

**HARVEST CAPITAL CREDIT CORPORATION**  
**AUDIT COMMITTEE CHARTER**

The Board of Directors (“Board”) of Harvest Capital Credit Corporation (the “Company”) has determined that the Audit Committee of the Board shall assist the Board in fulfilling certain of the Board’s oversight responsibilities. The Board hereby adopts this charter (“Charter”) to establish the governing principles of the Audit Committee (“Committee”).

**I. Purpose**

The primary function of the Committee is to serve as an independent and objective party to assist the Board in fulfilling its oversight responsibilities for the Company’s accounting and reporting processes and the audits of its financial statements, and to assist the Board in determining the fair value of certain portfolio securities held by the Company. The Committee intends to fulfill these functions by overseeing and monitoring:

1. the quality and integrity of financial reports and other financial information provided by the Company to governmental bodies or the public and the independent audit thereof;
2. the Company’s system of internal controls regarding finance, accounting and regulatory compliance and the performance of the Company’s internal audit function;
3. the material aspects of the Company’s accounting and financial reporting process generally;
4. the independence, qualifications and performance of the Company’s independent registered public accounting firm (independent accountants), including the lead audit partner;
5. the Company’s policy standards and guidelines for risk assessment and risk management;
6. the determination of the fair value of securities held by the Company that are not publicly traded or for which current market values are not readily available and the material aspects of the Company’s valuation policies and procedures as adopted by the Board, and as amended from time to time; and
7. the Company’s compliance with legal or regulatory requirements that may have an impact on the Company’s financial statements.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter.

Notwithstanding anything contained in this Charter to the contrary, the Board shall retain all power and authority with respect to the valuation of the Company's assets under the Investment Company Act of 1940, as amended (the "1940 Act") and shall be solely responsible for the Company's valuation obligations under the 1940 Act.

## **II. Scope**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or are in accordance with generally accepted accounting principles ("GAAP"). This is the responsibility of officers of the Company and the Company's independent registered public accounting firm. The Company's management has the responsibility to determine that the Company's financial statements are complete and accurate and in accordance with GAAP. It is also not the duty of the Committee to assure the Company's compliance with laws and regulations or compliance with the Company's Code of Ethics or Code of Business Conduct. The primary responsibility for these matters also rests with the Company's management.

Each member of the Committee shall be entitled to rely on: (i) the integrity of those persons within and outside the Company and officers of the Company and employees of the Company's investment adviser and administrator from which it receives information; (ii) the accuracy of the financial and other information provided to the Committee absent actual knowledge to the contrary; and (iii) statements made by the officers of the Company and employees of the Company's investment adviser and administrator or third parties as to any information technology, internal audit and other non-audit services provided by the independent registered public accounting firm to the Company. In order to fulfill its oversight responsibility, the Committee must be capable of conducting free and open discussions with management, independent accountants, employees and others regarding the quality of the financial statements and the system of internal controls.

## **III. Responsibilities and Duties**

### **A. General Responsibilities**

To carry out its purposes, the responsibilities of the Committee shall be as follows:

1. maintain open communications with the independent accountants, the Company's management and the Board;
2. meet separately, from time to time, with management and the independent accountants to discuss matters warranting attention by the Committee;
3. regularly report Committee actions to the Board and make recommendations as the Committee deems appropriate;
4. review the financial results presented in reports to be filed with the Securities and Exchange Commission ("SEC");
5. review reports issued by regulatory examinations and consider the results of those reviews to determine if any findings could have a material effect on the Company's financial statements;

6. discuss the Company's disclosure, oversight of and conformity with the Company's Code of Business Conduct and Code of Ethics, and matters that may have a material effect on the Company's financial statements, operations, compliance policies and programs;
7. review and reassess the adequacy of the Committee's Charter at least annually and recommend any changes to the full Board;
8. review and approve all transactions with related persons (as defined in Item 404 of Regulation S-K of the SEC) that are brought to the Committee's attention;
9. review and approve any waiver by the Company or the Company's investment adviser of any requirement imposed by the Company on one of its portfolio companies to deliver audited financial statements to the Company;
10. aid the Board in determining the fair value of securities that are not publicly traded or for which current market values are not readily available, and in connection therewith recommend valuation policies to the Board, or any revisions thereto, and, in accordance with the Company's valuation policies, resolve valuation issues with respect to liquid securities and review valuations of illiquid securities proposed by employees of the Company's investment adviser. Where the Committee determines that it is appropriate, the Committee may appoint independent valuation firms to review and advise the Committee with respect to valuations.
11. Take other actions required of the Committee by law, applicable regulations, or as requested by the Board.

In discharging its duties hereunder, the Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors, with the cost of such counsel, accounting or other advisors to be borne by the Company. The Committee shall set the compensation, and oversee the work, of such advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent accountants for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee, and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

B. Responsibilities Regarding the Engagement of the Independent Accountants

The Committee shall:

1. Have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification). The Committee shall be directly responsible for the compensation, retention and oversight of the independent accountants (including resolution of disagreements between management and the independent accountants regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent accountant shall report directly to the Committee.
2. Ensure the independence of the independent accountants by:
  - a. Having the independent accountant deliver to the Committee at least annually a formal written statement delineating all relationships between the independent accountants and the Company and addressing at least the matters set forth in Independence Standards Board Standard No. 1.
  - b. Pre-approving all auditing services and permitted non-audit services (including fees and terms thereof) to be performed for the Company by its independent accountants. *See* the Policy on Pre-Approval of Audit and Non-Audit Services set forth in Annex A. To the extent permitted by applicable laws, regulations and the rules of the NASDAQ Stock Market (“NASDAQ”), the Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.
  - c. Ensuring the rotation of the lead (or coordinating) audit partner (or, if required by the rules and regulations of the SEC, other employees of the independent accountants) having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
  - d. Overseeing compliance with the guidelines set forth in Annex B relating to the Company’s hiring of employees or former employees of the independent accountants and ensuring that such guidelines comply with applicable laws, rules and regulations.
3. At least annually, obtain and review a report by the independent accountants describing: the firm’s internal control procedures and any material issues raised by the most recent internal quality control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years with respect to one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

4. Actively engage in a dialogue with the independent registered public accounting firm with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accounting firm, and take, or recommend that the full Board take, appropriate action to oversee the independence of the independent registered public accounting firm, and review and present its conclusions regarding the independent accountants' qualifications, performance and, if applicable, its conclusions regarding the rotation of the independent accountants to the Board at least annually.

C. Responsibilities for Reviewing the Annual External Audit and the Financial Statements

The Committee shall:

1. Request the independent accountants to confirm that they are accountable to the Committee and that they will provide the Committee with timely analyses of significant financial reporting and internal control issues.
2. Review with management significant risks and exposures identified by management and management's steps to minimize them.
3. Review the scope of the external audit with the independent accountants.
4. Review with management and the independent accountants, as appropriate:
  - a. the Company's internal controls, including computerized information system controls and security;
  - b. the Company's significant accounting policies;
  - c. the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," before they are made public;
  - d. all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent accountants;
  - e. material written communications between the independent accountants and management, such as any management letter or schedule of unadjusted differences; and
  - f. the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
5. After the completion of the annual audit examination, or as needed throughout the year, discuss with management and the independent accountants:

- a. the Company's annual financial statements and related footnotes, including any adjustments to such statements recommended by the independent accountants;
  - b. any significant findings and recommendations made by the independent accountants with respect to the Company's financial policies, procedures and internal accounting controls together with management's responses thereto;
  - c. the qualitative judgments about the appropriateness and acceptability of accounting principles, financial disclosures and underlying estimates;
  - d. any significant difficulties or problems with management encountered during the course of the audit;
  - e. any other matters about the audit procedures or findings that Generally Accepted Accounting Standards ("GAAS") require the auditors to discuss with the Committee; and
  - f. the form of opinion the independent accountants propose to render to the Board and the Committee and shareholders.
6. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the periodic reports on Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.
  7. Recommend to the Board whether to include the audited financial statements in the Company's Form 10-K.
  8. Issue for public disclosure by the Audit Committee the report required by the SEC to be included in the Company's annual proxy statement.

D. Compliance Oversight Responsibilities

The Committee shall:

1. Obtain from the independent accountants assurance that Section 10A(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), has not been implicated.
2. Administer the procedures relating to the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters set forth in Annex C.

#### **IV. Committee Membership**

The Committee shall be composed of three or more directors as determined by the Board, each of whom shall:

1. satisfy the independence requirements established by NASDAQ that are applicable to the Company or, with the approval of the Board, satisfy one or more of the exceptions permitted by NASDAQ;
2. meet the independence requirements of Section 10A of the Exchange Act and SEC Rule 10A-3(b)(1) under the Exchange Act;
3. not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; and
4. be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement.

In addition, the Committee shall at all times include at least one member who is, in the judgment of the Board, an "audit committee financial expert" as defined in Item 407(d)(5)(ii) and (iii) of Regulation S-K of the SEC.<sup>1</sup>

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee of the Board to serve in accordance with the Company's bylaws and at the discretion of the Board and may be removed by the Board at any time. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

#### **V. Meetings**

The Committee shall meet at least quarterly, or more frequently as circumstances require. The Chairman of the Committee may call a Committee meeting whenever deemed necessary and shall be responsible for meeting with the independent accountants at their request to discuss the financial results. The Committee may hold separate meetings periodically with officers of the Company and employees of the Company's investment adviser and administrator, and shall hold separate meetings periodically with the Company's independent registered public accounting firm to discuss the quarterly review process and any other matters that the Committee or the other participants believe should be discussed, including any matters related to Section 10A(b) of the Exchange Act. The Committee may ask officers of the Company and employees of the Company's investment adviser and administrator, if any, or others to attend meetings and provide pertinent information as necessary or desirable. The Committee may adopt such procedures as it deems appropriate and necessary to carry out the duties and responsibilities of the Committee. The Committee shall report to the Board from time to time, as requested by the Board, or as the Committee deems appropriate. Notwithstanding the foregoing, the Committee may, for so long as it deems reasonably necessary, maintain the confidentiality of its proceedings from some or all of the other members of the Board, if the Committee determines that such confidentiality is in the best interests of the Company. If a registered public accounting firm is to be appointed as the Company's independent

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<sup>1</sup> Such person shall also be presumed to qualify as a "financially sophisticated" audit committee member under NASDAQ rules.

registered public accounting firm at any meeting, such meeting shall be called for the specific purpose of appointing such firm.

## **VI. Evaluation**

The Committee shall conduct an annual review of the Committee's performance and recommend changes to the Board as needed.

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The Committee may diverge from the specific activities outlined throughout this Charter as appropriate if circumstances or regulatory requirements change. In addition to these activities, the Committee may perform such other functions as necessary or appropriate under applicable laws, regulations, NASDAQ rules, the Company's charter and bylaws, and the resolutions and other directives of the Board.

This Charter is in all respects subject and subordinate to the Company's charter and bylaws, the resolutions of the Board and the applicable provisions of the General Corporation Law of the State of Delaware.



## Annex A

### **Policy on Pre-Approval of Audit and Non-Audit Services**

#### **I. Statement of Principles**

The Audit Committee is required to pre-approve the audit and non-audit services performed by the independent accountants in order to assure that the provision of such services to the Company does not impair the independence of the independent accountants. Unless a type of service to be provided by the independent accountants has received general pre-approval, it will require specific pre-approval by the Audit Committee. Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee.

#### **II. Audit Services**

The annual audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other matters.

In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant pre-approval for other audit services, which are those services that only the independent accountants reasonably can provide, such as limited quarterly reviews, comfort letters, statutory audits, attest services, reports on internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002, consents and assistance with and review of documents filed with the Securities and Exchange Commission (the “*SEC*”).

#### **III. Audit-Related Services**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements and that are traditionally performed by the independent accountants. All audit-related services must be separately pre-approved by the Audit Committee.

#### **IV. Tax Services**

Tax services include tax compliance, tax planning and tax advice. All tax services must be separately pre-approved by the Audit Committee.

#### **V. All Other Services**

The Audit Committee may grant pre-approval to those permissible non-audit services classified as “All Other Services” that it believes are routine and recurring services, and would not impair the independence of the independent accountants. Permissible “All Other Services” must be separately pre-approved by the Audit Committee.

A list of the SEC's prohibited non-audit services is attached to this policy as Exhibit 1. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

## **VI. Pre-Approval Fee Levels**

Pre-approval fee levels for all services to be provided by the independent accountants will be established periodically by the Audit Committee. Any proposed services exceeding these levels will require specific pre-approval by the Audit Committee.

## **VII. Supporting Documentation**

With respect to each proposed pre-approved service, the independent accountants will provide an engagement letter to the Audit Committee regarding the specific services to be provided.

## **VIII. Procedures**

Requests or applications to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee by the Chief Financial Officer, and must include a statement as to whether, in his view, the request or application is consistent with the SEC's rules on auditor independence.

## **IX. Confirmation**

The independent accountants will provide a written confirmation of its independence with respect to the Company to the Audit Committee on an annual basis.

### **Exhibit 1: Prohibited Non-Audit Services**

- Bookkeeping or other services related to the accounting records or financial statements
- Financial reporting systems design and implementation
- Appraisal or valuation services, fairness opinions or contributions-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit

## **Annex B**

### **Hiring Guidelines for Independent Accountants Employees**

The Audit Committee has adopted the following practices regarding the hiring by the Company of any employee of its independent accountants who have participated in any capacity in the audit of the Company.

1. No member of the audit team that has audited or is auditing the Company can be hired by the Company in a financial reporting oversight role (as defined in the SEC's Regulation S-X) for a period of one year following association with that audit.

2. The Company's Chief Financial Officer shall report annually to the Audit Committee the profile of the preceding year's hires from the independent accountants.

## Annex C

### **RULE 10A-3(b)(3) COMPLAINT INTAKE AND MANAGEMENT POLICY**

#### **Submission of Comments to Audit Committee**

*Harvest Capital Credit Corporation (the “Company”) encourages employees to maintain open lines of communication and share comments and concerns they may have with members of management and if necessary, with the Board of Directors of the Company. Feedback from employees on matters related to their employment or the Company’s operations including its financial statement disclosures, accounting, internal accounting controls or auditing matters is greatly appreciated and helps to build a stronger organization. An employee should report suspected violations of applicable laws, rules, regulations, the Code of Business Conduct, and the Code of Ethics to his or her supervisor, a member of senior management, to the Chief Compliance Officer or to the Chairman of the Audit Committee.*

Employees of the Company may submit, on a confidential, anonymous basis if the employee so desires, comments related to, among other things, financial statement disclosures, accounting, internal accounting controls or auditing matters. Such comments should be set forth in writing, sealed in an envelope or submitted via e-mail, and addressed to the Chief Compliance Officer if an employee would like management to review the comments, or to the Chairman of the Audit Committee, which should be labeled: “To be opened by the Audit Committee only.” Employees may also deliver such correspondence directly by email to the Chairman of the Audit Committee Mr. Richard Sebastiao at [rsebastiao@rasmanagement.com](mailto:rsebastiao@rasmanagement.com), or by U.S. mail at 599 Ocean Avenue, Newport, RI 02840. If an employee would like to discuss matters with the Audit Committee, the employee should indicate this in the submission and include a telephone number at which he or she may be contacted if the Audit Committee deems it appropriate.

The Company has also established a confidential ethics hotline dedicated to Harvest Capital Credit Corporation: 866-934-2421. Callers to this number will be instructed to leave a confidential voicemail message. The contents of the message will be transcribed and brought to the attention of the Chief Compliance Officer and the Chairman of the Audit Committee of the Board of Directors of Harvest Capital Credit Corporation.

The Audit Committee reviews and considers such comments that it has received and may take action that it deems appropriate in order to respond thereto. The Audit Committee may request special treatment for a comment, including the retention of outside counsel or other advisors. The Audit Committee retains such comments for a period of no less than five years.

The Company’s Code of Business Conduct and the Code of Ethics prohibit any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve business conduct or ethical concerns.

Adopted: January 17, 2013