. **Setoff**. If an Event of Default exists, Administrative Agent and each Lender shall have the right to set off against the Obligations under the Loan Documents, at any time and without notice to Borrower, any and all deposits (general or special, time or demand, provisional or final) or other sums at any time credited by or owing from Administrative Agent or such Lender to Borrower whether or not the Obligations under the Loan Documents are then due; *provided* that in the event that any Defaulting Lender shall exercise any such right of setoff: (a) all amounts so set off shall be paid over immediately to Administrative Agent for further application in accordance with the provisions of ***Section 12.22*** and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of Administrative Agent and Lenders; and (b) such Defaulting Lender shall provide promptly to Administrative Agent a statement describing in reasonable detail the Obligations

under the Loan Documents owing to such Defaulting Lender as to which it exercised such right of setoff. Each amount set off shall be paid to Administrative Agent for application to the Obligations under the Loan Documents in the order set forth in ***Section 10.3***. As further security for the Obligations, Borrower hereby grants to Administrative Agent and each Lender a security interest in all money, instruments, and other Property of Borrower now or hereafter held by Administrative Agent or such Lender, including, without limitation, Property held in safekeeping. In addition to Administrative Agent's and each Lender's right of setoff and as further security for the Obligations, Borrower hereby grants to Administrative Agent and each Lender a security interest in all deposits (general or special, time or demand, provisional or final) and other accounts of Borrower now or hereafter on deposit with or held by Administrative Agent or such Lender and all other sums at any time credited by or owing from Administrative Agent or such Lender to Borrower. The rights and remedies of Administrative Agent and each Lender hereunder are in addition to other rights and remedies (including, without limitation, other rights of setoff) which Administrative Agent or such Lender may have.

Section 4.3. **Authorization to File Financing Statements**. Borrower and each other Obligated Party that has granted a security interest in connection herewith authorizes Administrative Agent to complete and file, from time to time, financing statements naming Borrower or such other Obligated Party, as applicable, as debtor.

Section 4.4. **Cash Dominion.**

(a) Borrower shall at all times maintain the Collateral Account with the Collateral Trustee and Borrower shall promptly remit to the Collateral Account all Return of Capital. So long as (i) no Default or Borrowing Base Deficiency has occurred and is continuing or would result therefrom, and (ii) a Restricted Period is not then in effect, Borrower may make withdrawals, transfers or other release of funds in the Collateral Account in its sole discretion.

(b) In addition to the remedies provided in ***Section 10.2*** and any mandatory prepayment required by ***Section 2.7(e)***, if any Event of Default or Borrowing Base Deficiency shall occur and be continuing, Borrower shall, concurrently upon the receipt of any Return of Capital, prepay the Revolving Credit Loans in an amount equal to 100% of such Return of Capital (and, if any Event of Default has occurred and is continuing, the Revolving Credit Commitments shall be permanently reduced by such amount). The Administrative Agent may apply all such prepayments received by it to such of the Obligations and in such order as it may elect in its sole and absolute discretion.

ARTICLE 5

CONDITIONS PRECEDENT

Section 5.1. **Initial Extension of Credit**. The obligation of Lenders to make the initial Credit Extension hereunder is subject to the condition precedent that Administrative Agent shall

have received all of the following, each dated (unless otherwise indicated or otherwise specified by Administrative Agent) the Closing Date, in form and substance satisfactory to Administrative Agent:

(a) **Credit Agreement.** Executed counterparts of this Agreement, sufficient in number for distribution to Administrative Agent, each Lender and Borrower;

(b) **Resolutions.** Resolutions of the Board of Directors (or other governing body) of Borrower and each other Obligated Party certified by the Secretary or an Assistant Secretary (or a Responsible Officer or other custodian of records) of such Person which authorize the execution, delivery, and performance by such Person of this Agreement and the other Loan Documents to which such Person is or is to be a party;

(c) **Incumbency Certificate.** A certificate of incumbency certified by a Responsible Officer of each Obligated Party certifying the names of the individuals or other Persons authorized to sign this Agreement and each of the other Loan Documents to which Borrower and each other Obligated Party is or is to be a party (including the certificates contemplated herein) on behalf of such Person together with specimen signatures of such individual Persons;

(d) **Certificate Regarding Consents and Approvals.** A certificate of a Responsible Officer of each Obligated Party either (I) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Obligated Party and the validity against such Obligated Party of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (II) stating that no such consents, licenses or approvals are so required;

(e) **Closing Certificate.** A certificate signed by a Responsible Officer of Borrower certifying (A) that the conditions specified in ***Section 5.2(b)***, ***(c)***, ***(e), (h)***, ***(i)*** and ***(j)*** have been satisfied and (B) the current Debt Rating;

(f) **Constituent Documents.** The Constituent Documents and all amendments thereto for Borrower and each other Obligated Party that is not a natural person, with the formation documents included in the Constituent Documents being certified as of a date acceptable to Administrative Agent by the appropriate government officials of the state of incorporation or organization of Borrower and each other Obligated Party, and all such Constituent Documents being accompanied by certificates that such copies are complete and correct, given by an authorized representative acceptable to Administrative Agent;

(g) **Governmental Certificates.** Certificates of the appropriate government officials of the state of incorporation or organization of Borrower and each other Obligated Party as to the existence and good standing of

Borrower and each other Obligated Party, each dated within thirty (30) days prior to the date of the initial Credit Extension;

(h) **Notes.** The Notes executed by Borrower in favor of each Lender requesting Notes;

(i) **Security Documents.** The Security Documents executed by Borrower and the other Obligated Parties;

(j) **Control Agreements.** Control agreements required hereunder or under any of the other Security Documents;

(k) **Collateral Account Control Agreement.** The Collateral Account Control Agreement executed by Collateral Trustee, Administrative Agent and Borrower;

(l) **Collateral Trustee.** Evidence that the Cash and Cash Equivalents and the securities and other investment property of the Borrower and each other Obligated Party are held in the Collateral Account pursuant to the Collateral Account Control Agreement;

(m) **Financing Statements.** UCC financing statements reflecting Borrower and the other Obligated Parties, as debtors, and Administrative Agent, as secured party, which are required to grant a Lien which secures the Obligations and covering such Collateral as Administrative Agent may request;

(n) **Guaranty.** The Guaranty executed by each Guarantor (if any);

(o) **Lien Searches.** The results of UCC, tax lien and judgment lien searches showing all financing statements and other documents or instruments on file against Borrower and each other Obligated Party in the appropriate filing offices, such search to be as of a date no more than thirty (30) days prior to the date of the initial Credit Extension, and reflecting no Liens against any of the intended Collateral other than Liens being released or assigned to Administrative Agent concurrently with the initial Credit Extension;

(p) **Financial Information**.

(i) The interim unaudited consolidated financial statements of Borrower and its Subsidiaries dated as of December 31, 2013, prepared in accordance with GAAP;

(ii) The interim unaudited consolidated financial statements of the Borrower and its Subsidiaries dated as of March 31, 2014 prepared in accordance with GAAP;

(iii) A solvency certificate signed by the chief financial officer of each Obligated Party;

(iv) Such other financial information and projections of Borrower and its Restricted Subsidiaries, as the Administrative Agent and the Lenders may request;

(v) A duly executed Borrowing Base Report dated as of the Closing Date; and

(vi) A schedule of all Portfolio Investments owned by Borrower and any other Obligated Party as of the Closing Date.

(q) **Due Diligence.** Each Lender shall have completed, to its satisfaction, all legal, tax, business and other due diligence with respect to the business, assets, contracts, agreements, liabilities (including contingent liabilities), operations and condition (financial or otherwise) and prospects of Borrower and its Subsidiaries in scope and determination satisfactory to such Lender in its reasonable discretion;

(r) **No Material Adverse Change or Material Adverse Event.** Since the date of the unaudited financial statements delivered pursuant to ***Section 5.1(p)(i)***, there shall not have occurred any material adverse change in the business, assets, liabilities (including contingent liabilities), operations, conditions (financial or otherwise) or prospects of Borrower and its Restricted Subsidiaries taken as a whole. In addition, since December 31, 2013, no Material Adverse Event shall have occurred;

(s) **Opinions of Counsel.** A favorable opinion of (i) Pepper Hamilton LLP and (ii) Andrews Kurth LLP, legal counsel to Borrower, as to such matters as Administrative Agent may reasonably request;

(t) **Attorneys' Fees and Expenses.** Evidence that the costs and expenses (including reasonable attorneys' fees) referred to in ***Section 12.1,*** to the extent invoiced, shall have been paid in full by Borrower;

(u) **Minimum Debt Rating.** This Agreement shall have an initial Debt Rating of A3;

(v) **Closing Fees.** Evidence that any other fees due on or before the Closing Date have been paid;

(w) **FR** U-l. A completed Form FR U-l referred to in Regulation U, together with a list of Collateral; and

(x) **Other Documents.** Such other assurances, certificates, documents, consents or opinions as the Administrative Agent reasonably may require.

For purposes of determining compliance with the conditions set forth in this ***Section 5.1***, each Lender that has signed this Agreement shall be deemed to have consented to, approved or

accepted or be satisfied with, each document or other matter required thereunder to be consented to or approved by or be acceptable or satisfactory to a Lender unless Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

Section 5.2. **All Extensions of Credit**. The obligation of Lenders to make any Credit Extension hereunder (including the initial Credit Extension) is subject to the following additional conditions precedent:

(a) **Request for Credit Extension.** Administrative Agent shall have received in accordance with this Agreement a Revolving Credit Borrowing Request, pursuant to Administrative Agent's requirements and executed by a Responsible Officer of Borrower;

(b) **No Default.** No Default shall have occurred and be continuing, or would result from or after giving effect to such Credit Extension;

(c) **No Material Adverse Event.** No Material Adverse Event shall have occurred and no circumstance shall exist that could be a Material Adverse Event;

(d) **No Restricted Period.** A Restricted Period is not then in effect;

(e) **Representations and Warranties.** All of the representations and warranties contained in *Article 6* and in the other Loan Documents shall be true and correct on and as of the date of such Revolving Credit Borrowing with the same force and effect as if such representations and warranties had been made on and as of such date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this ***Section 5.2***, the representations and warranties contained in ***Section 6.2*** shall be deemed to refer to the most recent statements furnished pursuant to ***Section 7.1(a)*** and ***(b)***, respectively;

(f) **Form FR U-l.** If the proceeds of such Credit Extension will be used to purchase or carry Margin Stock, a completed Form FR U-l, together with a current list of Collateral, including the Margin Stock to be purchased or carried with the proceeds of such Credit Extension;

(g) **Additional Documentation.** Administrative Agent shall have received such additional approvals, opinions, or documents as Administrative Agent or its legal counsel may reasonably request;

(h) **Availability under Revolving Credit Facility.** With respect to any request for a Credit Extension under the Revolving Credit Commitments, after giving effect to the Credit Extension so requested, the total Revolving Credit Exposure of the Revolving Credit Lenders shall not exceed the lesser of (i) the Borrowing Base in effect as of the date of such Credit Extension and

(ii)the aggregate Revolving Credit Commitments of the Revolving Credit Lenders in effect as of the date of such Credit Extension;

(i) **Diversification Requirements.** On and as of the date of such Credit Extension, (i) the Market Value and/or Fair Market Value, as appropriate, of the aggregate securities in any single issuer of Portfolio Investments does not exceed 25% of the Market Value and, without duplication, the Fair Market Value of all of Borrower's total assets, (ii) with respect to 50% of Borrower's assets, Borrower has no more than 5% of the Market Value and/or Fair Market Value of all of Borrower's total assets in securities in any single issuer of Portfolio Investments, and (iii) with respect to those securities included in the calculation of Eligible Securities and Publicly-Traded

Securities, the Market Value and, without duplication, Fair Market Value of the securities of issuers located in the same state shall not represent more than 20% of the Eligible Securities and Publicly-Traded Securities included in the Borrowing Base;

(j) **Pro Forma Financial Covenant Calculations.** With respect to any request for a Credit Extension under the Revolving Credit Commitments, after giving effect to the Credit Extension so requested, Borrower shall be in pro forma compliance with **Section 9.1**;

(k) **Minimum Debt Rating.** On and as of the date of such Credit Extension, this Agreement shall have a minimum Debt Rating of at least Baa3; and

(l) **Custodian Instructions.** Administrative Agent shall have received a copy of the Custodian Instructions.

Each Credit Extension hereunder shall be deemed to be a representation and warranty by Borrower that the conditions specified in this ***Section 5.2*** have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

To induce Administrative Agent and Lenders to enter into this Agreement, and to make Credit Extensions hereunder, Borrower represents and warrants to Administrative Agent and Lenders that:

Section 6.1. **Entity Existence.**

(a) Each of Borrower and its Restricted Subsidiaries (i) is duly incorporated or organized, as the case may be, validly existing, and in good standing under the Laws of the jurisdiction of its incorporation or organization; (ii) has all requisite power and authority to own its assets and carry on its business as now being or as proposed to be conducted; and (iii) is qualified to

do business in all jurisdictions in which the nature of its business makes such qualification necessary and where failure to so qualify could result in a Material Adverse Event.

(b) Borrower is a closed-end management investment company registered as such under the Investment Company Act, and the outstanding shares of each class of its stock, (i) have been duly issued and are freely paid and non-assessable, (ii) have been duly registered under the Securities Act or sold in transactions exempt from registration under the Securities Act, and (iii) have been sold only in states or other jurisdictions in which all filings required to be made under applicable state securities laws have been made.

(c) Each of Borrower and the other Obligated Parties has the power and authority to execute, deliver, and perform its obligations under this Agreement and the other Loan Documents to which it is or may become a party.

Section 6.2. **Financial Statements; Etc.** The financial statements delivered to the Administrative Agent and the Lenders by Borrower prior to the Closing Date are true and correct, have been prepared in accordance with GAAP, and fairly and accurately present, on a consolidated basis, the financial condition of Borrower and its Restricted Subsidiaries as of the respective dates indicated therein and the results of operations for the respective periods indicated therein. Neither Borrower nor any of its Restricted Subsidiaries has any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments, unrealized or anticipated losses from any unfavorable commitments except as referred to or reflected in such financial statements. No Material Adverse Event has occurred since the effective date of the financial statements referred to in this ***Section 6.2***. All projections delivered by Borrower to Administrative Agent and Lenders have been prepared in good faith, with care and diligence and using assumptions that are reasonable under the circumstances at the time such projections were prepared and delivered to Administrative Agent and Lenders and all such assumptions are disclosed in the projections. Other than the Debt listed on ***Schedule 8.1*** and Debt otherwise permitted by ***Section 8.1***, Borrower and each Subsidiary have no Debt.

Section 6.3. **Action; No Breach**. The execution, delivery, and performance by each of Borrower and each other Obligated Party of this Agreement and the other Loan Documents to which such Person is or may become a party and compliance with the terms and provisions hereof and thereof have been duly authorized by all requisite action on the part of such Person and do not and will not (a) violate or conflict with, or result in a breach of, or require any consent under (i) the Constituent Documents of such Person, (ii) any of the Investment Policies and Restrictions, (iii) any applicable law, rule, or regulation or any order, writ, injunction, or decree of any Governmental Authority or arbitrator, or (iv) any agreement or instrument to which such Person is a party or by which it or any of its Properties is bound or subject which could result in a Material Adverse Event, or (b) constitute a default under any such agreement or instrument which could result in a Material Adverse Event, or result in the creation or imposition of any Lien upon any of the revenues or assets of such Person.

Section 6.4. **Operation of Business**. Each of Borrower and its Restricted Subsidiaries possesses all licenses, permits, consents, authorizations, franchises, patents, copyrights,

trademarks, and trade names, or rights thereto, necessary to conduct its respective businesses substantially as now conducted and as presently proposed to be conducted, and neither Borrower nor any of its Restricted Subsidiaries is in violation of any valid rights of others with respect to any of the foregoing which could result in a Material Adverse Event.

Section 6.5. **Litigation and Judgments**. Except as specifically disclosed in *Schedule 6.5* as of the date hereof, there is no action, suit, investigation, or proceeding before or by any Governmental Authority or arbitrator pending, or to the knowledge of Borrower, threatened against or affecting

Borrower or any other Obligated Party that could, if adversely determined, result in a Material Adverse Event. There are no outstanding judgments against Borrower or any other Obligated Party.

Section 6.6. **Rights in Properties; Liens**. Each of Borrower and its Restricted Subsidiaries has good and indefeasible title to or valid leasehold interests in its respective Properties, including the Properties reflected in the financial statements described in ***Section 6.2***, and none of the Properties of Borrower or any of its Restricted Subsidiaries is subject to any Lien, except Permitted Liens.

Section 6.7. **Enforceability**. This Agreement constitutes, and the other Loan Documents to which Borrower or any other Obligated Party is a party, when delivered, shall constitute legal, valid, and binding obligations of such Person, enforceable against such Person in accordance with their respective terms, except as limited by Debtor Relief Laws.

Section 6.8. **Approvals**. No authorization, approval, or consent of, and no filing or registration with, any Governmental Authority or third party is or will be necessary for the execution, delivery, or performance by Borrower or any other Obligated Party of this Agreement and the other Loan Documents to which such Person is or may become a party or the validity or enforceability thereof.

Section 6.9. **Taxes**. Each of Borrower and its Subsidiaries has filed all tax returns (federal, state, and local) required to be filed, including all income, franchise, employment, Property, and sales tax returns, and has paid all of their respective liabilities for taxes, assessments, governmental charges, and other levies that are due and payable, other than taxes the payment of which is being contested in good faith and by appropriate proceedings and reserves for the payment of which are being maintained in accordance with GAAP. Borrower knows of no pending investigation of Borrower or any of its Subsidiaries by any taxing authority or of any pending but unassessed tax liability of Borrower or any of its Subsidiaries. Neither Borrower nor any Subsidiary thereof is party to any tax sharing agreement.

Section 6.10. **Use of Proceeds; Margin Stock**. The proceeds of the Revolving Credit Borrowings shall be used by Borrower (a) to purchase debt and equity securities of banks and bank holding companies, including one or more portfolios of TARP Preferred Securities and CDOs backed by TruPS that, in each case, at the time of acquisition thereof, meet the definition of "Eligible Securities", and to finance costs and expenses related to such purchases, (b) to purchase and carry Margin Stock or other equity securities that, in each case, at the time of acquisition thereof, meet the definition of "Publicly-Traded Securities", and to finance costs and expenses related to such purchases, and (c) for working capital in the ordinary course of business

(other than the use of proceeds to purchase assets that would be ineligible for inclusion in the Borrowing Base at the time of acquisition thereof). Neither Borrower nor any of its Restricted Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock. Each Revolving Credit Borrowing shall be made in compliance with, and subject to Regulation U, and no portion of any proceeds of any Revolving Credit Borrowing shall be used directly or indirectly in violation of any provision of any Law applicable to Borrower or any Lender.

Section 6.11. **ERISA**. Each Plan that is intended to qualify under *Section 401(a)* of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the knowledge of Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. No application for a funding waiver or an extension of any amortization period pursuant to *Section 412* of the Code has been made with respect to any Plan. There are no pending or, to the knowledge of Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan. There has been no Prohibited Transaction or violation of the fiduciary responsibility rules with respect to any Plan. No ERISA Event has occurred or is reasonably expected to occur. No Plan has any Unfunded Pension Liability. No Obligated Party or ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under *Section 4007* of ERISA). No Obligated Party or ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under *Section 4219* of ERISA, would result in such liability) under *Section 4201* or *4243* of ERISA with respect to a Multiemployer Plan. No Obligated Party or ERISA Affiliate has engaged in a transaction that could be subject to *Section 4069* or *4212(c)* of ERISA.

Section 6.12. **Disclosure**. No statement, information, report, representation, or warranty made by Borrower or any other Obligated Party in this Agreement or in any other Loan Document or furnished to Administrative Agent or any Lender in connection with this Agreement or any of the transactions contemplated hereby contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading. There is no fact known to Borrower which is a Material Adverse Event, or which, to the best of its knowledge, might in the future be a Material Adverse Event that has not been disclosed in writing to Administrative Agent and each Lender.

Section 6.13. **Subsidiaries**. As of the Closing Date, Borrower has no Subsidiaries other than those listed on *Schedule 6.13* and as of the Closing Date all such Subsidiaries are Restricted Subsidiaries (and, if subsequent to the Closing Date, (x) such additional Restricted Subsidiaries as have been formed in compliance with ***Section 7.13(a)*** and (y) such additional Unrestricted Subsidiaries as have been formed in compliance with ***Section 7.13(b))*** and ***Schedule 6.13*** sets forth the jurisdiction of incorporation or organization of each such Subsidiary and the percentage of Borrower's ownership interest in such Subsidiary. All of the outstanding capital stock or other equity interests of each Subsidiary described on ***Schedule 6.13*** has been validly issued, is fully paid, and is nonassessable. There are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock or similar options granted to employees or directors and directors' qualifying shares) of any nature relating to any equity interests of Borrower or any Restricted Subsidiary.

Section 6.14. **Agreements**. Neither Borrower nor any of its Restricted Subsidiaries is a party to any indenture, loan, or credit agreement, or to any lease or other agreement or instrument, or subject to any charter or corporate or other organizational restriction, in each case which could result in a Material Adverse Event. Neither Borrower nor any of its Restricted Subsidiaries is in default in any respect in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any agreement or instrument material to its business to which it is a party which could result in a Material Adverse Event.

Section 6.15. **Compliance with Laws and Investment Policies.**

(a) Borrower is in compliance with the Investment Company Act in all material respects and neither Borrower nor any of its Restricted Subsidiaries is in violation in any material respect of any other law, rule, regulation, order, or decree of any Governmental Authority or arbitrator. Neither Borrower nor any of its Restricted Subsidiaries is a bank holding company or a savings and loan holding company subject to the jurisdiction of any Bank Regulatory Authority.

(b) Borrower is in compliance in all material respects with all of the Investment Policies and Restrictions.

Section 6.16. **Collateral Account**. All assets of Borrower and each other Obligated Party are held in or credited to the Collateral Account.

Section 6.17. **Environmental Matters.**

(a) Each of Borrower and its Restricted Subsidiaries, and all of its respective Properties, assets, and operations are in compliance with all Environmental Laws. Borrower is not aware of, nor has Borrower received notice of, any past, present, or future conditions, events, activities, practices, or incidents which may interfere with or prevent the compliance or continued compliance of Borrower and its Restricted Subsidiaries with all Environmental Laws;

(b) Each of Borrower and its Restricted Subsidiaries has obtained all permits, licenses, and authorizations that are required under applicable Environmental Laws, and all such permits are in good standing and Borrower and its Restricted Subsidiaries are in compliance with all of the terms and conditions of such permits;

(c) No Hazardous Materials exist on, about, or within or have been used, generated, stored, transported, disposed of on, or Released from any of the Properties or assets of Borrower or any of its Restricted Subsidiaries. The use which Borrower and its Restricted Subsidiaries make and intend to make of their respective Properties and assets will not result in the use, generation, storage, transportation, accumulation, disposal, or Release of any Hazardous Material on, in, or from any of their Properties or assets;

(d) Neither Borrower nor any of its Restricted Subsidiaries nor any of their respective currently or previously owned or leased Properties or operations is subject to any outstanding or threatened order from or agreement with any Governmental Authority or other Person or subject to any judicial or docketed administrative proceeding with respect to (i) failure to comply with Environmental Laws, (ii) Remedial Action, or (iii) any Environmental Liabilities arising from a Release or threatened Release;

(e) There are no conditions or circumstances associated with the currently or previously owned or leased Properties or operations of Borrower or any of its Restricted Subsidiaries that could reasonably be expected to give rise to any Environmental Liabilities;

(f) Neither Borrower nor any of its Restricted Subsidiaries is a treatment, storage, or disposal facility requiring a permit under the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq., regulations thereunder or any comparable provision of state law. Borrower and its Restricted Subsidiaries are in compliance with all applicable financial responsibility requirements of all Environmental Laws;

(g) Neither Borrower nor any of its Restricted Subsidiaries has filed or failed to file any notice required under applicable Environmental Law reporting a Release; and

(h) No Lien arising under any Environmental Law has attached to any property or revenues of Borrower or any of its Restricted Subsidiaries.

Section 6.18. **Intellectual Property**. All material Intellectual Property owned or used by Borrower and its Restricted Subsidiaries is listed, together with application or registration numbers, where applicable, in *Schedule 6.18.* Each Person identified on *Schedule 6.18* owns, or is licensed to use, all Intellectual Property necessary to conduct its business as currently conducted except for such Intellectual Property the failure of which to own or license could be a Material Adverse Event. Each Person identified on *Schedule 6.18* will maintain the patenting and registration of all patented, trademarked and copyrighted Intellectual Property owned by the Borrower and any Restricted Subsidiary with the United States Patent and Trademark Office, the United States Copyright Office, or other appropriate Governmental Authority, and each Person identified on *Schedule 6.18* will promptly, but in any event within ten (10) Business Days following its acquisition thereof, patent or register, as the case may be, all new Intellectual Property and notify Administrative Agent in writing five (5) Business Days prior to filing any such new patent or registration.

Section 6.19. **Foreign Assets Control Regulations and Anti-Money Laundering**. Each Obligated Party and each Subsidiary of each Obligated Party is and will remain in compliance in all material respects with all United States economic sanctions Laws, Executive Orders and implementing regulations as promulgated by OF AC, and all applicable anti-money laundering and counter-terrorism financing provisions of the Bank Secrecy Act and all regulations issued pursuant to it. No Obligated Party and no Subsidiary or Affiliate of any

Obligated Party (a) is a Person designated by the United States government on the list of the Specially Designated Nationals and Blocked Persons (the *"SDN List)* with which a United States Person cannot deal with or otherwise engage in business transactions, (b) is a Person who is otherwise the target of United States economic sanction Laws such that a United States Person cannot deal or otherwise engage in business transactions with such Person, or (c) is controlled by (including without limitation by virtue of such person being a director or owning voting shares or interests), or acts, directly or indirectly, for or on behalf of, any person or entity on the SDN List or a foreign government that is the target of United States economic sanctions prohibitions such that the entry into, or performance under, this Agreement or any other Loan Document would be prohibited under United States law.

Section 6.20. **Patriot Act**. The Obligated Parties, each of their Subsidiaries, and each of their Affiliates are in compliance with (a) the Trading with the Enemy Act, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B Chapter V, as amended), and all other enabling legislation or executive order relating thereto, (b) the Patriot Act, and (c) all other federal or state Laws relating to "know your customer" and anti-money laundering rules and regulations. No part of the proceeds of any Loan will be used directly or indirectly for any payments to any government official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977.

Section 6.21. **Insurance**. The properties of Borrower and its Restricted Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where Borrower or the applicable Restricted Subsidiary operates.

Section 6.22. **Solvency**. Each of Borrower and each other Obligated Party is Solvent and have not entered into any transaction with the intent to hinder, delay or defraud a creditor.

Section 6.23. **Security Documents**. The provisions of the Security Documents are effective to create in favor of Administrative Agent for the benefit of the Secured Parties a legal, valid and enforceable Lien (subject to Permitted Liens) on all right, title and interest of the respective Obligated Parties party thereto in the Collateral. Except for filings completed prior to the Closing Date and as contemplated hereby and by the Security Documents, no filing or other action will be necessary to perfect such Liens in Collateral.

Section 6.24. **Businesses**. Borrower is presently a non-diversified closed-end management investment company registered under the Investment Company Act which invests substantially all of its total assets in securities (a) directly issued by community banks or (b) issued by CDOs that are secured by securities directly issued by community banks.

Section 6.25. **Burdensome Provisions**. No Restricted Subsidiary is party to any agreement or instrument or otherwise subject to any restriction or encumbrance that restricts or limits its ability to make dividend payments or other distributions in respect of its capital stock to Borrower or any Restricted Subsidiary or to transfer any of its assets or properties to Borrower or

any other Restricted Subsidiary in each case other than existing under or by reason of the Loan Documents or Applicable Law. None of Borrower, any Restricted Subsidiary or any Property of Borrower or any Restricted Subsidiary is subject to any agreement of the type described in ***Section 8.14***, or any agreement to give or not give an agreement of the type described in ***Section 8.14***, other than this Agreement.

Section 6.26. **Hedge Agreements and Other Material Agreements**. ***Schedule 6.26*** sets forth a complete and correct list of (a) all Hedge Agreements in effect or to be in effect on the Closing Date to which any Obligated Party is party and (b) all other agreements in effect or to be in effect on the Closing Date and on the date of each update thereof required hereunder, to the extent that a default, breach, termination or other impairment thereof could result in a Material Adverse Event.

ARTICLE 7

AFFIRMATIVE COVENANTS

Borrower covenants and agrees that, as long as the Obligations or any part thereof are outstanding or any Lender has any Commitment hereunder:

Section 7.1. **Reporting Requirements**. Borrower will furnish to Administrative Agent (with copies for each Lender):

(a) **Borrower Annual Financial Statements.** As soon as available, and in any event within one hundred and twenty (120) days after the last day of each fiscal year of Borrower, beginning with the fiscal year ending December 31, 2013, a consolidated and consolidating balance sheet of the Borrower and its Subsidiaries (if any) as at the end of such fiscal year, and the related consolidated and consolidating statements of income or operations, changes in shareholders' equity, and cash flows as of the end of such fiscal year and for the twelve (12)-month period then ended, in each case setting forth in comparative form the figures for the preceding fiscal year, all in reasonable detail and prepared in accordance with GAAP, such consolidated statements to be audited and accompanied by a report and opinion of Rothstein Kass, or other independent certified public accountants of recognized standing acceptable to Administrative Agent, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit, and such consolidating statements to be certified by a Responsible Officer of the Borrower to have been prepared in accordance with GAAP and to fairly and accurately present the financial condition and results of operations of Borrower and its Subsidiaries, on a consolidating basis, as of the dates and for the periods indicated therein;

(b) **Borrower Quarterly Financial Statements.** As soon as available, and in any event within sixty (60) days after the last day of each fiscal quarter of each fiscal year of Borrower, a consolidated and consolidating

balance sheet of the Borrower and its Subsidiaries (if any) as of the end of such fiscal quarter, and the related consolidated and consolidating statements of income or operations, changes in shareholders' equity, and cash flows for such fiscal quarter, in each case setting forth in comparative form the figures for the corresponding period of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, and certified by a Responsible Officer of Borrower to have been prepared in accordance with GAAP and to fairly and accurately present (subject to year-end audit adjustments) the financial condition and results of operations of Borrower and its Subsidiaries, on a consolidated and consolidating basis, as of the dates and for the periods indicated therein;

(c) **Compliance Certificate.** Concurrently with the delivery of each of the financial statements referred to in ***Section 7.1(a)*** and ***Section 7.1(b)***, (1) a Compliance Certificate (i) stating that to the best of the knowledge of the Responsible Officer executing same, no Default has occurred and is continuing, or if a Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto, (ii) showing in reasonable detail the calculations demonstrating compliance with the covenant set forth in *Article 9* and (iii) containing such other certifications set forth therein, and (2) a report describing in reasonable detail the (i) occurrence of any disposition of property or assets for which Borrower is required to make a mandatory prepayment pursuant to ***Section 2.7(d)(i),*** (ii) occurrence of the incurrence or issuance by any Obligated Party of any Debt for which Borrower is required to make a mandatory prepayment pursuant to ***Section 2.7(d)(ii)***, and (iii) the amount of the corresponding mandatory prepayment required to be made pursuant to ***Sections 2.7(d)(i) — (ii)***. For any financial statements delivered electronically by a Responsible Officer in satisfaction of the reporting requirements set forth in clause (a) or (b) preceding that are not accompanied by the required Compliance Certificate, that Responsible Officer shall nevertheless be deemed to have certified the factual matters described in this clause (c) with respect to such financial statements; however, such deemed certificate shall not excuse or be construed as a waiver of Borrower's obligation to deliver the required Compliance Certificate;

(d) **Borrowing Base Report.** As soon as available, and in any event within sixty (60) days after the last day of each fiscal quarter of each fiscal year of Borrower, a Borrowing Base Report showing in reasonable detail the calculations of the Borrowing Base;

(e) **Projections.** As soon as available, but in any event within sixty (60) days of the beginning of each fiscal year of Borrower, forecasts prepared by management of Borrower, in form and substance satisfactory to Administrative Agent, of consolidated balance sheets of income or operations and cash flows of Borrower and its Subsidiaries on a monthly basis for such fiscal year;

(f) **Valuation Reports**.

(i) As soon as available, and in any event within sixty (60) days after the last day of each fiscal quarter of each fiscal year of Borrower beginning with the fiscal quarter ending June 30, 2014, a Third-Party Valuation Report of Borrower's assets, all in reasonable detail and certified by an Approved Third-Party Appraiser; and

(ii) As soon as available, and in any event within sixty (60) days after the last day of each fiscal quarter of each fiscal year of Borrower beginning with the fiscal quarter ending March 31, 2014, Borrower's Fair Market Valuation Report of Borrower's assets, all in reasonable detail and certified by a Responsible Officer of Borrower;

(g) **Management Letters.** Promptly upon receipt thereof, a copy of any management letter or written report submitted to Borrower or any of its Restricted Subsidiaries by independent certified public accountants with respect to the business, condition (financial or otherwise), operations, prospects, or Properties of Borrower or any of its Restricted Subsidiaries;

(h) **Notice of Litigation.** Promptly after the commencement thereof, notice of all actions, suits, and proceedings before any Governmental Authority or arbitrator affecting Borrower or any of its Restricted Subsidiaries which, if determined adversely to Borrower or such Subsidiary, could be a Material Adverse Event;

(i) **Notice of Default.** As soon as possible and in any event within five days after the Borrower becomes aware of the occurrence of any Default, a written notice setting forth the details of such Default and the action that Borrower has taken and proposes to take with respect thereto;

(j) **ERISA Reports.** Promptly after the filing or receipt thereof, copies of all reports, including annual reports, and notices which any Borrower or ERISA Affiliate files with or receives from the PBGC, the IRS, or the U.S. Department of Labor under ERISA; as soon as possible and in any event within five days after Borrower or any ERISA Affiliate knows or has reason to know that any ERISA Event or Prohibited Transaction has occurred with respect to any Plan, a certificate of the chief financial officer of Borrower setting forth the details as to such ERISA Event or Prohibited Transaction and the action that Borrower proposes to take with respect thereto; annually, copies of the notice described in *Section 101(f)* of ERISA that Borrower or ERISA Affiliate receives with respect to a Plan or Multiemployer Plan;

(k) **Reports to Other Creditors.** Promptly after the furnishing thereof, copies of any statement or report furnished to any other party pursuant to the terms of any indenture, loan, or credit or similar agreement and not

otherwise required to be furnished to Administrative Agent pursuant to any other clause of this ***Section 7.1***;

(l) **Notice of Material Adverse Event.** As soon as possible and in any event within five (5) days after the Borrower becomes aware of the occurrence thereof, written notice of any event or circumstance that could result in a Material Adverse Event;

(m) **SEC Filings.** Promptly upon the filing thereof with the SEC of the mailing thereof to shareholders of Borrower, copies of all annual and semi-annual reports to shareholders, amendments and supplements to Borrower's registration statement, any prospectus, non-routine proxy statements, financial statements and other materials of a financial or otherwise material nature;

(n) **Debt Rating,** (i) As soon as possible and in any event within five (5) days after Borrower becomes aware of the occurrence thereof, of any announcement by Moody's of any change or possible change in the Debt Rating and (ii) once during each calendar year, obtain a current Debt Rating;

(o) **Investment Schedule.** As soon as available, and in any event within fifteen (15) days after the last day of each fiscal quarter of each fiscal year of Borrower, a Schedule of Portfolio Investments of Borrower as of the last day of each such fiscal quarter;

(p) **Regulation** U. Borrower shall deliver to Administrative Agent from time to time, at Administrative Agent's request, such documents or information, including a current completed Form FR U-l referred to in Regulation U and a current list of Collateral, in each case as reasonably required in order for Lenders to comply with Regulation U;

(q) **Restricted Period Reporting.** During any Restricted Period, Borrower shall deliver to Administrative Agent within fifteen (15) days after the last day of each calendar month (i) a mark-to-market report and (ii) a list of all Non-Performing Portfolio Investments, each in form and substance satisfactory to Administrative Agent; and

(r) **General Information.** Promptly, such other information concerning Borrower, any of its Subsidiaries, or any other Obligated Party as Administrative Agent, or any Lender through Administrative Agent, may from time to time reasonably request.

All representations and warranties set forth in the Loan Documents with respect to any financial information concerning Borrower or any Guarantor shall apply to all financial information delivered to Lender by Borrower, such Guarantor, or any Person purporting to be a Responsible Officer of Borrower or such Guarantor or other representative of Borrower or such Guarantor regardless of the method of such transmission to Lender or whether or not signed by Borrower, such Guarantor, or such Responsible Officer or other representative, as applicable.

Section 7.2. **Maintenance of Existence; Conduct of Business**. Borrower shall, and shall cause each of its Restricted Subsidiaries to, preserve and maintain its existence and all of its leases, privileges, licenses, permits, franchises, qualifications, and rights that are necessary or desirable in the ordinary conduct of its business, except to the extent a failure to so preserve and maintain could not result in a Material Adverse Event. Borrower shall, and shall cause each of its Restricted Subsidiaries to, conduct its business in an orderly and efficient manner in accordance with good business practices. Borrower will maintain in full force and effect its registration as a closed-end management company under the Investment Company Act.

Section 7.3. **Maintenance of Properties**. Borrower shall, and shall cause each of its Restricted Subsidiaries to, maintain, keep, and preserve all of its Properties (tangible and intangible) necessary or useful in the proper conduct of its business in good working order and condition. Borrower will at all times place and maintain the Collateral (a) in the custody of the Administrative Agent subject to the provisions of the Security Documents or (b) in the custody of the Collateral Trustee subject to the provisions of the Collateral Account Control Agreement.

Section 7.4. **Taxes and Claims**. Borrower shall, and shall cause each of its Restricted Subsidiaries to, pay or discharge at or before maturity or before becoming delinquent (a) all taxes, levies, assessments, and governmental charges imposed on it or its income or profits or any of its Property, and (b) all lawful claims for labor, material, and supplies, which, if unpaid, might become a Lien upon any of its Property; *provided*, *however*, that neither Borrower nor any of its Restricted Subsidiaries shall be required to pay or discharge any tax, levy, assessment, or governmental charge which is being contested in good faith by appropriate proceedings diligently pursued, and for which adequate reserves in accordance with GAAP have been established.

Section 7.5. **Insurance.**

(a) Borrower shall, and shall cause each of its Restricted Subsidiaries to, maintain insurance with financially sound and reputable insurance companies in such amounts as are required by the Investment Company Act and, in addition, as are customary in the case of registered closed-end investment companies and covering such risks as is usually carried by corporations engaged in similar businesses and owning similar Properties in the same general areas in which Borrower and its Restricted Subsidiaries operate. Each insurance policy covering liabilities (other than any director and officer's liability policy and any Fidelity Bond) shall name Administrative Agent as additional insured, and each such insurance policy shall provide that such policy will not be cancelled or reduced without 30 days prior written notice to Administrative Agent.

(b) All proceeds of insurance in excess of $250,000 shall be paid over to Administrative Agent for application to the Obligations under the Loan Documents, unless Required Lenders otherwise agree in writing in their reasonable discretion.

(c) If Required Lenders agree in writing, in their reasonable discretion, then Borrower may apply the net proceeds of a casualty or condemnation (each a *"Loss")* to the repair, restoration, or replacement of the assets suffering such Loss, so long as (i) such repair, restoration, or replacement is completed within one hundred eighty (180) days after the date of such Loss (or such longer period of time agreed to in writing by Required Lenders), (ii) while such repair, restoration, or replacement is underway, all of such net proceeds are on deposit with Administrative Agent in a separate deposit account over which Administrative Agent has exclusive control, and (iii) such Loss did not cause an Event of Default. If an Event of Default occurs pursuant to which Administrative Agent exercises its rights to accelerate the Obligations under the Loan Documents as provided in ***Section 10.2*** or such repair, restoration, or replacement is not completed within one hundred eighty (180) days of the date of such Loss (or such longer period of time agreed to in writing by Required Lenders), then Administrative Agent may immediately and without notice to any Person apply all of such net proceeds to such Obligations, regardless of any other prior agreement regarding the disposition of such net proceeds.

Section 7.6. **Inspection Rights; Audit and Appraisal Rights.**

(a) **Inspection Rights.** At any reasonable time and from time to time, Borrower shall, and shall cause each of its Restricted Subsidiaries to, (i) permit representatives of Administrative Agent or any Lender (including any consultants, accountants, lawyers and appraisers retained by the Administrative Agent or any Lender) to examine, inspect, review, evaluate and make physical verifications and appraisals of the inventory and other Collateral in any manner and through any medium that Administrative Agent or such Lender considers advisable, (ii) to examine, copy, and make extracts from its books and records, (iii) to visit and inspect its Properties, and (iv) to discuss its business, operations, and financial condition with its officers, employees, and independent certified public accountants, in

each instance, at Borrower's expense *provided* that (x) Borrower shall not be responsible for costs and expenses more than one time per year unless an Event of Default has occurred and is continuing and (y) so long as no Event of Default has occurred and is continuing, such costs and expenses shall not exceed $5,000 with respect to any such inspection.

(b) **Audit and Appraisal Rights.** At any reasonable time and from time to time, Borrower shall, and shall cause each of its Restricted Subsidiaries to, permit any representatives of Administrative Agent or any Lender (including any consultants, accountants, lawyers and appraisers retained by the Administrative Agent or any Lender) to conduct audits, evaluations and appraisals of Borrower's computation of the Borrowing Base and the assets included in the Borrowing Base, in each instance, at Borrower's expense *provided* that (x) Borrower shall not be responsible for costs and expenses more than one time per year unless an Event of Default has occurred and is continuing and (y) so long as no Event of Default has occurred and is

continuing, such costs and expenses shall not exceed $5,000 with respect to any such audit or appraisal.

Section 7.7. **Keeping Books and Records**. Borrower shall, and shall cause each of its Restricted Subsidiaries to, maintain proper books of record and account in which full, true, and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities.

Section 7.8. **Compliance with Laws**. Borrower shall comply in all material respects with the Investment Company Act and the requirements of any Governmental Authority having jurisdiction over Borrower. Borrower shall, and shall cause each of its Restricted Subsidiaries to, comply in all material respects with all other applicable Laws and decrees of any Governmental Authority or arbitrator.

Section 7.9. **Compliance with Agreements**. Borrower shall, and shall cause each of its Restricted Subsidiaries to, comply in all material respects with all agreements, contracts, and instruments binding on it or affecting its Properties or business, except to the extent a failure to so comply could not result in a Material Adverse Event.

Section 7.10. **Further Assurances**. Borrower shall, and shall cause each of its Restricted Subsidiaries and each other Obligated Party to, execute and deliver such further agreements and instruments and take such further action as may be reasonably requested by Administrative Agent or any Lender to carry out the provisions and purposes of this Agreement and the other Loan Documents and to create, preserve, and perfect the Liens of Administrative Agent in the Collateral.

Section 7.11. **ERISA**. Borrower shall, and shall cause each of its Subsidiaries to, comply with all minimum funding requirements, and all other material requirements, of ERISA, if applicable, so as not to give rise to any liability thereunder.

Section 7.12. **Collateral Account**. Borrower shall, and shall cause each of its Restricted Subsidiaries to, (a) maintain the Collateral Account with the Collateral Trustee, (b) cause all Collateral to be held in the Collateral Account and (c) promptly remit to the Collateral Account all Return of Capital.

Section 7.13. **Additional Subsidiaries**

(a) Borrower shall notify Administrative Agent at the time that any Person becomes a Restricted Subsidiary, and promptly thereafter (and any event within ten (10) days) (i) execute and deliver to Administrative Agent all Security Documents, stock certificates, stock powers and other agreements and instruments as may be requested by Administrative Agent to ensure that Administrative Agent has a perfected security interest in all ownership interests held by any Obligated Party in such Restricted Subsidiary, and (ii) cause such Person to (a) become a Guarantor by executing and delivering to Administrative Agent a Guaranty, (b) execute and deliver all Security Documents requested by Administrative Agent pledging to Administrative Agent for the benefit of the Secured Parties all of its Property (subject to such exceptions as Administrative

Agent may permit) and take all actions required by Administrative Agent to grant to Administrative Agent for the benefit of Secured Parties a perfected first priority security interest in such property, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be requested by Administrative Agent, and (c) deliver to Administrative Agent such other documents and instruments as Administrative Agent may require, including appropriate favorable opinions of counsel to such Person in form, content and scope reasonably satisfactory to Administrative Agent.

(b) Borrower shall notify Administrative Agent at the time that any Person becomes an Unrestricted Subsidiary, and promptly thereafter (and any event within ten (10) days) execute and deliver to Administrative Agent all Security Documents, stock certificates, stock powers and other agreements and instruments as may be requested by Administrative Agent to ensure that Administrative Agent has a perfected security interest in all ownership interests held by any Obligated Party in such Unrestricted Subsidiary.

Section 7.14. **Compliance with Investment Policies and Restrictions**. Borrower shall at all times comply with the Investment Policies and Restrictions. Borrower shall not permit any of the Investment Policies and Restrictions that may not be changed without shareholder approval to be changed from those in effect on the Closing Date without the prior written consent of the Administrative Agent.

Section 7.15. **Debt Rating**. Borrower shall at, its sole expense, obtain a Debt Rating; *provided* that Borrower shall not be responsible for costs and expenses relating to the procurement of such Debt Rating more than one time per year unless an Event of Default has occurred and is continuing.

Section 7.16. **Registered Investment Company.**

(a) Borrower shall at all times maintain its status as a RIC under the Code.

(b) Borrower will at all times, subject to applicable grace periods set forth in the Code, comply with the portfolio diversification and similar requirements set forth in the Code applicable to RICs.

ARTICLE 8

NEGATIVE COVENANTS

Borrower covenants and agrees that, as long as the Obligations or any part thereof are outstanding or any Lender has any Commitment hereunder:

Section 8.1. **Debt**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, create, assume, or permit to exist any Debt, except:

(a) The Obligations under the Loan Documents and Obligations existing or arising under Bank Product Agreements other than Hedge Agreements;

(b) Existing Debt described on ***Schedule** 8.1;*

(c) Debt to the extent it constitutes Permitted Treasury Repos; and

(d) Hedge Obligations existing or arising under Hedge Agreements permitted by ***Section 8.17***.

Section 8.2. **Limitation on Liens**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, incur, create, assume, or permit to exist any Lien upon any of its Property, assets, or revenues, whether now owned or hereafter acquired, except:

(a) Existing Liens disclosed on ***Schedule 8.2;***

(b) Liens in favor of the Secured Parties or Administrative Agent for the benefit of Secured Parties;

(c) Encumbrances consisting of minor easements, zoning restrictions, or other restrictions on the use of real property that do not (individually or in the aggregate) materially affect the value of the assets encumbered thereby or materially impair the ability of Borrower or its Restricted Subsidiaries to use such assets in their respective businesses, and none of which is violated in any material respect by existing or proposed structures or land use;

(d) Liens for taxes, assessments, or other governmental charges which are not delinquent or which are being contested in good faith and for which adequate reserves in accordance with GAAP have been established;

(e) Liens of mechanics, materialmen, warehousemen, carriers, or other similar statutory Liens securing obligations that are not yet due and are incurred in the ordinary course of business;

(f) Liens resulting from good faith deposits to secure payments of workmen's compensation or other social security programs (other than Liens imposed by ERISA) or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, contracts (other than for payment of Debt), or leases made in the ordinary course of business; and

(g) Liens on the Collateral Account in favor of the Collateral Trustee in respect of overdrafts and custodial account fees and expenses in an aggregate amount not to exceed $250,000 at any time outstanding.

Section 8.3. **Mergers, Etc.** Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, become a party to a merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets of any Person or any shares or

other evidence of beneficial ownership of any Person, or wind-up, dissolve, or liquidate, except that (i) any Restricted Subsidiary may merge or consolidate with Borrower so long as Borrower is the surviving entity, (ii) any Restricted Subsidiary may merge or consolidate with another Restricted Subsidiary so long as if a Subsidiary that is a Guarantor is involved in such merger or consolidation, such Guarantor is the surviving entity, and (iii) the Borrower may create or acquire any Unrestricted Subsidiary in accordance with ***Section 8.5(g)***.

Section 8.4. **Restricted Payments**. Borrower shall not, directly or indirectly, declare or pay any dividends or make any other payment or distribution (in cash, Property, or obligations) on account of its equity interests, or redeem, purchase, retire, call, or otherwise acquire any of its equity interests, or permit any of its Restricted Subsidiaries to purchase or otherwise acquire any equity interest of Borrower or another Restricted Subsidiary of Borrower, or set apart any money for a sinking or other analogous fund for any dividend or other distribution on its equity interests or for any redemption, purchase, retirement, or other acquisition of any of its equity interests, or make any payment of any Advisory Fee, or incur any obligation (contingent or otherwise) to do any of the foregoing except:

(a) Restricted Subsidiaries shall be permitted to make payments and distributions to Borrower or any Guarantors;

(b) so long as, both before and after giving effect to the payment thereof no Default or Borrowing Base Deficiency has occurred and is continuing, Borrower may pay the Advisory Fees; and

(c) so long as, (i) both before and after giving effect to such dividend or distribution no Default or Borrowing Base Deficiency has occurred and is continuing or would result therefrom, (ii) Borrower has cash on its balance sheet sufficient to make each

such dividend or distribution and (iii) after making each such dividend or distribution, the amount of cash on the Borrower's balance sheet shall be greater than or equal to $3,500,000, the Borrower may declare and pay dividends and distributions one-time per fiscal quarter in either case in cash in an amount not to exceed (A) at any time during the period from the Closing Date through and including March 31, 2015, a quarterly dividend of 50 cents (500) per share on Borrower's outstanding common stock, (B) at any time during the period from April 1, 2015 through and including March 31, 2016, a quarterly dividend equal to the lesser of (1) 50 cents (500) per share on Borrower's outstanding common stock and (2) the sum of 130% of the Net Investment Income of Borrower and its Restricted Subsidiaries for the two consecutive fiscal quarters immediately preceding the making of such dividend divided by 2 and (C) at any after April 1, 2016, a quarterly dividend equal to the lesser of (1) 50 cents (500) per share on Borrower's outstanding common stock and (2) the sum of 120% of the Net Investment Income of the Borrower and its Restricted Subsidiaries for the two consecutive fiscal quarters immediately preceding the making of such dividend divided by 2, but in each case, in no event less than the amounts that are required to be distributed to allow Borrower to satisfy the minimum distribution requirements imposed by the Investment Company Act to maintain its eligibility to be taxed as a RIC; provided, that

(i) the Net Investment Income of the Borrower and its Restricted Subsidiaries shall be calculated on a Pro Forma Basis to include any income from Portfolio Investments acquired during such period and to exclude any income from Portfolio Investments disposed of during such period and (ii) not less than five (5) Business Days prior to the making of any such dividend or distribution, the Administrative Agent shall have received a certificate executed by a Responsible Officer of the Borrower (x) containing the calculation of such Net Investment Income on a Pro Forma Basis and (y) certifying that the proposed dividend or distribution complies with the requirements of this Section 8.4(c).

For the avoidance of doubt, Borrower shall not declare any dividend to the extent such declaration violates the provisions of the Investment Company Act applicable to it.

Section 8.5. **Loans and Investments**. Borrower shall not make, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, make, hold or maintain, any advance, loan, extension of credit, or capital contribution to or investment in, or purchase any stock, bonds, notes, debentures, or other securities of, any Person, except:

(a) Existing investments described on *Schedule 8.5;*

(b) Portfolio Investments by Borrower and its Restricted Subsidiaries to the extent such Portfolio Investments are permitted (i) under the Investment Company Act and (ii) Borrower's Investment Policies and Restrictions; *provided* that such investments are immediately delivered to the Collateral Trustee to be held in the Collateral Account for the benefit of the Secured Parties;

(c) Investments in Cash and Cash Equivalents to the extent such investments are permitted (i) under the Investment Company Act and (ii) Borrower's Investment Policies and Restrictions;

(d) Investments in Subsidiaries that are Guarantors;

(e) Investments consisting of Hedge Agreements permitted under ***Section 8.17***;

(f) Advances to employees for the payment of expenses in the ordinary course of business; and

(g) so long as, both before and after giving effect to such Investment, no Default or Borrowing Base Deficiency has occurred and is continuing, other Investments in Unrestricted Subsidiaries in an aggregate amount not to exceed $25,000,000.

Section 8.6. **Limitation on Issuance of Equity**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, issue, sell, assign, or otherwise dispose of (a) any of its stock or other equity interests, (b) any securities exchangeable for or convertible into or carrying any rights to acquire any of its stock or other equity interests, or

(c) any option, warrant, or other right to acquire any of its stock or other equity interests, in each case, other than to Borrower or another Restricted Subsidiary or as otherwise permitted pursuant to ***Section 8.5(g)***.

Section 8.7. **Transactions With Affiliates**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction, including, without limitation, the purchase, sale, or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate of Borrower or such Subsidiary, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's or such Subsidiary's business, pursuant to a transaction which is otherwise expressly permitted under this Agreement, and upon fair and reasonable terms no less favorable to Borrower or such Subsidiary than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate of Borrower or such Subsidiary.

Section 8.8. **Disposition of Assets**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly make any Disposition, except

(a) Dispositions, for fair value, of worn-out and obsolete equipment not necessary or useful to the conduct of business; and

(b) so long as no Default or Borrowing Base Deficiency has occurred and is continuing or would result therefrom, other Dispositions; *provided* the net proceeds of which shall be used to prepay Revolving Credit Loans if and to the extent required by ***Section 2.7(d)****; provided further, however,* the Borrower shall not make Dispositions of securities that were Eligible Securities and included in the Borrowing Base but subsequently became non-eligible securities due to the actions of the issuers of such securities.

Section 8.9. **Sale and Leaseback**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any arrangement with any Person pursuant to which it leases from such Person real or personal property that has been or is to be sold or transferred, directly or indirectly, by it to such Person.

Section 8.10. **Prepayment of Debt**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, make any optional or voluntary payment, prepayment, repurchase or redemption of any Debt, except (a) the Obligations under the Loan Documents and (b) Hedge Obligations.

Section 8.11. **Nature of Business**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, engage in any business other than the businesses in which they are engaged as of the date hereof as a closed-end RIC.

Section 8.12. **Environmental Protection**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly (a) use (or permit any tenant to use) any of their respective Properties or assets for the handling, processing, storage, transportation, or disposal of any Hazardous Material, (b) generate any Hazardous Material, (c) conduct any activity that is likely to cause a Release or threatened Release of any Hazardous Material, or (d) otherwise conduct any activity or use any of their respective Properties or assets in any

manner that is likely to violate any Environmental Law or create any Environmental Liabilities for which Borrower or any of its Restricted Subsidiaries would be responsible.

Section 8.13. **Accounting**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, change its fiscal year or make any change (a) in accounting treatment or reporting practices, except as required by GAAP and disclosed to Administrative Agent and Lenders, or (b) in tax reporting treatment, except as required by law and disclosed to Administrative Agent and Lenders.

Section 8.14. **Burdensome Agreements**. Borrower shall not, and shall not permit any other Obligated Party to, enter into or permit to exist any arrangement or agreement, other than pursuant to this Agreement or any Loan Document, which (a) directly or indirectly prohibits Borrower or any other Obligated Party from creating or incurring a Lien on any of its Property, revenues, or assets, whether now owned or hereafter acquired, (b) directly or indirectly prohibits any Restricted Subsidiary or other Obligated Party to make any payments, directly or indirectly, to Borrower by way of dividends, distributions, advances, repayments of loans, repayments of expenses, accruals, or otherwise provided that nothing herein will be deemed to prohibit the Borrower's ability to enter into Hedge Agreements in the ordinary course of business or (c) in any way would be contravened by such Person's performance of its obligations hereunder or under the other Loan Documents.

Section 8.15. **Subsidiaries**. Borrower shall not, directly or indirectly, form or acquire any Subsidiary unless (a) Borrower complies with the requirements of ***Section 7.13(a)*** with respect to the creation or formation of a Restricted Subsidiary, (b) Borrower complies with the requirements of ***Section 7.13(b)*** with respect to the creation or formation of an Unrestricted Subsidiary and (c) the creation of an Unrestricted Subsidiary is permitted pursuant to ***Section 8.5(g)***.

Section 8.16. **Amendments of Constituent Documents**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, amend or restate any of their respective Constituent Documents.

Section 8.17. **Hedge Agreements**. Borrower shall not, and shall not permit any of its Subsidiaries to, enter into any Hedge Agreement, except Hedge Agreements entered into to hedge or mitigate risks to which Borrower or any Subsidiary of Borrower has actual exposure in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of Borrower or any of its Subsidiaries limited to the principal amount of such interest-bearing liability or investment which have terms and conditions and in amounts reasonably acceptable to Administrative Agent.

Section 8.18. **OFAC**. Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, fail to comply with the Laws, regulations and executive orders referred to in ***Section 6.19*** and ***Section 6.20***.

Section 8.19. **Non-Affiliation with Lenders**. Borrower will not at any time become an Affiliate of any Lender.

Section 8.20. **Unrestricted Subsidiaries.**

(a) Borrower shall not, and shall not permit any Restricted Subsidiary to, invest in any Unrestricted Subsidiary, acquire any Unrestricted Subsidiary, or create any Unrestricted Subsidiary, or do any of the foregoing with respect to any direct or indirect subsidiary of any Unrestricted Subsidiary (whether in cash, or using, contribution of assets or equity interests or otherwise) except as otherwise permitted pursuant to ***Section 8.5(g)***.

(b) Borrower and its Restricted Subsidiaries will (i) not conduct any business or enter into any transaction with the Unrestricted Subsidiaries, other than on fair and reasonable terms substantially as favorable (or more favorable) to Borrower or such Restricted Subsidiary as would be obtainable by the Borrower or such Restricted Subsidiary at the time in a comparable arm's length transaction with an unrelated third Person (a Person other than a Subsidiary, an Unrestricted Subsidiary or an Affiliate), (ii) keep all deposit accounts, investment accounts and other accounts of the Unrestricted Subsidiaries segregated and apart from the accounts of Borrower and its Restricted Subsidiaries, (iii) use reasonable methods to (A) not commingle assets of Borrower and its Restricted Subsidiaries with the assets of any Unrestricted Subsidiary, and (B) keep the business of Borrower and its Restricted Subsidiaries separate and apart from the business of the Unrestricted Subsidiaries.

Section 8.21. **Change in Status of Subsidiaries.**

(a) Borrower shall not, and shall not permit any Subsidiary to, unless approved by Administrative Agent, designate any Subsidiary as an Unrestricted Subsidiary and subsequently redesignate such Subsidiary as a Restricted Subsidiary more than one time with respect to each such Subsidiary.

(b) Borrower shall not, and shall not permit any Subsidiary to, convert any Restricted Subsidiary to an Unrestricted Subsidiary.

(c) The designation of any Unrestricted Subsidiary as a Restricted Subsidiary shall, at the time of such designation, constitute the incurrence of any Debt or Liens of such Subsidiary existing at such time.

Section 8.22. **Collateral Account**. Borrower shall not terminate the Collateral Account Control Agreement without the prior written consent of Administrative Agent.

ARTICLE 9

FINANCIAL COVENANT

Borrower covenants and agrees that, as long as the Obligations or any part thereof are outstanding or any Lender has any Commitment hereunder:

Section 9.1. **Debt Service Coverage Ratio**. Except as set forth in the immediately following sentence, Borrower shall not permit the Debt Service Coverage Ratio to be less than 1.25 to 1.00 on the last day of the fiscal quarter ending September 30, 2014 or on the last day of any fiscal quarter thereafter occurring during the term of this Agreement. Notwithstanding the foregoing, during any Restricted Period, Borrower shall not permit the Debt Service Coverage Ratio to be less than 1.15 to 1.00.

ARTICLE 10

DEFAULT

Section 10.1. **Events of Default**. Each of the following shall be deemed an *"Event of Default"*.

(a) Borrower shall fail to pay the Obligations under the Loan Documents or any part thereof shall not be paid when due or declared due and, other than with respect to payments of principal or interest, such failure shall continue unremedied for three (3) days after such payment became due;

(b) Borrower shall fail to provide to Administrative Agent and Lenders timely any notice of Default as required by ***Section 7.1(i)*** of this Agreement or Borrower shall breach any provision of ***Section 2.7(c)***, ***Section 7.2***, ***Section 7.5***, ***Section 7.6***, ***Section 7.13*** or ***Article 8*** or ***Section 9.1*** of this Agreement;

(c) Any representation or warranty made or deemed made by Borrower or any other Obligated Party (or any of their respective officers) in any Loan Document or in any certificate, report, notice, or financial statement furnished at any time in connection with this Agreement shall be false, misleading, or erroneous in any material respect (without duplication of any materiality qualifier contained therein) when made or deemed to have been made;

(d) Borrower or any other Obligated Party shall fail to perform, observe, or comply with any covenant, agreement, or term contained in this Agreement or any other Loan Document (other than as covered by ***Section 10.1(a)*** and ***(b))***, and such failure continues for more than thirty (30) days following the date such failure first began (which, with respect to the Security Agreement, will be in addition to the ten days grace period provided in Section 5.03(c) thereof);

(e) Borrower or any other Obligated Party shall commence a voluntary proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or a substantial part of its Property or shall consent to any such relief or to the appointment of or taking possession by

any such official in an involuntary case or other proceeding commenced against it or shall make a general assignment for the benefit of creditors or shall generally fail to pay its debts as they become due or shall take any corporate action to authorize any of the foregoing;

(f) An involuntary proceeding shall be commenced against Borrower or any other Obligated Party seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official for it or a substantial part of its Property, and such involuntary proceeding shall remain undismissed and unstayed for a period of thirty (30) days;

(g) Borrower or any other Obligated Party shall fail to pay when due any principal of or interest on any Debt (other than the Obligations under the Loan Documents) in the amount of $250,000 or more, or the maturity of any such Debt shall have been accelerated, or any such Debt shall have been required to be prepaid, repurchased, defeased or redeemed prior to the stated maturity thereof or any cash collateral in respect thereof to be demanded, or any event shall have occurred that permits (or, with the giving of notice or lapse of time or both, would permit) any holder or holders of such Debt or any Person acting on behalf of such holder or holders to accelerate the

maturity thereof or require any such prepayment, repurchase, defeasance or redemption or any cash collateral in respect thereof to be demanded;

(h) There shall occur under any Hedge Agreement an Early Termination Date (as defined in such Hedge Agreement) resulting from (1) any event of default under such Hedge Agreement to which Borrower or any other Obligated Party is the Defaulting Party (as defined in such Hedge Agreement), or (2) any Termination Event (as so defined) under such Hedge Agreement as to which Borrower or any other Obligated Party is an Affected Party (as so defined) and, in either event, the Hedge Termination Value owed by Borrower, such Obligated Party as a result thereof exceeds $250,000;

(i) This Agreement or any other Loan Document shall cease to be in full force and effect or shall be declared null and void or the validity or enforceability thereof shall be contested or challenged by Borrower or any other Obligated Party or any of their respective equity holders or any other Obligated Party shall deny that it has any further liability or obligation under any of the Loan Documents, or any Lien created by the Loan Documents shall for any reason cease to be a valid, first priority perfected Lien upon any of the Collateral purported to be covered thereby;

(j) Any of the following events shall occur or exist with respect to Borrower or any ERISA Affiliate: (i) any ERISA Event occurs with respect to a Plan or Multiemployer Plan, or (ii) any Prohibited Transaction involving any Plan; and in each case above, such event or condition, together with all other

events or conditions, if any, have subjected or could in the reasonable opinion of Administrative Agent subject Borrower or any ERISA Affiliate to any tax, penalty, or other liability to a Plan, a Multiemployer Plan, the PBGC, the IRS, the U. S. Department of Labor, or otherwise (or any combination thereof) which in the aggregate exceed or could reasonably be expected to exceed $250,000;

(k) A Change of Control shall occur;

(l) Josh Siegel or George Shilowitz shall cease to be active in the management of Borrower, and no Person reasonably acceptable to the Required Lenders is appointed to a similar senior management position of Borrower within 180 days after Josh Siegel or George Shilowitz ceased to be so active; or

(m) Borrower or any other Obligated Party, or any of their Properties, revenues, or assets, shall become subject to an order of forfeiture, seizure, or divestiture (whether under RICO or otherwise) and the same shall not have been discharged within 30 days from the date of entry thereof;

(n) Borrower or any other Obligated Party shall fail to discharge within a period of thirty (30) days after the commencement thereof any attachment, sequestration, or similar proceeding or proceedings involving an aggregate amount in excess of $250,000 against any of its assets or Properties;

(o) A final judgment or judgments for the payment of money in excess of $250,000 in the aggregate shall be rendered by a court or courts against Borrower or any other Obligated Party and the same shall not be discharged (or provision shall not be made for such discharge), or a stay of execution thereof shall not be procured, within thirty (30) days from the date of entry thereof and Borrower or such other Obligated Party shall not, within such period of thirty (30) days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal; or

(p) Any Security Document shall cease to create valid perfected first priority liens (subject to Permitted Liens) on the Collateral purported to be covered thereby.

Section 10.2. **Remedies Upon Default**. If any Event of Default shall occur and be continuing, then Administrative Agent may, with the consent of Required Lenders, or shall, at the direction of Required Lenders, without notice do any or all of the following: (a) terminate the Commitments of Lenders, or (b) declare the Obligations under the Loan Documents or any part thereof to be immediately due and payable, and the same shall thereupon become immediately due and payable, without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are hereby expressly waived by Borrower; *provided, however,* that upon the occurrence of an Event of Default under ***Section 10.1(e)*** or ***(f)***, the Commitments of Lenders shall automatically terminate and the Obligations under the Loan Documents shall become

immediately due and payable, in each case without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are hereby expressly waived by Borrower. In addition to the foregoing, if any Event of Default shall occur and be continuing, Administrative Agent may, with the consent of Required Lenders, or shall, at the direction of Required Lenders, exercise all rights and remedies available to it, Lenders in law or in equity, under the Loan Documents, or otherwise.

Section 10.3. **Application of Funds**. After the exercise of remedies provided for in ***Section 10.2*** (or after the Loans have automatically become immediately due and payable), any amounts received on account of the Obligations shall be applied by Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to Administrative Agent) payable to Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to Lenders arising under the Loan Documents, ratably among them in proportion to the respective amounts described in this ***clause Second*** payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and other Obligations arising under the Loan Documents, ratably among Lenders in proportion to the respective amounts described in this ***clause Third*** payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans and constituting unpaid Bank Product Obligations, ratably among Lenders and Bank Product Providers in proportion to the respective amounts described in this ***clause Fourth*** held by them;

Fifth, to payment of that remaining portion of the Obligations, ratably among the Lenders and Bank Product Providers in proportion to the respective amounts described in this ***clause Fifth*** held by them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to Borrower or as otherwise required by law.

Notwithstanding the foregoing, Bank Product Obligations shall be excluded from the application described above if Administrative Agent has not received written notice thereof, together with supporting documentation as Administrative Agent may request from the applicable Bank Product Provider, *provided* that no such notice shall be required for any Bank Product Agreement for which Administrative Agent or any Affiliate of Administrative Agent is the applicable Bank Product Provider. Each Bank Product Provider that is not a party to this Agreement that has given notice contemplated by the preceding sentence shall, by such notice, be deemed to have acknowledged and accepted the appointment of Administrative Agent pursuant to the terms of ***Article 11*** hereof for itself and its Affiliates as if a "Lender" party hereto.

Section 10.4. **Performance by Administrative Agent**. If Borrower shall fail to perform any covenant or agreement contained in any of the Loan Documents, then Administrative Agent may perform or attempt to perform such covenant or agreement on behalf of Borrower. In such event, Borrower shall, at the request of Administrative Agent, promptly pay to Administrative Agent any amount expended by Administrative Agent in connection with such performance or attempted performance, together with interest thereon at the Default Interest Rate from and including the date of such expenditure to but excluding the date such expenditure is paid in full. Notwithstanding the foregoing, it is expressly agreed that Administrative Agent shall not have any liability or responsibility for the performance of any covenant, agreement, or other obligation of Borrower under this Agreement or any other Loan Document.

ARTICLE 11

AGENCY

Section 11.1. **Appointment and Authority**

(a) Each of the Lenders hereby irrevocably appoints Texas Capital Bank to act on its behalf as Administrative Agent hereunder and under the other Loan Documents and authorizes Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this *Article 11* are solely for the benefit of Administrative Agent and Lenders, and neither Borrower nor any other Obligated Party shall have rights as a third- party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Loan Documents (or any other similar term) with reference to Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

(b) Administrative Agent shall also act as the "collateral agent" under the Loan Documents, and each of the Lenders (including for itself and its Affiliates in their capacities as potential Bank Product Providers) hereby irrevocably appoints and authorizes Administrative Agent to act as the agent of such Lender for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Obligated Parties to secure any of the Obligations, together with such powers and discretion as are reasonably incidental thereto. In this connection, Administrative Agent, as "collateral agent" and any co-agents, sub-agents and attorneys-in-fact appointed by Administrative Agent pursuant to ***Section 11.5*** for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Security Documents, or for exercising any rights and remedies thereunder at the direction of Administrative Agent, shall be entitled to the benefits of all provisions of this ***Article 11*** and ***Article 12*** (including ***Section 12.1(b)***, as

though such co-agents, sub-agents and attorneys-in-fact were the "collateral agent" under the Loan Documents) as if set forth in full herein with respect thereto.

Section 11.2. **Rights as a Lender**. The Person serving as Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not Administrative Agent, and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, Borrower or any Subsidiary or other Affiliate thereof as if such Person were not Administrative Agent hereunder and without any duty to account therefor to Lenders.

Section 11.3. **Exculpatory Provisions.**

(a) Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that Administrative Agent is required to exercise as directed in writing by Required Lenders (or such other number or percentage of Lenders as shall be expressly provided for herein or in the other Loan Documents); *provided* that Administrative Agent shall not be required to take any action that, in its opinion or upon the advice of its counsel, may expose Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law;

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity; and

(iv) shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document unless it shall first be indemnified to its satisfaction by Lenders pro rata against any and all liability, cost and

expense that it may incur by reason of taking or continuing to take any such action.

(b) Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of Required Lenders (or such other number or percentage of Lenders as shall be necessary, or as Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in ***Section 10.2*** and ***Section 11.9***), or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. **SUCH LIMITATION OF LIABILITY SHALL APPLY REGARDLESS OF WHETHER THE LIABILITY ARISES FROM THE SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE OF ADMINISTRATIVE AGENT.** Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to Administrative Agent in writing by Borrower or a Lender.

(c) Neither Administrative Agent nor any Related Party thereof shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in *Article 5* or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to Administrative Agent.

Section 11.4. **Reliance by Administrative Agent**. Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Credit Extension, that by its terms must be fulfilled to the satisfaction of a Lender, Administrative Agent may presume that such condition is satisfactory to such Lender unless Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. Administrative Agent may consult with legal counsel (who may be counsel for Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 11.5. **Delegation of Duties**. Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub agents appointed by Administrative Agent. Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this *Article 11* shall apply to any such sub agent and to the Related Parties of Administrative Agent and any such sub agent, and shall apply to their respective activities in connection with the syndication of this facility as well as activities as Administrative Agent. Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub agents.

Section 11.6. **Resignation of Administrative Agent.**

(a) Administrative Agent may at any time give notice of its resignation to Lenders and Borrower. Upon receipt of any such notice of resignation, Required Lenders shall have the right, in consultation with Borrower (so long as no Event of Default has occurred and is continuing), to appoint a successor, which shall be a bank with an office in Dallas, Texas, or an Affiliate of any such bank with an office in Dallas, Texas. If no such successor shall have been so appointed by Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by Required Lenders) (the *"Resignation Effective Date")*, then the retiring Administrative Agent may (but shall not be obligated to), on behalf of Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date. After the Resignation Effective Date, the provisions of this *Article 11* relating to or indemnifying or releasing Administrative Agent shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to *clause (d)* of the definition thereof, Required Lenders may, to the extent permitted by applicable law, by notice in writing to Borrower and such Person remove such Person as Administrative Agent and, in consultation with Borrower, appoint a successor. If no such successor shall have been so appointed by Required Lenders and shall have accepted such appointment within thirty (30) days (or such earlier day as shall be agreed by Required Lenders) (the *"Removal Effective Date")*, then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (i) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the

other Loan Documents (except that in the case of any Collateral held by Administrative Agent on behalf of Secured Parties under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such Collateral until such time as a successor Administrative Agent is appointed) and (ii) except for any indemnity, fee or expense payments owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through Administrative Agent shall instead be made by or to each Lender, directly, until such time, if any, as Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent (other than any rights to indemnity payments owed to the retiring or removed Administrative Agent), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents. The fees payable by Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this ***Article 11***, ***Section 12.1***, and ***Section 12.2*** shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

Section 11.7. **Non-Reliance on Administrative Agent and Other Lenders**. Each Lender expressly acknowledges that neither Administrative Agent nor any other Lender nor any Related Party thereto has made any representation or warranty to such Person and that no act by Administrative Agent or any other Lender hereafter taken, including any review of the affairs of Borrower, shall be deemed to constitute any representation or warranty by Administrative Agent or any Lender to any other Lender. Each Lender acknowledges that it has, independently and without reliance upon Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder. Except for notices, reports and other documents expressly required to be furnished to the Lenders by Administrative Agent hereunder, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), or creditworthiness of Borrower or the value of the Collateral or other Properties of Borrower or any other Person which may come into the possession of Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

Section 11.8. **Administrative Agent May File Proofs of Claim**. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Obligated Party, Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether Administrative Agent shall have made any demand on Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations under the Loan Documents that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of Lenders and Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of Lenders, and Administrative Agent and their respective agents and counsel and all other amounts due Lenders, and Administrative Agent under ***Section 12.1*** or ***Section 12.2)*** allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to Administrative Agent and, in the event that Administrative Agent shall consent to the making of such payments directly to Lenders to pay to Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of Administrative Agent and its agents and counsel, and any other amounts due Administrative Agent under ***Section 12.1*** or ***Section 12.2***.

Section 11.9. **Collateral and Guaranty Matters**

(a) The Secured Parties irrevocably authorize Administrative Agent, at its option and in its discretion:

(i) to release any Lien on any property granted to or held by Administrative Agent under any Loan Document (x) upon termination of all Commitments and payment in full of all Obligations (other than (A) contingent indemnification obligations and (B) obligations and liabilities under Bank Product Agreements as to which arrangements satisfactory to the applicable Bank Product Provider shall have been made), (y) that is sold or otherwise disposed of or to be sold or otherwise disposed of as part of or in connection with any sale or other disposition permitted under the Loan Documents, or (z) if approved, authorized or ratified in writing by Required Lenders or all Lenders, as applicable, under ***Section 12.10***;

(ii) to subordinate any Lien on any property granted to or held by Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by ***Section 8.2***; and

(iii) to release any Guarantor from its obligations under the Guaranty if such Person ceases to be a Subsidiary as a result of a transaction permitted under the Loan Documents.

Upon request by Administrative Agent at any time, Required Lenders will confirm in writing Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this ***Section 11.9***.

(b) Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of Administrative Agent's Lien thereon, or any certificate prepared by any Obligated Party in connection therewith, nor shall Administrative Agent be responsible or liable to Lenders for any failure to monitor or maintain any portion of the Collateral.

Section 11.10. **Bank Product Agreements**. No Bank Product Provider who obtains the benefits of ***Section 10.3***, any Guaranty Agreements or any Collateral by virtue of the provisions hereof or of any Guaranty Agreement or any Security Document shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral) (or to notice of or to consent to any amendment, wavier or modification of the provisions hereof or of the Guaranty or any Security Document) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Loan Documents. Notwithstanding any other provision of this ***Article 11*** to the contrary, Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Bank Product Obligations unless Administrative Agent has received written notice of such Bank Product Obligations, together with such supporting documentation as Administrative Agent may request, from the applicable Bank Product Provider. Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Bank Product Obligations arising under Bank Product Agreements upon termination of all Commitments and payment in full of all Obligations under the Loan Documents (other than contingent indemnification obligations).

ARTICLE 12

MISCELLANEOUS

Section 12.1. **Expenses.**

(a) Borrower hereby agrees to pay on demand: (i) all costs and expenses of Administrative Agent and its Related Parties in connection with the preparation, negotiation, execution, and delivery of this Agreement and the other Loan Documents and any and all amendments, modifications, renewals, extensions, supplements, waivers, consents and ratifications thereof and thereto, including, without limitation, the reasonable fees and expenses of legal

counsel, advisors, consultants, and auditors for Administrative Agent and its Related Parties; (ii) all costs and expenses of Administrative Agent and each Lender in connection with any Default and the enforcement of this Agreement or any other Loan Document, including, without limitation, court costs and fees and expenses of legal counsel, advisors, consultants, and auditors for Administrative Agent and each Lender; (iii) all transfer, stamp, documentary, or other similar taxes, assessments, or charges levied by any Governmental Authority in respect of this Agreement or any of the other Loan Documents; (iv) all costs, expenses, assessments, and other charges incurred in connection with any filing, registration, recording, or perfection of any Lien contemplated by this Agreement or any other Loan Document; and (v) all other costs and expenses incurred by Administrative Agent and any Lender in connection with this Agreement or any other Loan Document, any litigation, dispute, suit, proceeding or action, the enforcement of its rights and remedies, and the protection of its interests in bankruptcy, insolvency or other legal proceedings, including, without limitation, all costs, expenses, and other charges (including Administrative Agent's and such Lender's internal charges) incurred in connection with evaluating, observing, collecting, examining, auditing, appraising, selling, liquidating, or otherwise disposing of the Collateral or other assets of Borrower. Borrower shall be responsible for all expenses described in this *clause (a)* whether or not any Credit Extension is ever made. Any amount to be paid under this ***Section 12.1*** shall be a demand obligation owing by Borrower and if not paid within thirty (30) days of demand shall bear interest, to the extent not prohibited by and no in violation of applicable Law, from the date of expenditure until paid at a rate per annum equal to the Default Interest Rate. The obligations of Borrower under this ***Section 12.1*** shall survive payment of the Notes and other obligations hereunder and the assignment of any right hereunder.

(b) To the extent that Borrower for any reason fails to indefeasibly pay any amount required under ***Section 12.1(a)*** or ***Section 12.2*** to be paid by it to Administrative Agent (or any sub-agent thereof) or any Related Party of Administrative Agent (or any sub-agent thereof), each Lender severally agrees to pay to Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based each Lender's share of the Revolving Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender); *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against Administrative Agent (or any such sub-agent) or against any Related Party of Administrative Agent (or any sub-agent thereof) acting for Administrative Agent (or any such sub-agent) in connection with such capacity. **EACH LENDER ACKNOWLEDGES THAT SUCH PAYMENTS MAY BE IN RESPECT OF LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES ARISING OUT OF OR RESULTING FROM THE SOLE, CONTRIBUTORY, COMPARATIVE, CONCURRENT OR**

ORDINARY NEGLIGENCE OF THE PERSON (OR THE REPRESENTATIVES OF THE PERSON) TO WHOM SUCH PAYMENTS ARE TO BE MADE.

Section 12.2. **INDEMNIFICATION**. BORROWER SHALL INDEMNIFY ADMINISTRATIVE AGENT, EACH LENDER AND EACH RELATED PARTY THEREOF FROM, AND HOLD EACH OF THEM HARMLESS AGAINST, ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DAMAGES, PENALTIES, JUDGMENTS, DISBURSEMENTS, COSTS, AND EXPENSES (INCLUDING ATTORNEYS' FEES) TO WHICH ANY OF THEM MAY BECOME SUBJECT WHICH DIRECTLY OR INDIRECTLY ARISE FROM OR RELATE TO (A) THE NEGOTIATION, EXECUTION, DELIVERY, PERFORMANCE, ADMINISTRATION, OR ENFORCEMENT OF ANY OF THE LOAN DOCUMENTS, (B) ANY OF THE TRANSACTIONS CONTEMPLATED BY THE LOAN DOCUMENTS, (C) ANY BREACH BY BORROWER OF ANY REPRESENTATION, WARRANTY, COVENANT, OR OTHER AGREEMENT CONTAINED IN ANY OF THE LOAN DOCUMENTS, (D) THE PRESENCE, RELEASE, THREATENED RELEASE, DISPOSAL, REMOVAL, OR CLEANUP OF ANY HAZARDOUS MATERIAL LOCATED ON, ABOUT, WITHIN, OR AFFECTING ANY OF THE PROPERTIES OR ASSETS OF BORROWER OR ANY OF ITS SUBSIDIARIES OR ANY OTHER OBLIGATED PARTY, (E) ANY LOAN OR USE OR PROPOSED USE OF THE PROCEEDS THEREFROM OR (F) ANY INVESTIGATION, LITIGATION, OR OTHER PROCEEDING, INCLUDING, WITHOUT LIMITATION, ANY THREATENED INVESTIGATION, LITIGATION, OR OTHER PROCEEDING, RELATING TO ANY OF THE FOREGOING. WITHOUT LIMITING ANY PROVISION OF THIS AGREEMENT OR OF ANY OTHER LOAN DOCUMENT, IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO THAT EACH PERSON TO BE INDEMNIFIED UNDER THIS SECTION SHALL BE INDEMNIFIED FROM AND HELD HARMLESS AGAINST ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DAMAGES, PENALTIES, JUDGMENTS, DISBURSEMENTS, COSTS, AND EXPENSES (INCLUDING ATTORNEYS' FEES) ARISING OUT OF OR RESULTING FROM THE SOLE, CONTRIBUTORY, COMPARATIVE, CONCURRENT OR ORDINARY NEGLIGENCE OF SUCH PERSON (OR THE REPRESENTATIVES OF SUCH PERSON). Any amount to be paid under this ***Section 12.2*** shall be a demand obligation owing by Borrower and if not paid within ten (10) days of demand shall bear interest, to the extent not prohibited by and not in violation of applicable Law, from the date of expenditure until paid at a rate per annum equal to the Default Interest Rate. The obligations of Borrower under this ***Section 12.2*** shall survive payment of the Notes and other obligations hereunder and the assignment of any right hereunder.

Section 12.3. **Limitation of Liability**. None of Administrative Agent, or any Lender, or any Affiliate, officer, director, employee, attorney, or agent of any of the foregoing, shall have any liability with respect to, and Borrower hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by Borrower or any other Obligated Party in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents. Borrower hereby waives, releases, and agrees not to sue Administrative Agent, or any Lender, or any Affiliates, officers, directors, employees, attorneys, or agents of any of the foregoing for punitive damages in respect of any claim in connection with, arising out of, or in any way related to, this Agreement or any of

the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents.

Section 12.4. **No Duty**. All attorneys, accountants, appraisers, and other professional Persons and consultants retained by Administrative Agent, any Lender shall have the right to act exclusively in the interest of Administrative Agent or such Lender and shall have no duty of disclosure, duty of loyalty, duty of care, or other duty or obligation of any type or nature whatsoever to Borrower or any of Borrower's equity holders, Affiliates, officers, employees, attorneys, agents, or any other Person.

Section 12.5. **Lenders Not Fiduciary**. The relationship between Borrower and Administrative Agent, Arranger and each Lender is solely that of debtor and creditor, and none of Administrative Agent, Arranger or any Lender has any fiduciary or other special relationship with Borrower, and no term or condition of any of the Loan Documents shall be construed so as to deem the relationship between Borrower and Administrative Agent, Arranger and each Lender to be other than that of debtor and creditor.

Section 12.6. **Equitable Relief**. Borrower recognizes that in the event Borrower fails to pay, perform, observe, or discharge any or all of the Obligations, any remedy at law may prove to be inadequate relief to Administrative Agent or Lenders. Borrower therefore agrees that Administrative Agent, any Lender, if Administrative Agent or such Lender so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

Section 12.7. **No Waiver; Cumulative Remedies**. No failure on the part of Administrative Agent or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power, or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege. The rights and remedies provided for in this Agreement and the other Loan Documents are cumulative and not exclusive of any rights and remedies provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Obligated Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, Administrative Agent in accordance with ***Section 10.2*** for the benefit of all the Lenders; *provided, however,* that the foregoing shall not prohibit (a) Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) any Lender from exercising setoff rights in accordance with ***Section 4.2*** (subject to the terms of ***Section 12.23***), or (c) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Obligated Party under any Debtor Relief Law; and *provided, further,* that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to Administrative Agent pursuant to ***Section***

10.2 and (ii) in addition to the matters set forth in clauses (b) and (c) of the preceding proviso and subject to ***Section 12.23,*** any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

Section 12.8. **Successors and Assigns**

(a) **Successors and Assigns Generally.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that Borrower may not assign or transfer any of its rights, duties, or obligations under this Agreement or the other Loan Documents without the prior written consent of Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of ***Section 12.8(b)***, (ii) by way of participation in accordance with the provisions of ***Section 12.8(d)***, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of ***Section 12.8(e)*** (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in ***Section 12.8(d)*** and, to the extent expressly contemplated hereby, the Related Parties of each of Administrative Agent and Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) **Assignments by Lenders.** Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments) and the Loans at the time owing to it); *provided* that any such assignment shall be subject to the following conditions:

(i) **Minimum Amounts.** (A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitments) and/or the Loans at the time owing to it or contemporaneous assignments to related Approved Funds that equal at least the amount specified in ***Section 12.8(b)(i)(B)*** in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and (B) in any case not described in ***Section 12.8(b)(i)(A)***, the aggregate amount of the Commitment(s) (which for this purpose includes Loans outstanding hereunder) or, if the applicable Commitment is not then in effect, the Outstanding Amount of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than $5,000,000, in the case of any assignment in respect of the Revolving Credit Facility, unless each of Administrative Agent and, so long as no Event of Default has occurred and is continuing, Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) **Proportionate Amounts.** Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment(s) assigned.

(iii) **Required Consents.** No consent shall be required for any assignment except to the extent required by ***Section 12.8(b)(i)(B)*** and, in addition: (A) the consent of Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment, or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; *provided* that Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to Administrative Agent within five (5) Business Days after having received notice thereof and (B) the consent of Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of any Revolving Credit Commitment or Revolving Credit Loans if such assignment is to a Person that is not a Lender with a Revolving Credit Commitment, an Affiliate of such Lender or an Approved Fund with respect to such Lender.

(iv) **Assignment and Assumption.** The parties to each assignment shall execute and deliver to Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500 (not payable by the Borrower); *provided* that Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to Administrative Agent an Administrative Questionnaire.

(v) **No Assignment to Certain Persons.** No such assignment shall be made to (A) Borrower, or any of Borrower's Affiliates or Subsidiaries or any other Obligated Party or (B) any Defaulting Lender or any of its Affiliates, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing persons described in this *clause (B).*

(vi) **No Assignment to Natural Persons.** No such assignment shall be made to a natural Person.

(vii) **Certain Additional Payments.** In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to such assignment shall make such additional payments to Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of Borrower and Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by such Defaulting Lender, to each of which the applicable assignee and assignor hereby

irrevocably consent), to: (A) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to Administrative Agent or any Lender hereunder (and interest accrued thereon) and (B) acquire (and fund as appropriate) its full pro rata share of all Loans in accordance with its Applicable Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any

Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by Administrative Agent pursuant to ***Section 12.8(c)***, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of ***Section 12.1*** and ***Section 12.2*** with respect to facts and circumstances occurring prior to the effective date of such assignment; *provided* that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any party hereunder arising from that Lenders' having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this ***subsection*** shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with ***Section 12.8(d)***. Upon the consummation of any assignment pursuant to this ***Section 12.8(b)***, if requested by the transferor or transferee Lender, the transferor Lender, Administrative Agent and Borrower shall make appropriate arrangements so that replacement Notes are issued to such transferor Lender (if applicable) and new Notes or, as appropriate, replacement Notes, are issued to the assignee.

(c) **Register.** Administrative Agent, acting solely for this purpose as an agent of Borrower, shall maintain at one of its offices in Dallas, Texas a copy of each Assignment and Assumption delivered to it and a Register. The entries in the Register shall be conclusive absent manifest error, and Borrower, Administrative Agent and Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, Borrower or Administrative Agent, sell participations to a Participant in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans

owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) Borrower, Administrative Agent, and Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under ***Section 12.1(b)*** without regard to the existence of any participation.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in ***Section 12.10*** which requires the consent of all Lenders and affects such Participant. Borrower agrees that each Participant shall be entitled to the benefits of ***Section 3.1***, ***Section 3.5***, and ***Section 3.4*** (subject to the requirements and limitations therein, including the requirements under ***Section 3.4(g)*** (it being understood that the documentation required under ***Section 3.4(g)*** shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; *provided* that such Participant (A) agrees to be subject to the provisions of ***Section 3.6*** as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under ***Section 3.1*** or ***Section 3.4***, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at Borrower's request and expense, to use reasonable efforts to cooperate with Borrower to effectuate the provisions of ***Section 3.6*** with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of ***Section 4.2*** as though it were a Lender; *provided* that such Participant agrees to pay to Administrative Agent any amount set-off for application to the Obligations under the Loan Documents as required pursuant to ***Section 4.2***, *provided further* that such Participant agrees to be subject to ***Section 12.23*** as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of Borrower, maintain a Participant Register; *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f. 103-l(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) **Certain Pledges.** Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) **Dissemination of Information.** Borrower and each other Obligated Party authorizes Administrative Agent and each Lender to disclose to any actual or prospective purchaser, assignee or other recipient of a Lender's Commitment, any and all information in Administrative Agent's or such Lender's possession concerning Borrower, the other Obligated Parties and their respective Affiliates.

Section 12.9. **Survival**. All representations and warranties made in this Agreement or any other Loan Document or in any document, statement, or certificate furnished in connection with this Agreement shall survive the execution and delivery of this Agreement and the other Loan Documents, and no

investigation by Administrative Agent or any Lender or any closing shall affect the representations and warranties or the right of Administrative Agent or any Lender to rely upon them. Without prejudice to the survival of any other obligation of Borrower hereunder, the obligations of Borrower under ***Section 12.1*** and ***Section 12.2*** shall survive repayment of the Obligations and termination of the Commitments.

Section 12.10. **Amendment**. The provisions of this Agreement and the other Loan Documents to which Borrower is a party may be amended or waived only by an instrument in writing signed by Required Lenders (or by Administrative Agent with the consent of Required Lenders) and Borrower and acknowledged by Administrative Agent; *provided, however,* that no such amendment or waiver shall:

(a) waive any condition set forth in ***Section 5.1*** (other than ***Section 5.1(t)***), without the written consent of each Lender;

(b) extend or increase any Commitment of any Lender (or reinstate any Commitment terminated pursuant to ***Section 10.2***) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayment) of principal, interest, fees or other amounts due to Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan, or any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; *provided, however,* that only the consent of Required Lenders shall be

necessary to adjust the Default Interest Rate or to waive any obligation of Borrower to pay interest at such rate;

(e) change any provision of this ***Section 12.10*** or the definition of *"Required Lenders"* or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

(f) change ***Section 10.3*** in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender; or

(g) release any Guaranty or all or substantially all of the Collateral (in each case, except as provided herein) without the written consent of each Lender;

and, *provided further,* that (i) no amendment, waiver or consent shall, unless in writing and signed by Administrative Agent in addition to Lenders required above, affect the rights or duties of Administrative Agent under this Agreement or any other Loan Document and (ii) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto.

Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitments) of any Defaulting Lender may not be increased or extended without the consent of such Lender; and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender disproportionately adversely relative to other affected Lenders shall require the consent of such Defaulting Lender.

Section 12.11. **Notices.**

(a) **Notices Generally.** Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in ***Section 12.11(b)***), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as set forth on ***Schedule 12.11***. Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received. Notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic

communications, to the extent provided in ***Section 12.11(b)*** shall be effective as provided in ***Section 12.11(b)***.

(b) **Electronic Communications.** Notices and other communications to Lenders and hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by Administrative Agent, *provided* that the foregoing shall not apply to notices to any Lender pursuant to ***Article 2*** if such Lender has notified Administrative Agent that it is incapable of receiving notices under ***Article 2*** by electronic communication. Administrative Agent or Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; *provided* that approval of such procedures may be limited to particular notices or communications.

Unless Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing *clause (i),* of notification that such notice or communication is available and identifying the website address therefor; *provided* that, for both *clauses (i)* and *(ii)* above, if such facsimile, email or

other electronic communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) **Change of Address, etc.** Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto, *Schedule 12.11* shall be deemed to be amended by each such change, and Administrative Agent is authorized, in its discretion, from time to time to reflect each such change in an amended *Schedule 12.11* provided by Administrative Agent to each party hereto.

(d) **Platform**

(i) Borrower agrees that Administrative Agent may, but shall not be obligated to, make the Communications (as defined below) available to the Lenders by posting the Communications on the Platform.

(ii) The Platform is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects,

is made by any Agent Party in connection with the Communications or the Platform. In no event shall the Agent Parties have any liability to Borrower, any Lender or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of Borrower's or Administrative Agent's transmission of communications through the Platform.

(iii) Borrower and each other Obligated Party (by its, his or her execution of a Loan Document) hereby authorizes Administrative Agent, each Lender and their respective counsel and agents to communicate and transfer documents and other information (including confidential information) concerning this transaction or Borrower or any other Obligated Party and the business affairs of Borrower and such other Obligated Parties via the Internet or other electronic communication without regard to the lack of security of such communications.

Section 12.12. **Governing Law; Venue; Service of Process.**

(a) **Governing Law.** This Agreement and the other Loan Documents and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the law of the State of Texas (without reference to applicable rules of conflicts of Laws), except to the extent the Laws of any jurisdiction where Collateral is located require application of such Laws with respect to such Collateral.

(b) **Jurisdiction.** Borrower irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against Administrative Agent, any Lender, or any Related Party of the foregoing in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, in any forum other than the courts of the State of Texas sitting in Dallas County, and of the United States District Court of the Northern District of Texas, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such Texas State court or, to the fullest extent permitted by applicable law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that Administrative Agent, any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against Borrower or its properties in the courts of any jurisdiction.

(c) **Waiver of Venue.** Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in ***paragraph** (b)* of this Section**.** Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) **Service of Process.** Each party hereto irrevocably consents to service of process in the manner provided for notices in ***Section 12.11.*** Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

Section 12.13. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Except as provided in ***Section 5.1***, this Agreement shall become effective when it shall have been executed by Administrative Agent and when Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging means (e.g. "pdf' or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 12.14. **Severability**. Any provision of this Agreement or any other Loan Document held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Agreement and the effect thereof shall be confined to the provision held to be

invalid or illegal. Furthermore, in lieu of such invalid or unenforceable provision there shall be added as a part of this Agreement or the other Loan Documents a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

Section 12.15. **Headings**. The headings, captions, and arrangements used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

Section 12.16. **Construction**. Borrower, Administrative Agent and each Lender acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement and the other Loan Documents with its legal counsel and that this Agreement and the other Loan Documents shall be construed as if jointly drafted by Borrower, Administrative Agent and each Lender.

Section 12.17. **Independence of Covenants**. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default if such action is taken or such condition exists.

Section 12.18. **WAIVER OF JURY TRIAL**. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS Section 12.18.

Section 12.19. **Additional Interest Provision**. It is expressly stipulated and agreed to be the intent of Borrower, Administrative Agent and each Lender at all times to comply strictly with the applicable law governing the maximum rate or amount of interest payable on the indebtedness evidenced by any Note, any Loan Document, and the Related Indebtedness (or applicable United States federal law to the extent that it permits any Lender to contract for, charge, take, reserve or receive a greater amount of interest than under applicable law). If the applicable law is ever judicially interpreted so as to render usurious any amount (a) contracted for, charged, taken, reserved or received pursuant to any Note, any of the other Loan Documents or any other communication or writing by or between Borrower and any Lender related to the transaction or transactions that are the subject matter of the Loan Documents, (b) contracted for, charged, taken, reserved or received by reason of Administrative Agent's or any Lender's exercise of the option to accelerate the maturity of any Note and/or the Related Indebtedness, or (c) Borrower will have paid or Administrative Agent or any Lender will have received by reason of any voluntary prepayment by Borrower of any Note and/or the Related Indebtedness, then it is Borrower's, Administrative Agent's and Lenders' express intent that all amounts charged in excess of the Maximum Rate shall be automatically canceled, ab initio, and all amounts in excess of the Maximum Rate theretofore collected by Administrative Agent or any Lender shall be credited on the principal balance of any Note and/or the Related Indebtedness (or, if any Note and all Related Indebtedness have been or would thereby be paid in full, refunded to Borrower), and the provisions of any Note and the other Loan Documents shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder; *provided, however,* if any Note or Related Indebtedness has been paid in full before the end of the stated term thereof, then Borrower, Administrative Agent and each Lender agree that Administrative Agent or any Lender, as applicable, shall, with reasonable promptness after Administrative Agent or such Lender discovers or is advised by Borrower that interest was received in an amount in excess of the Maximum Rate, either refund such excess interest to Borrower and/or credit such excess interest against such Note and/or any Related Indebtedness then owing by Borrower to Administrative Agent or such Lender. Borrower hereby agrees that as a condition precedent to any claim seeking usury penalties against Administrative Agent or such Lender, Borrower will provide written notice to Administrative Agent or any Lender,

advising Administrative Agent or such Lender in reasonable detail of the nature and amount of the violation, and Administrative Agent or such Lender shall have sixty (60) days after receipt of such notice in which to correct such usury violation, if any, by either refunding such excess interest to Borrower or crediting such excess interest against the Note to which the alleged violation relates and/or the Related Indebtedness then owing by Borrower to Administrative Agent or such Lender. All sums contracted for, charged, taken, reserved or received by Administrative Agent or any Lender for the use, forbearance or detention of any debt evidenced by any Note and/or the Related Indebtedness shall, to the extent permitted by applicable law, be amortized or spread, using the actuarial method, throughout the stated term of such Note and/or the Related Indebtedness (including any and all renewal and extension periods) until payment in full so that the rate or amount of interest on account of any Note and/or the Related Indebtedness does not exceed the Maximum Rate from time to time in effect and applicable to such Note and/or the Related Indebtedness for so long as debt is outstanding. In no event shall the provisions of Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving tri-party accounts) apply to the Notes and/or any of the Related Indebtedness. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Administrative Agent or any Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

Section 12.20. **Ceiling Election**. To the extent that any Lender is relying on Chapter 303 of the Texas Finance Code to determine the Maximum Rate payable on any Note and/or any other portion of the Obligations under the Loan Documents, such Lender will utilize the weekly ceiling from time to time in effect as provided in such Chapter 303. To the extent United States federal law permits any Lender to contract for, charge, take, receive or reserve a greater amount of interest than under Texas law, such Lender will rely on United States federal law instead of such Chapter 303 for the purpose of determining the Maximum Rate. Additionally, to the extent permitted by applicable law now or hereafter in effect, any Lender may, at its option and from time to time, utilize any other method of establishing the Maximum Rate under such Chapter 303 or under other applicable law by giving notice, if required, to Borrower as provided by applicable law now or hereafter in effect.

Section 12.21. **USA Patriot Act Notice**. Administrative Agent and each Lender hereby notifies Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies Borrower and each other Obligated Party, which information includes the name and address of Borrower and each other Obligated Party and other information that will allow Administrative Agent and such Lender to identify

Borrower and each other Obligated Party in accordance with the Patriot Act. In addition, Borrower agrees to (a) ensure that no Person who owns a controlling interest in or otherwise controls Borrower or any Subsidiary of Borrower is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the OF AC, the Department of the Treasury or included in any Executive Order, (b) not to use or permit the use of proceeds of the Obligations to violate any of the foreign asset control regulations of the OF AC or any enabling statute or Executive Order relating thereto, and (c) comply, or cause its Subsidiaries to comply, with the applicable Laws.

Section 12.22. **Defaulting Lenders.**

(a) **Adjustments.** Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) **Waivers and Amendments.** Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definitions *of Required Lenders"* and in ***Section 12.10.***

(ii) **Defaulting Lender Waterfall.** Any payment of principal, interest, fees or other amounts received by Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to *Article 10* or otherwise) or received by Administrative Agent from a Defaulting Lender shall be applied at such time or times as may be determined by Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to Administrative Agent hereunder; *second*, with respect to a Defaulting Lender that is a Revolving Credit Lender, as Borrower may request (so long as no Default or Event of Default exists), to the funding of any Revolving Credit Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by Administrative Agent; *third*, with respect to a Defaulting Lender that is a Revolving Credit Lender, if so determined by Administrative Agent and Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Revolving Credit Loans under this Agreement; *fourth*, to the payment of any amounts owing to Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to Borrower as a result of any judgment of a court of competent jurisdiction obtained by Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; *provided* that, if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in ***Section 5.2*** were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or owed to, such Defaulting Lender until such time as all Loans are held by Lenders pro rata in accordance with the Commitments. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this

Section 12.22(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) **Certain Fees.** No Defaulting Lender shall be entitled to receive any fee payable under ***Section 2.2(b)*** for any period during which that Lender is a Defaulting Lender (and Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(b) **Defaulting Lender Cure.** If Borrower and Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as Administrative Agent may determine to be necessary to cause the Loans to be held on a pro rata basis by Lenders in accordance with their Applicable Percentages, whereupon such Lender will cease to be a Defaulting Lender; *provided* that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of Borrower while that Lender was a Defaulting Lender; and *provided, further,* that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

Section 12.23. **Sharing of Payments by Lenders**. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Loans made by it or other obligations hereunder, resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Loans and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall:

(a) notify Administrative Agent of such fact; and

(b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, *provided* that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this ***Section 12.23*** shall not be construed to apply to: (A) any payment made by or on behalf of Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender); or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than an assignment to Borrower or any Affiliate thereof (as to which the provisions of this ***Section 12.23*** shall apply).

Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of Borrower in the amount of such participation.

Section 12.24. **Payments Set Aside**. To the extent that any payment by or on behalf of Borrower is made to Administrative Agent, or any Lender, or Administrative Agent, or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by Administrative Agent, or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of Lenders under *clause (b)* of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 12.25. **Confidentiality**. Each of Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners) or any Governmental Authority, quasi-Governmental Authority or legislative committee, (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement or any other Loan Document, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to its being under a duty of confidentiality no less restrictive than this ***Section 12.25***, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (ii) any actual or prospective counterparty (or its Related Parties) to any Hedge Agreement relating to Borrower and its obligations, (iii) any actual or prospective

purchaser of a Lender or its holding company, (iv) any rating agency or any similar organization in connection with the rating of Borrower or the Revolving Credit Facility or (v) the CUSIP Service Bureau or any similar organization in connection with the issuance and monitoring of CUSIP numbers with respect to the Revolving Credit Facility, (g) with the consent of Borrower, or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this ***Section 12.25*** or (ii) becomes available to Administrative Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than Borrower. For purposes of this ***Section 12.25***, *"Information"* means all information received from Borrower or any Subsidiary relating to Borrower or any Subsidiary or any of their respective businesses which is clearly identified as confidential, other than any such information that is available to Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by Borrower or a Subsidiary; *provided* that, in the case of information received from Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this ***Section 12.25*** shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 12.26. **Electronic Execution of Assignments and Certain Other Documents**. The words "execute," "execution," "signed," "signature," and words of like import in any Assignment and Assumption or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state Laws based on the Uniform Electronic Transactions Act.

Section 12.27. **Independence of Covenants**. All covenants under the Loan Documents shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default if such action is taken or such condition exists.

Section 12.28. **NOTICE OF FINAL AGREEMENT**. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

EXECUTED to be effective as of the date first written above.

BORROWER:

STONECASTLE FINANCIAL CORP.

By: /s/ Joshua Siegel
Name: Joshua Siegel
Title: Chief Executive Officer

CREDIT AGREEMENT - Signature Page [Borrower]

ADMINISTRATIVE AGENT:

TEXAS CAPITAL BANK, NATIONAL ASSOCIATION

By: /s/ David K. Felan
Name: David K. Felan
Title: Senior Vice President

CREDIT AGREEMENT - Signature Page [Administrative Agent]

LENDERS:

TEXAS CAPITAL BANK. NATIONAL ASSOCIATION

By: /s/ David K. Felan
Name: David K. Felan
Title: Senior Vice President

CREDIT AGREEMENT - Signature Page [Administrative Agent]

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "First Amendment"), dated as of July 24, 2014, is by and among STONECASTLE FINANCIAL CORP., a Delaware corporation (the "Borrower"), the lender listed on the signature pages hereof (the "Lender"), and TEXAS CAPITAL BANK, NATIONAL ASSOCIATION, as Administrative Agent and L/C Issuer (in said capacity as Administrative Agent, the "Administrative Agent").

BACKGROUND

A. The Borrower, the Lender, and the Administrative Agent are parties to that certain Credit Agreement, dated as of June 9, 2014 (the "Credit Agreement"; the terms defined in the Credit Agreement and not otherwise defined herein shall be used herein as defined in the Credit Agreement).

B. The Borrower has requested that the Lender and the Administrative Agent amend the Credit Agreement, as more fully set forth herein.

C. The Lender and the Administrative Agent are willing to agree to such amendment, subject to the performance and observance in full of each of the covenants, terms and conditions, and in reliance upon all of the representations and warranties of the Borrower, set forth herein.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are all hereby acknowledged, the parties hereto covenant and agree as follows:

1. AMENDMENTS.

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the defined term **"Administrative Agent Account"** in proper alphabetical order to read as follows:

"Administrative Agent Account" means a deposit account maintained by Borrower with the Administrative Agent with respect to which the Administrative Agent has "control" as provided in Section 9.104 of the UCC and a perfected, first security interest for the benefit of the Secured Parties to secure the Obligations.

(b) Section 1.1 of the Credit Agreement is hereby amended by adding the defined term **"Equity Issuance"** in proper alphabetical order to read as follows:

"Equity Issuance" has the meaning set forth in ***Section 8.6***.

(c) The definition of **"Borrowing Base"** set forth in Section 1.1 of the Credit Agreement is hereby amended to read as follows:

"Borrowing Base" means, as of any date, an amount equal to the sum of (a) 100% of Cash and Cash Equivalents of the Borrower and the Restricted Subsidiaries held by the

Collateral Trustee in the Collateral Account or the Administrative Agent in the Administrative Agent Account for the benefit of the Secured Parties, plus (b) 50% (or such lower percentage as the Administrative Agent shall determine from time to time based on market, liquidity and other factors) of the Fair Market Value of all Publicly-Traded Securities owned by the Borrower and the Restricted Subsidiaries and held by the Collateral Trustee in the Collateral Account or the Administrative Agent in the Administrative Agent Account for the benefit of the Secured Parties, plus (c) 40% of the Market Value of all Eligible Securities owned by the Borrower and the Restricted Subsidiaries and held by the Collateral Trustee in the Collateral Account or the Administrative Agent in the Administrative Agent Account for the benefit of the Secured Parties minus (d) $250,000; *provided*, that (i) if the Market Value or Fair Market Value, as appropriate, of the aggregate Eligible Securities of issuers located in the same state exceed 20% of the Eligible Securities and Publicly-Traded Securities eligible to be included in the Borrowing Base, the amount of such excess shall not be included in the Borrowing Base and (ii) if the Market Value or Fair Market Value, as appropriate, of the aggregate Eligible Securities in any single issuer would otherwise constitute more than 15% of the Borrowing Base, the amount of such excess shall not be included in the calculation of the Borrowing Base without the prior approval (not to be unreasonably withheld or delayed) of the Lenders, which shall be communicated to Borrower within three Business Days from the date Borrower submits a written request to the Administrative Agent for such approval; *provided*, that the Administrative Agent's failure to respond to such request within such three day period shall be deemed to be a denial of such request.

(d) The definition of **"Net Cash Proceeds"** set forth in Section 1.1 of the Credit Agreement is hereby amended to read as follows:

"Net Cash Proceeds" means with respect to the sale of any asset by Borrower or any Restricted Subsidiary or issuance of Debt by such Person or any Equity Issuance, the excess, if any, of (i) the sum of cash and cash equivalents received in connection with such sale or issuance (including any cash received by way of deferred payment pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received) over (ii) the sum of (A) the principal amount of any Debt that is secured by such asset and that is required to be repaid in connection with the sale thereof (other than Debt under the Loan Documents), (B) the out-of-pocket expenses incurred by Borrower or any Restricted Subsidiary in connection with such sale or issuance and (C) income taxes reasonably estimated to be actually payable within two years of the date of the relevant asset sale or issuance as a result of any gain recognized in connection therewith.

(e) Section 2.7(d) of the Credit Agreement is hereby amended by adding a new clause (iv) thereto to read as follows:

(iv) Concurrently with any Equity Issuance that occurs while a Default has occurred and is continuing, Borrower shall prepay the Revolving Credit Loans in an amount equal to 100% of the Net Cash Proceeds thereof. Each such mandatory prepayment shall be made and applied as provided in ***Section 2.7(d)(iii)***.

(f) Section 2.8(a) of the Credit Agreement is hereby amended by deleting "$45,000,000" on the fourth line thereof and inserting "$70,000,000" in lieu thereof.

(g) Section 4.4(a) of the Credit Agreement is hereby amended to read as follows:

(a) Borrower shall at all times maintain the Collateral Account with the Collateral Trustee and Borrower shall promptly remit to the Collateral Account or the Administrative Agent Account all Return of Capital. So long as (i) no Default or Borrowing Base Deficiency has occurred and is continuing or would result therefrom, and (ii) a Restricted Period is not then in effect, Borrower may make withdrawals, transfers or other release of funds in the Collateral Account or the Administrative Agent Account in its sole discretion.

(h) Section 6.16 of the Credit Agreement is hereby amended to read as follows:

Section 6.16 **Collateral Account.** All assets of Borrower and each other Obligated Party are held in or credited to the Collateral Account or the Administrative Agent Account.

(i) Section 7.1 of the Credit Agreement is hereby amended by (i) re-lettering clause (r) thereof as clause "(s)" and adding a new clause (r) thereto to read as follows:

(r) Equity Issuances. No later than thirty (30) days prior to the date of any Equity Issuance, written notice of such Equity Issuance, together with all of the terms, conditions and provisions thereof and all documents and agreements related thereto.

G) Section 7.3 of the Credit Agreement is hereby amended to read as follows:

Section 7.3 **Maintenance of Properties.** Borrower shall, and shall cause each of its Restricted Subsidiaries to, maintain, keep, and preserve all of its Properties (tangible and intangible) necessary or useful in the proper conduct of its business in good working order and condition. Borrower will at all times place and maintain the Collateral (a) in the custody of the Administrative Agent subject to the provisions of the Security Documents and the Administrative Agent Account or (b) in the custody of the Collateral Trustee subject to the provisions of the Collateral Account Control Agreement.

(k) Section 7.12 of the Credit Agreement is hereby amended to read as follows:

Section 7.12 **Collateral Account.** Borrower shall, and shall cause each of its Restricted Subsidiaries to, (a) maintain the Collateral Account with the Collateral Trustee, (b) cause all Collateral to be held in the Collateral Account or the Administrative Agent Account and (c) promptly remit to the Collateral Account or the Administrative Agent Account all Return of Capital.

(1) Section 8.6 of the Credit Agreement is hereby amended to read as follows:

Section 8.6 **Limitation on Issuance of Equity.** Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, issue, sell, assign,

or otherwise dispose of (a) any of its stock or other equity interests, (b) any securities exchangeable for or convertible into or carrying any rights to acquire any of its stock or other equity interests, or (c) any option, warrant, or other right to acquire any of its stock or other equity interests ((a), (b) and (c) when other than to Borrower or another Restricted Subsidiary or as otherwise permitted pursuant to ***Section 8.5(g),*** collectively, an ***"Equity Issuance"),*** unless, in each case, such stock, other equity interests, securities, options, warrants or other rights have no characteristics or attributes of Debt and may not be required to be repurchased or redeemed by the Borrower or any of its Restricted Subsidiaries. For avoidance of doubt, this ***Section 8.6*** permits the Borrower and its Restricted Subsidiaries to make Equity Issuances without the consent of the Administrative Agent or the Lenders so long as the stock, equity interests, securities, options or other rights which are the subject of the Equity Issuance have no characteristics or attributes of Debt and may not be required to be repurchased or redeemed by the Borrower or any of its Restricted Subsidiaries.

(m) Exhibit B, the Borrowing Base Report, is hereby amended to be in the form of Exhibit B attached to this First Amendment.

2. REPRESENTATIONS AND WARRANTIES TRUE; NO EVENT OF DEFAULT. By its execution and delivery hereof, the Borrower represents and warrants that, as of the date hereof, and immediately after giving effect to this First Amendment:

(a) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects (without duplication of any materiality qualifier contained therein) on and as of the date hereof as made on and as of such date, except in each case to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date;

(b) no event has occurred and is continuing which constitutes a Default or Event of Default;

(c) (i) the Borrower has full power and authority to execute and deliver this First Amendment, (ii) this First Amendment has been duly executed and delivered by the Borrower, and (iii) this First Amendment constitutes the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance its terms, except as enforceability may be limited by applicable Debtor Relief Laws and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and except as rights to indemnity may be limited by federal or state securities laws;

(d) neither the execution, delivery and performance of this First Amendment nor the consummation of any transactions contemplated herein, will conflict with (i) any Constituent Documents of the Borrower or its Subsidiaries, (ii) to Borrower's knowledge, any Law applicable to the Borrower or its Subsidiaries or (iii) any indenture, agreement or other instrument to which the Borrower, the Subsidiaries or any of their respective properties are subject; and

(e) no authorization, approval, consent, or other action by, notice to, or filing with, any Governmental Authority or other Person not previously obtained is required to be obtained or made by the Borrower pursuant to statutory law applicable to the Borrower as a condition to (i) the execution, delivery or performance by the Borrower of this First Amendment, or (ii) the acknowledgement by each Guarantor of this First Amendment.

3. CONDITIONS OF EFFECTIVENESS. This First Amendment shall be effective on and as of the date hereof, subject to the following:

(a) the representations and warranties set forth in Section 2 of this First Amendment shall be true and correct;

(b) the Administrative Agent shall have received counterparts of this First Amendment executed by the Lender; and

(c) the Administrative Agent shall have received counterparts of this First Amendment executed by the Borrower.

4. REFERENCE TO THE CREDIT AGREEMENT.

(a) Upon and during the effectiveness of this First Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", or words of like import shall mean and be a reference to the Credit Agreement, as affected and amended by this First Amendment.

(b) Except as expressly set forth herein, this First Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights or remedies of the Administrative Agent or the Lenders under the Credit Agreement or any of the other Loan Documents, and shall not alter, modify, amend, or in any way affect the terms, conditions, obligations, covenants, or agreements contained in the Credit Agreement or the other Loan Documents, all of which are hereby ratified and affirmed in all respects and shall continue in full force and effect.

5. COSTS AND EXPENSES. The Borrower shall be obligated to pay the reasonable costs and expenses of the Administrative Agent in connection with the preparation, reproduction, execution and delivery of this First Amendment and the other instruments and documents to be delivered hereunder.

6. EXECUTION IN COUNTERPARTS. This First Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. For purposes of this First Amendment, a counterpart hereof (or signature page thereto) signed and transmitted by any Person party hereto to the Administrative Agent (or its counsel) by facsimile or other electronic imaging means (e.g., "pdf" or "tif") is to be treated as an original. The signature of such Person thereon, for purposes hereof, is to be considered as an original signature, and the counterpart (or signature page thereto) so transmitted is to be considered to have the same binding effect as an original signature on an original document.

7. GOVERNING LAW; BINDING EFFECT. This First Amendment shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made and to be performed entirely within such state; provided that the Administrative Agent and each Lender shall retain all rights arising under federal law. This First Amendment shall be binding upon the Borrower, the Administrative Agent and the Lender and their respective successors and permitted assigns.

8. HEADINGS. Section headings in this First Amendment are included herein for convenience of reference only and shall not constitute a part of this First Amendment for any other purpose.

9. **ENTIRE AGREEMENT. THE CREDIT AGREEMENT, AS AMENDED BY THIS FIRST AMENDMENT, AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AS TO THE SUBJECT MATTER THEREIN AND HEREIN AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES.**

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IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the date above written.

STONECASTLE FINANCIAL CORP.

By: /s/ Joshua Siegel
Name: Joshua Siegel
Title: Chief Executive Officer

TEXAS CAPITAL BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By: /s/ David K. Felan
Name: David K. Felan
Title: Senior Vice President

TEXAS CAPITAL BANK, NATIONAL ASSOCIATION,
as Lender

By: /s/ David K. Felan
Name: David K. Felan
Title: Senior Vice President

Pepper Hamilton LLP
Attorneys at Law

3000 Two Logan Square
Eighteenth and Arch Streets
Philadelphia, PA 19103-2799
215.981.4000
Fax 215.981.4750

July 29, 2014

StoneCastle Financial Corp.
152 West 57th Street, 35th Floor
New York, New York 10019

Re: Opinion of Counsel

Ladies and Gentlemen:

We have acted as counsel to StoneCastle Financial Corp., a closed-end, non-diversified, management investment company formed as a corporation under the laws of the State of Delaware (the "Corporation"), in connection with the registration statement on Form N-2 (the "Registration Statement") filed on July 29, 2014 by the Corporation with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended (the "1933 Act"), relating to the issuance by the Corporation of up to $50,000,000 in aggregate offering price of its shares of common stock, par value $0.001 per share, in connection with the offering described in the Registration Statement (the "Shares").

You have requested our opinion as to the matters set forth below in connection with the filing of the Registration Statement. For purposes of rendering this opinion, we have examined a printer's proof of the Registration Statement, the Corporation's Amended and Restated Certificate of Incorporation and the Amended and Restated By-Laws of the Corporation, and the action of the Corporation that provides for the issuance of the Shares and we have made such other investigation as we have deemed appropriate. We have examined and relied upon certificates of public officials and, as to certain matters of fact that are material to our opinions, we have also relied on a certificate of an officer of the Corporation. In rendering our opinion, we also have made the assumptions that are customary in opinion letters of this kind. We have not verified any of those assumptions.

Our opinion, as set forth herein, is limited to the federal laws of the United States of America and the laws of the State of Delaware that, in our experience, generally are applicable to the issuance of shares by entities such as the Corporation. We express no opinion with respect to any other laws.

Based upon and subject to the foregoing, we are of the opinion that the Shares to be issued pursuant to the Registration Statement have been duly authorized for issuance by the

Corporation; and when issued and paid for upon the terms provided in the Registration Statement, will be validly issued, fully paid and nonassessable.

This opinion is rendered solely in connection with the filing of the Registration Statement. We hereby consent to the filing of this opinion with the SEC in connection with the Registration Statement and to the reference to this firm in the statement of additional information that is being filed as part of the Registration Statement. In giving our consent we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the 1933 Act or the rules and regulations of the SEC thereunder.

Very truly yours,

/s/ Pepper Hamilton LLP
Pepper Hamilton LLP

Exhibit 99.n.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use by reference in this Post-Effective Amendment No. 6 to the Registration Statement (Number 811-22853) on Form N-2 of our report dated February 24, 2014, relating to the financial statements of StoneCastle Financial Corp. appearing in this Registration Statement.

We also consent to the reference to our Firm under the captions “Financial Statements” and “Financial Highlights” in such Registration Statement.

/s/ Rothstein Kass
Roseland, New Jersey
July 25, 2014

Exhibit 99.n.2

July 25, 2014

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-7561

Ladies and Gentlemen:

We have read StoneCastle Financial Corp.'s statements included under Financial Statements of its Form N-2 dated July 25, 2014, and are in agreement with the statements contained therein concerning our Firm in response to Item 304(a) of Regulation S-K.

Very truly yours,

/s/Rothstein Kass

Exhibit 99 s.1

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose name appears below hereby nominates, constitutes and appoints Joshua S. Siegel as his or her true and lawful attorney-in-fact and agent, with full power to act alone, with full powers of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to make, execute and sign a Registration Statement on Form N-2 under the Securities Act of 1933, as amended (the "1933 Act") and the Investment Company Act of 1940, as amended, of StoneCastle Finance Corp. and any and all pre-effective or post-effective amendments thereto (including any and all amendments and any related registration statements thereto filed pursuant to Rule 462 under the 1933 Act and otherwise), and file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent with full power to act alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument as of the 23rd of July, 2014.

/s/ Patrick J. Farrell
Patrick J. Farrell
Chief Financial Officer

/s/ George Shilowitz
George Shilowitz
President and Director

/s/ Alan Ginsberg
Alan Ginsberg
Director

/s/ Emil Henry
Emil Henry
Director

/s/ Clara Miller
Clara Miller
Director

Pepper Hamilton LLP
Attorneys at Law

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215.981.4000
Fax 215.981.4750

John P. Falco
direct dial: (215) 981- 4659
direct fax: (866) 422 - 2114
falcoj@pepperlaw.com

July 29, 2014

VIA EDGAR

Filing Desk
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: StoneCastle Financial Corp.
Investment Company Act File No. 811-22853

Ladies and Gentlemen:

On behalf of StoneCastle Financial Corp. (the "Corporation"), transmitted herewith for filing is a registration statement on Form N-2 (the "Registration Statement") under the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended , relating to the issuance by the Corporation of up to $50,000,000 in aggregate offering price of its shares of common stock, par value $0.001 per share, in connection with the offering described in the Registration Statement . The Company is a closed-end, non-diversified, management investment company whose shares are listed on the NASDAQ Global Select Market under the trading or "ticker" symbol "BANX.".

A registration fee of $6,440 due with respect to the filing was paid by funds on account.

The Company wishes to inform the Commission that it may request acceleration of the effectiveness date of the Registration Statement in writing or orally.

Please direct any questions concerning this letter to my attention at 215.981.4659 or, in my absence, to John M. Ford, Esq. of this office at 215.981.4009.

Very truly yours,

/s/ John P. Falco

John P. Falco

cc: John M. Ford, Esq.
Rachel N. Schatten, Esq.