

CM FINANCE INC

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER

I. Purpose

The purpose of the Nominating and Corporate Governance Committee is to assist the full Board of Directors (the “Board”) in fulfilling its responsibilities to assure that CM Finance Inc (the “Company”) is governed in a manner consistent with the interests of the stockholders of the Company and in compliance with applicable laws, regulations, rules and orders. Without limiting the foregoing, the Nominating and Corporate Governance Committee shall advise the Board with respect to: (a) Board organization, membership and function; (b) committee structure, membership and operations (including any committee authority to delegate to subcommittees); (c) succession planning for the executive officers of the Company; and (d) matters relating to corporate governance.

II. Membership Requirements

The Nominating and Corporate Governance Committee shall be comprised of that number of Directors as the Board of Directors shall determine from time to time, such number not to be less than three (3). The members of the Nominating and Corporate Governance Committee shall meet the independence and experience requirements of the NASDAQ as well as applicable regulations, rules and orders of the Securities and Exchange Commission (the “SEC”). The members of the Nominating and Corporate Governance Committee, including the Chair thereof, shall be appointed annually by the Board of Directors.

III. Meetings

The Nominating and Corporate Governance Committee shall meet as often as it determines to be appropriate, but not less frequently than once a year. Meetings may be called by the Chair of the Nominating and Corporate Governance Committee or the Chair of the Board of Directors. All meetings of and other actions by the Nominating and Corporate Governance Committee shall be held or otherwise taken pursuant to the Company’s Bylaws, including bylaw provisions governing notices of meetings, waivers thereof, the number of Nominating and Corporate Governance Committee members required to take actions at meetings or by written consent, and other related matters.

- A. Unless otherwise authorized by an amendment to this Charter or as provided in the Bylaws of the Company, the Nominating and Corporate Governance Committee shall not delegate any of its authority to any subcommittee.
- B. Reports of meetings of and/or actions taken by the Nominating and Corporate Governance Committee (whether at a meeting or by consent) from time to time shall be made by the Chair of the Nominating and Corporate Governance Committee (or by his or her delegate) to the full Board of Directors. In addition, the Chair of the Nominating and Corporate Governance Committee (or his or her delegate) shall be available from time to time to answer any questions that the other Directors may have

regarding the matters considered and actions taken by the Nominating and Corporate Governance Committee.

IV. Responsibilities

The following are the general responsibilities of the Nominating and Corporate Governance Committee and are set forth only for its guidance. The Nominating and Corporate Governance Committee, however, may diverge from these responsibilities and/or may assume such other responsibilities as the Board of Directors may delegate from time to time and/or as the Nominating and Corporate Governance Committee may deem necessary or appropriate from time to time in performing its functions in accordance with the Bylaws and other governance documents of the Company and in accordance with applicable law. The Nominating and Corporate Governance Committee shall:

A. Board of Directors

- a. Evaluate periodically the desirability of, and recommend to the Board of Directors, any changes in the size and composition of the Board of Directors.
- b. Select and evaluate Directors in accordance with the general and specific criteria set forth below or determined as provided below:
- c. *General Criteria.* Director selection should include at least enough independent directors to comply with the rules and regulations of the New York Stock Exchange as well as applicable regulations, rules and order of the SEC (each such independent director, an “Independent Director” and collectively, the “Independent Directors”). Such Independent Directors should have appropriate skills, experiences and other characteristics. Subject to the right of the Nominating and Corporate Governance Committee and the Board of Directors to decide otherwise when deemed appropriate, the Chief Executive Officer of the Company generally should be a Director and, depending upon the circumstances, certain other members of management, as well as certain individuals having relationships with the Company that prevent them from being Independent Directors, may also be appropriate members of the Board of Directors. Each Director should:
 - i. Be an individual of the highest character and integrity and have an inquiring mind, vision, a willingness to ask hard questions and the ability to work well with others;
 - ii. Be free of any conflict of interest that would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a Director;
 - iii. Be willing and able to devote sufficient time to the affairs of the Company and be diligent in fulfilling the responsibilities of a member of the Board of Directors and a member of any committees thereof

(including developing and maintaining sufficient knowledge of the Company and the specialty finance industry in general; reviewing and analyzing reports and other information important to responsibilities of the Board of Directors and any committee thereof; preparing for, attending and participating in meetings of the Board of Directors and meetings of any committee thereof; and satisfying appropriate orientation and continuing education guidelines); and

- iv. Have the capacity and desire to represent the balanced, best interests of the stockholders of the Company as a whole and not primarily a special interest group or constituency.
- d. *Specific Criteria.* In addition to the foregoing general criteria, the Nominating and Corporate Governance Committee shall develop, reevaluate at least annually and modify as appropriate a set of specific criteria outlining the skills, experiences (whether in business or in other areas such as public service, academia or scientific communities), particular areas of expertise, specific backgrounds, and other characteristics that should be represented on the Board of Directors to enhance the effectiveness of the Board of Directors and its committees.
- i. These specific criteria should take into account any particular needs of the Company based upon its business, size, ownership, growth objectives, community, customers and other characteristics and may be adjusted and refocused from time to time as these Company characteristics change and evolve.
 - ii. The Nominating and Corporate Governance Committee should consider periodically complementary skills or other attributes, which may not be represented on the Board of Directors, that would be useful to the Board of Directors as it fulfills its duties.
- e. Evaluate each new Director candidate and each incumbent Director before recommending that the Board of Directors nominate or re-nominate such individual for election or reelection (or that the Board of Directors elect such individual on an interim basis) as a Director based upon the extent to which such individual satisfies the general criteria above and will contribute significantly to satisfying the overall mix of specific criteria identified above. Each annual decision to re-nominate an incumbent Director should be based upon a careful consideration of such individual's contributions, including the value of his or her experience as a Director of the Company, the availability of new Director candidates who may offer unique contributions, and the Company's changing needs.
- f. Diligently seek to identify potential Director candidates who will strengthen the Board of Directors and will contribute to the overall mix of specific criteria identified above. This process should include establishing procedures

for soliciting and reviewing potential nominees from Directors and for advising those who suggest nominees of the outcome of such review. The Nominating and Corporate Governance Committee shall have authority to retain and terminate any search firm used to identify Director candidates and to approve any such search firm's fees and other terms of retention.

- g. Submit to the Board of Directors the candidates for Director to be recommended by the Board of Directors for election at each annual meeting of stockholders and to be added to the Board of Directors at any other times due to any expansion of the Board of Directors, Director resignations or retirements or otherwise.
- h. Monitor performance of the Board of Directors and its individual members based upon the general criteria and the specific criteria applicable to the Board of Directors and each of its members. If any serious issues are identified with any Director, work with such Director to resolve such issues or, if necessary, seek such Director's resignation or recommend to the Board of Directors such person's removal.
- i. Develop and periodically evaluate initial orientation guidelines and continuing education guidelines for each member of the Board of Directors and each member of each committee thereof regarding his or her responsibilities as a Director generally and as a member of any applicable committee of the Board of Directors, and monitor and evaluate annually (and at any additional time a new member joins the Board of Directors or any committee thereof) each Director's cooperation in fulfilling such guidelines. Such guidelines shall take into account all relevant factors, including the nature of each individual's responsibilities and related background and any particular complexities relating to the Company's business, financial statements or other characteristics. These guidelines may include higher requirements for Directors who are members of certain committees of the Board of Directors than for those who are not members of such committees and, in appropriate circumstances, may provide for higher or lower requirements for a particular Director based on his or her background and/or occupation.

B. Board Committees

- a. Evaluate at least annually the performance, authority, operations, charter and composition of each standing or ad hoc committee of the Board of Directors (including any authority of a committee to delegate to a subcommittee) and the performance of each committee member and recommend any changes considered appropriate in the authority, operations, charter, number or membership of each committee.
- b. Submit to the Board annually (and at any additional times that any committee members are to be selected) recommendations regarding candidates for membership on each committee of the Board of Directors. The Nominating

and Corporate Governance Committee will coordinate closely with the full Board of Directors as to the selection of an Independent Director who qualifies to serve on the Audit Committee as a designated “audit committee financial expert.”

C. Evaluation of and Succession Planning for Chief Executive Officer and Other Executive Officers

- a. Assist the Board of Directors in evaluating the performance of and other factors relating to the retention of the Chief Executive Officer. Assist the Board of Directors in overseeing the evaluation of the performance of other executive officers. It is recognized that, subject to oversight by the Board of Directors and the Nominating and Corporate Governance Committee, the Chief Executive Officer will have primary responsibility for evaluating the performance of the other executive officers of the Company.
- b. Develop and periodically review and revise as appropriate, a management succession plan and related procedures. Consider and recommend to the Board of Directors candidates for successor to the Chief Executive Officer of the Company and, with appropriate consideration of the Chief Executive Officer’s recommendations, candidates for successors to other executive officers, in each case when vacancies shall occur in those offices.

D. Corporate Governance

- a. Monitor and make recommendations to the Board of Directors on matters of Company policies and practices relating to corporate governance.
- b. Review and make recommendations to the Board of Directors regarding proposals of shareholders that relate to corporate governance.

E. Other Matters

- a. Perform such other duties and responsibilities as may be assigned to the Nominating and Corporate Governance Committee, from time to time, by the Board of Directors of the Company and/or the Chairman of the Board of Directors, or as designated in Company documents.

V. Additional Resources

Subject to the approval of the Board of Directors, the Nominating and Corporate Governance Committee shall have the right to use reasonable amounts of time of the Company’s independent registered public accounting firm, outside lawyers and other internal staff and also shall have the right to hire independent experts, lawyers and other consultants to assist and advise the Nominating and Corporate Governance Committee in connection with its responsibilities. The Nominating and Corporate Governance Committee shall keep the Company’s Chief Executive Officer advised as to the general range of anticipated expenses for

outside consultants, and shall obtain the concurrence of the Board of Directors in advance for any expenditures.