

# **AMERICAN CAPITAL SENIOR FLOATING, LTD. CORPORATE GOVERNANCE GUIDELINES<sup>1</sup>**

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the “Board”) of American Capital Senior Floating, Ltd. (the “Company”), pursuant to the recommendations of its Compensation and Corporate Governance Committee, to assist the Board in the exercise of its responsibilities. The Board intends that these Guidelines serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations. These Corporate Governance Guidelines are not intended to change or interpret any federal or state law regulation, including Maryland General Corporation Law or the Investment Company Act of 1940, as amended (the “1940 Act”), or the Certificate of Incorporation or By-laws of the Company.

## **A. ROLE OF THE BOARD AND MANAGEMENT**

The business and affairs of the Company shall be conducted under the direction of its officers and the oversight of the Board, and pursuant to a Management Agreement (the “Management Agreement”) between the Company and American Capital ACSF Management, LLC (the “Manager”). The Board, which is elected by the stockholders, is the ultimate decision-making body of the Company, except with respect to matters reserved to stockholders. The primary function of the Board is oversight and its primary responsibilities are as follows, some of which may be carried out by one or more Committees of the Board, as appropriate:

- Overseeing the conduct of the Company’s business so that it is effectively managed in the long-term interest of the stockholders;
- Planning for and monitoring executive succession plans;
- Overseeing and reviewing the Company’s strategic direction and objectives;
- Monitoring the Company’s accounting and financial reporting practices and reviewing the Company’s financial and other controls;
- Overseeing the Company’s compliance with applicable laws and regulations;
- Overseeing the processes that are in place to safeguard the Company’s assets and manage risks in the context of the Company’s business objectives;
- Overseeing the performance of the Manager of the Company and the payment of all amounts owing under the Management Agreement;
- Providing counsel and oversight on the selection, evaluation, development, retention and compensation, if any, of senior management of the Company; and

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<sup>1</sup> As approved by the Board of Directors, January 14, 2014 and revised on July 24, 2015.

- Monitoring performance of the Company including-
  - Review of controls and risk management;
  - Monitoring effectiveness of the Board; and
  - Crisis management.

## **B. BOARD COMPOSITION, STRUCTURE AND POLICIES**

### ***1. Board Size***

The Compensation and Corporate Governance Committee makes recommendations to the Board concerning the appropriate size of the Board. The Board believes that the quality of the individuals serving on the Board and the overall composition of the Board is more important than the number of members.

### ***2. Independence of Directors***

The Board shall be comprised of a substantial majority of directors who both meet the independence requirements under the NASDAQ Stock Market listing standards and are not “interested” under the 1940 Act (directors meeting both requirements being “Disinterested Directors”). The Board shall annually make an affirmative determination as to whether a director is a Disinterested Director, following a recommendation by the Compensation and Corporate Governance Committee and a review of all relevant information.

### ***3. Annual Election of Directors***

All directors are elected annually by the Company’s stockholders. Each year the Compensation and Corporate Governance Committee recommends a slate of directors for election by stockholders at the Annual Meeting of Stockholders. Article II, Section 7 of the Company’s By-laws provide for majority voting for the election of directors in uncontested elections.

Any incumbent director nominee in an uncontested election who is not re-elected in accordance with Article II, Section 7 of the Company’s By-laws shall be expected to tender promptly his or her resignation to the Board. The Compensation and Corporate Governance Committee shall consider the resignation and make a recommendation to the full Board on whether to accept or reject the tender. In making its recommendation to the Board, the Compensation and Corporate Governance Committee shall take into consideration all factors it deems relevant, including, without limitation, reported reasons for the “against” votes, the director’s length of service on the Board and contributions to the Company in such role and the effect of the director’s resignation on the Company’s compliance with any law, rule, regulation, stock exchange listing standard or contractual arrangement. After considering the Committee’s recommendation, the Board shall make a determination with respect to the matter and publicly disclose its decision within 90 days after the Board’s receipt of the tendered resignation, by filing a Current Report on Form 8-K with the Securities and Exchange Commission.

Any director who tenders his or her resignation pursuant to this policy may not participate in the Committee’s recommendation or the Board’s decision regarding the resignation offer. If each member of the Compensation and Corporate Governance

Committee does not receive a vote sufficient for re-election, the Disinterested Directors who received a sufficient vote for re-election and any newly elected Disinterested Directors shall appoint a committee among themselves to consider the resignation offer and to make a recommendation to the Board on whether to accept or reject the resignation offer. If there are only three or fewer directors who received a sufficient vote for re-election or election, as applicable, all directors other than the director who tendered the resignation under review may participate in the decision regarding such resignation offer.

An incumbent director who has tendered a resignation accepted pursuant to this Section B.3 shall promptly submit such resignation upon the Board's acceptance of such tender. If a resignation tender is accepted or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board may fill the resulting vacancy pursuant to applicable law or decrease the size of the Board.

#### **4. *Vacancies***

Under the applicable law, the Board may fill vacancies in existing or new director positions. Such directors elected by the Board serve only until the next Annual Meeting of Stockholders when they must stand for election by the stockholders.

#### **5. *Board Membership Criteria***

The Compensation and Corporate Governance Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members. In evaluating the suitability of individuals for Board membership, the Committee takes into account many factors, including whether the individual meets the requirements to be a Disinterested Director; the individual's general understanding of the various disciplines relevant to the success of a large publicly-traded investment company in today's global business environment; the individual's understanding of the Company's businesses and investments; the individual's professional expertise and educational background; and other factors that promote a diversity of views and experience. The Committee evaluates each individual in the context of the Board as a whole, with the objective of recommending a group of directors that can best perpetuate the success of the Company's business and represent stockholder interests through the exercise of sound judgment, using its diversity of experience. In determining whether to recommend a director for re-election, the Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board.

#### **6. *Limitation on Number of Management Directors***

The Board believes that it is generally preferable that the Chief Executive Officer (the "CEO") be the only member of management who serves as a member of the Board. The Board may from time to time determine that it is appropriate to nominate additional members of management to the Board.

#### **7. *Chair of the Board and CEO***

The Board believes that it is important to retain its flexibility to allocate the responsibilities of the positions of the Chair of the Board (the "Chair") and CEO in the

way that it believes is in the best interests of the Company. The Board currently believes that it is in the best interests of the Company not to split the positions and that the CEO should also serve as the Chair.

#### **8. *Lead Director***

The Disinterested Directors annually elect one Disinterested Director to be the Lead Director. The Lead Director is identified in the Company's proxy statement and on its website. The Lead Director's responsibilities are to:

- Work with the Chair and CEO to ensure that meeting agendas address areas of interest and concern to the Disinterested Directors to help ensure that information is timely, focused, and of appropriate length, content, and context to support sound decisions.
- In the absence of a Vice-Chair, chair Board meetings when the Chair is unavailable or when the Chair recuses himself or herself due to a conflict.
- In the absence of a Vice-Chair, in the event of the incapacity of the Chair and CEO, act as the spokesperson for the Company.
- Call, set agendas and chair meetings of the Disinterested Directors.
- Meet periodically with the Chair and CEO as appropriate and report back to the Disinterested Directors.
- Act as a communication channel among Disinterested Directors and between Disinterested Directors and the Chair and CEO with respect to issues not readily or easily discussed in a formal setting.
- Carry out other duties as requested by the Disinterested Directors consistent with the governing documents of the Company and applicable law.

#### **9. *Change in Primary Employment***

The Board does not believe that in every instance a director who retires or changes his or her primary employment, including members of management, should necessarily leave the Board. Upon retiring or changing his or her primary employment, such director should promptly notify the Compensation and Corporate Governance Committee. The Compensation and Corporate Governance Committee shall evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to whether or not to request a resignation. If the Board so requests, the director must tender his or her resignation.

#### **10 *Conflicts of Interest***

If a director develops an actual, apparent or potential conflict of interest, the director should report the matter promptly to the Chair for evaluation and appropriate resolution.

If a director has a direct or indirect financial interest in a matter before the Board, the director shall disclose the interest to the full Board, shall recuse himself or herself from participation in the discussion and the matter shall not be approved unless it receives the affirmative vote of a majority of the directors or the appropriate committee who have no direct or indirect personal interest in the matter.

**11. *Limitations on Other Board Service***

The Board does not believe that its members should be prohibited from serving on boards and committees of other organizations. Each director is expected to ensure that other commitments do not interfere with the discharge of his or her duties as a director of the Company. Directors are expected to inform the Chair and the Chair of the Compensation and Corporate Governance Committee upon becoming a director of any other listed company or becoming a member of the audit committee of any other listed company. The Compensation and Corporate Governance Committee and the Board will take into account the nature and extent of an individual's other commitments when determining whether it is appropriate to nominate such individual for election or re-election as a director. Service on boards and committees of other organizations should be consistent with the Company's conflict of interest policies. It is the Board's position that, except in unusual circumstances, no director shall serve on more than four boards of listed companies (or on the audit committee of more than three listed companies), other than listed companies that are managed affiliates of the Company.

**12. *No Limitations on Terms; Retirement Age***

The Board does not believe in term limits or a retirement age for directors because they could deprive the Board of members who have developed, through valuable experience over time, an increasing insight into the Company and its operations.

**13. *Director Orientation and Continuing Education***

Upon election of new directors, the Chair and members of management provide an appropriate orientation process and educational material and resources regarding the Company, its business and regulatory environments and other relevant subjects. On a continuing basis, directors receive presentations on the Company's strategic and business plans, financial performance, legal and regulatory matters, Code of Ethics and compliance programs and other matters. Directors are encouraged, at the Company's expense, to take advantage of continuing education opportunities, which will enhance their ability to fulfill their responsibilities.

**14. *Director Communications with Third Parties***

The Board believes that senior management speaks for the Company and the Chair speaks for the Board. Inquiries about the Company by stockholders, analysts, the press, media and other constituencies are to be referred to management. Individual directors may from time to time meet with or communicate with various constituencies with which the Company is involved. It is expected that Board members would do this with the knowledge of management and, absent unusual circumstances or as otherwise contemplated by these guidelines, only at the request of management.

**15. *Communications with the Board***

Stockholders and other interested parties who wish to communicate with the Board may do so by writing the Chair, Board of Directors of American Capital Senior Floating, Ltd., 2 Bethesda Metro Center, 14<sup>th</sup> Floor, Bethesda, Maryland 20814. The directors have directed the Corporate Secretary to act as their agent in processing any communications received. All communications that relate to matters that are within the scope of the responsibilities of the Board and its Committees are to be forwarded, as directed, to the Chair and the Lead Director. Communications that relate to matters that are within the responsibility of one of the Board Committees are also to be forwarded to the Chair of the appropriate Committee. Communications that relate to ordinary business matters that are not within the scope of the Board's responsibilities are to be sent to the appropriate member of management. Solicitations, junk mail and obviously frivolous or inappropriate communications are not to be forwarded, but will be made available to any Disinterested Director who wishes to review them.

**C. BOARD MEETINGS**

**1. *Frequency of Meetings***

The Board will hold four regularly scheduled meetings a year at which it reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. The Board also holds special meetings when necessary. The Board meeting following the Annual Meeting of Stockholders is the organizational meeting at which officers and members and Chairs of Board Committees are elected. Required corporate actions may also be taken by unanimous written consent of the directors, as necessary and appropriate from time to time.

**2. *Attendance at Meetings***

Directors are expected to prepare themselves for and to attend all Board meetings, the Annual Meeting of Stockholders and the meetings of the Committees on which they serve, with the understanding that on occasion a director may be unable to attend a meeting.

**3. *Information Flow and Distribution of Meeting Materials***

Various materials are distributed to the Board on a continuing basis throughout the year and reports and presentations are made at Board and Committee meetings to keep the Board informed on an ongoing basis of the performance of the Company and its businesses and investments, the various issues that they face and new developments. Where practicable, the materials for each Board meeting are distributed in advance of the meetings to give directors an opportunity to review such materials prior to the meeting in order to facilitate active and informed discussion at the meeting.

**4. *Agendas***

The Chair determines the agenda for each meeting of the Board taking into account suggestions from the Lead Director and other members of the Board.

**5. *Access to Management and Independent Advisors***

Board members have unrestricted access to the officers, employees (if any) and the Manager. Any meetings or contacts that a director wishes to initiate may be arranged directly by the director or through the Chair, the CEO or the Corporate Secretary. The Board and each Committee of the Board have the authority to retain independent legal, accounting and other experts and consultants to advise the Board and the Committees as they may deem appropriate

**6. *Disinterested Director Sessions***

Disinterested Directors generally meet at least quarterly, without any members of management being present. The Lead Director presides over these sessions.

**D. COMMITTEES OF THE BOARD**

**1. *Committees and Responsibilities***

Pursuant to the Company's By-Laws, the Board may establish committees from time to time to assist it in the performance of its responsibilities. There are currently two Board Committees:

**a. *Audit and Compliance Committee.*** The Audit and Compliance Committee approves the engagement of independent auditors (subject to ratification by the stockholders) and questions management and the independent auditors on the application of accounting and reporting standards in the Company's financial statements. The Audit and Compliance Committee reviews and provides a recommendation to the Board with regard to its approval of the valuations of portfolio companies presented by management after discussing the proposed valuations with the independent auditors, the Company's internal auditors and any other relevant consultants. It also has the responsibility for reviewing matters regarding accounting, ethics, legal and regulatory compliance and for engaging, evaluating and terminating any internal audit service providers and approving fees to be paid to the external and internal audit service providers. The Audit and Compliance Committee annually reviews the experience and qualifications of the senior members of the independent external audit function and the internal audit function and the quality control procedures of the independent external auditors and the internal auditors. In addition, the Audit and Compliance Committee discusses with the independent auditors, internal auditors and any internal audit service providers (as may be engaged from time to time) the overall scope, plans and budget for their respective audits, including the adequacy of staffing and other factors that may affect the effectiveness and timeliness of such audits.

**b. *Compensation and Corporate Governance Committee.*** The primary responsibilities of the Compensation and Corporate Governance Committee generally include (i) reviewing and evaluating the performance of, and the compensation and fees paid to, the Manager under the Management Agreement, (ii) monitoring and facilitating the governance of the Company, including the membership and operations of the Board and serving as the Board's standing nominating committee, (iii) overseeing and reviewing the compensation practices of the Company with regard to

any employees of the Company and of the Board and if any such employees are executive officers of the Company, to set the terms of their employment, (iv) reviewing and approving the disclosure regarding the Company's compensation and benefits matters in the Company's proxy statement for its Annual Meeting of Stockholders and in the Company's Annual Report on Form 10-K, (v) recommending and considering corporate governance practices and policies, including these guidelines, and (vi) monitoring the Company's litigation docket. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to establish or reinforce the overall corporate environment for responsive and fair governance.

A full description of the responsibilities of each of the Committees is set forth in the Committee charters and/or the Company's By-laws, which are published on the Company's website. To the extent that there are any inconsistencies between the responsibilities and the Committee charters, the Committee charters will control.

The Board may, from time to time, establish or maintain additional committees as it deems necessary or appropriate.

## **2. *Membership and Chairs of Committees***

The Board elects the members and Chairs of each Committee at its annual organizational meeting following the Annual Meeting of Stockholders. The members of the Audit and Compliance and Compensation and Corporate Governance Committees shall consist only of Disinterested Directors. At least one member of the Audit and Compliance Committee shall be an "audit committee financial expert" as such term is defined in regulations of the Securities and Exchange Commission. The Board does not favor mandatory rotation of Committee assignments or Chairs. The Board believes that experience and continuity are more important than rotation.

## **3. *Committee Agendas, Meetings and Reports to the Board***

The Chair of each Committee, in consultation with the other Committee members, shall set meeting agendas and determine the frequency and length of Committee meetings. Each Committee reports its actions and recommendations to the Board. Except in unusual circumstances, the minutes of each Committee's meetings and materials provided to committee members are available for review by all directors.

# **E. PERFORMANCE EVALUATION AND SUCCESSION PLANNING**

## **1. *Management Evaluation and Succession***

As part of their role in directing the management of the business and affairs of the Company, the directors shall be responsible for selecting, evaluating and compensating the officers of the Company, including the CEO, and overseeing the Company's succession planning activities. The Board may delegate elements of this responsibility to one or more of its Committees or to senior management. The performance of the CEO and the other executive officers will be reviewed at the quarterly executive sessions of the non-management directors, and by the Board at its annual meeting. Such reviews and

evaluations shall be based on objective criteria, such as performance of the business, accomplishment of long-term strategic objectives and development of management. The Disinterested Directors shall communicate the results of such reviews to management. The Board shall endeavor to ensure that the Company's management, and management of the Manager, have the capabilities to cause the Company to operate in an efficient and business-like fashion in the event of a vacancy in senior management, either anticipated or sudden. The Board shall develop, as and when necessary, relevant policies and procedures to address succession issues for senior management and for replacement of the Manager.

**2. *Board and Committee Self-Evaluations***

The Compensation and Corporate Governance Committee is responsible for developing and recommending to the Board and overseeing an annual self-evaluation process for the Board and for the Committees of the Board. The Board will discuss the results of the self-evaluations to determine whether the Board and its Committees are functioning effectively and whether any actions should be taken to improve their effectiveness.

**F. BOARD COMPENSATION**

The Compensation and Corporate Governance Committee periodically reviews director compensation against peer companies and group and general industry data, considers the appropriateness of the form and amount of director compensation and makes recommendations to the Board concerning such compensation with a view toward attracting and retaining qualified directors.

Employees of the Company or its affiliates serving as directors shall not receive any additional compensation for service on the Board.

**G. REVIEW AND DISTRIBUTION OF GUIDELINES**

These guidelines are reviewed by the Compensation and Corporate Governance Committee and, as appropriate, the Board, at least annually. From time to time the Board will revise these guidelines in response to changing regulatory requirements, evolving best practices and the concerns of our stockholders and other constituents. These guidelines are published on the Company's website.