

**SOURCE CAPITAL, INC.**  
**AUDIT COMMITTEE CHARTER**

Organization

This Charter governs the operations of the Audit Committee (the “Committee”) of the Board of Directors of the Company. The Committee shall review and reassess the Charter at least annually and obtain the approval of the Board of Directors (the “Board”) for any changes to the Charter. The Committee shall be appointed by the Board and shall comprise at least three Directors, each of whom shall be independent as set forth below.

Members of the Committee shall be considered independent if they have no relationship that may interfere with the exercise of their independence from the Company’s investment adviser, First Pacific Advisors, LLC (the “Adviser”). To be considered independent, a member may not, other than in his or her capacity as a member of the Board, the Committee or any other committee of the Board, accept any consulting, advisory or other compensatory fee from the Company or the Adviser or any of its affiliates. Except as otherwise permitted by the applicable rules of the New York Stock Exchange (“NYSE”), each member of the Committee shall be independent as defined by such rules and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934. Additionally, no member shall be an “interested person” of the Company as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended.

All Committee members shall be financially literate, as such qualification is interpreted by the Board in its business judgment, or shall become financially literate within a reasonable period of time after appointment to the Committee. It is expected that, under normal circumstances, the Board will designate at least one qualified member of the Committee as an “audit committee financial expert” under regulations adopted by the Securities and Exchange Commission (“SEC”). The Committee may review this designation annually. This designation will not reduce the responsibility of the other Committee members, nor will it increase the designee’s duties, obligations, or liability as compared to his or her duties, obligations, and liability as a member of the Committee and of the Board. If a Committee member simultaneously serves on the audit committees of more than three public companies, the Board of Directors must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Committee and must disclose such determination as required by the applicable rules of the NYSE.

If the Board has not designated a Chair of the Committee, the members of the Committee may designate a Chair by majority vote of the full Committee membership. The Committee will hold regular meetings at least twice annually. Special meetings may be called at any time by any member of the Committee or at the request of the Company’s independent auditors. The Chair will cause notice of each meeting, together with the agenda and any related materials, to be sent to each member. The Committee may ask representatives of the Adviser, independent legal counsel, or others to attend Committee meetings and provide pertinent information as necessary. The presence of a majority of the members will constitute a quorum, and the action of a majority of the Committee members present at a meeting at which a quorum is present shall be action by the Committee. The Committee shall ordinarily meet in person; however, members may attend

telephonically or by other forms of electronic communication, and the Committee may act by written consent, to the extent permitted by applicable law and the Company's by-laws. The Chair will report the actions taken by the Committee to the Board and such report shall be included in the minutes of the Board meeting.

### Statement of Policy

The Audit Committee shall provide assistance to the Board of Directors in fulfilling its oversight responsibility relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the annual independent audit of the Company's financial statements, and the compliance and ethics programs as established by the Adviser and the Board. The Committee will also review and discuss with management and the auditors the processes implemented by management for assessing and managing key risks in these areas, and may report on such topics to the Board. It is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditors, and the Adviser of the Company and independent auditors shall report directly to the Committee. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company. The Committee may retain special counsel and other experts or consultants at the expense of the Company.

### Responsibilities and Processes

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board and the Company's systems of disclosure controls and procedures and internal controls over financial reporting and to report the results of its activities to the Board. The Adviser is responsible for maintaining appropriate systems for accounting and internal control over financial reporting and associated risk management, and the independent auditors are responsible for auditing those financial statements on an annual basis. Specifically, the Adviser is responsible for (i) the preparation, presentation and integrity of the Company's financial statements, (ii) the maintenance of appropriate accounting and financial reporting principles and policies, (iii) the maintenance of internal control over financial reporting and other procedures designed to assure compliance with accounting standards and related laws and regulations, and (iv) risk management processes associated with the foregoing. 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, and shall discharge its responsibilities in accordance with its business judgment.

The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound compliance practices, and ethical behavior. However, the review of the Company's financial statements by the Committee is not an audit, nor does the Committee's review substitute for the responsibilities of the Adviser for preparing, or the auditors for auditing, the financial statements. Similarly, the review of management's processes to assess and manage risks is not an audit nor does the Committee's review substitute for the responsibilities of the Adviser in this area. Members of the Committee are not full-time employees of the Company and, in serving on the Committee, are not acting as accountants or auditors and this Charter does

not reflect or create any duty or obligation of the Committee to plan or conduct any audit, to determine or certify that the Company's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law, or to guarantee any auditor's report. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing, accounting or associated risk management reviews or procedures, or to set auditor sampling techniques.

In discharging their duties, the members of the Committee are entitled to rely on information, opinions, reports or statements, including financial statements and other financial and risk management data, if prepared or presented by (i) officers of the Company whom the members reasonably believe to be reliable and competent in the matters presented, (ii) legal counsel, auditors, the Adviser, other service providers or other persons as to matters the members reasonably believe are within the person's professional or expert competence, or (iii) other committees of the Board.

In addition to any other functions assigned by law, the Company's Articles of Incorporation or By-Laws, or the Board, the following shall be the principal recurring process of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

- The Committee shall have a clear understanding with the Adviser and the independent auditors that the independent auditors are ultimately accountable to the Audit Committee and the Board as representatives of the Company's shareholders and that the Committee shall oversee the work performed by the independent auditor retained for the purpose of preparing or issuing an audit report or related work. The Committee shall have the ultimate authority and responsibility to evaluate and, when appropriate, replace the independent auditors. The Committee shall receive appropriate independence reports or letters from the auditors and discuss with the auditors their independence from the Adviser and the Company and the matters included in the written disclosures required by the applicable laws, rules, and positions, including those of the SEC and accounting oversight boards. Annually, the Committee shall review and recommend to the Board the selection of the Company's independent auditors, subject to shareholders' approval (if required), to conduct the annual audit of the Company's financial statements and to prepare the Company's tax returns.
- The Committee shall pre-approve all audit and permissible non-audit services and related fees that the Committee considers compatible with maintaining the independent auditors' independence, and it shall consider whether the auditor's provision of permissible non-audit services is compatible with the auditor's independence. The pre-approval requirement will extend to all non-audit services provided to the Company, the Adviser, and any entity controlling, controlled by, or under common control with the Adviser that provides ongoing services to the Company, if the engagement relates directly to the operations and financial reporting of the Company; provided, however, that an engagement of the Company's independent auditors to perform attest services for the Company, the Adviser or its affiliates required by generally accepted auditing standards to complete the examination of the Company's financial statements (such as an

examination conducted in accordance with Statement on Standards for Attestation Engagements (SSAE) No. 16, or a successor statement, issued by the American Institute of Certified Public Accountants), will be deemed pre-approved if: (i) the Company's independent auditors inform the Audit Committee of the engagement, (ii) the Company's independent auditors advise the Audit Committee at least annually that the performance of this engagement will not impair the independent auditor's independence with respect to the Company, and (iii) the Audit Committee receives a copy of the independent auditor's report prepared in connection with such services. The Committee may delegate to one or more Committee members the authority to review and pre-approve audit and permissible non-audit services. Actions taken under any such delegation will be reported to the Committee at its next meeting.

- The Committee shall discuss with the independent auditors the overall scope, terms of engagement, and plans for the audit, including fees and the adequacy of staffing. Also, the Committee shall discuss with the Adviser and the independent auditors the adequacy and effectiveness of the internal accounting and financial controls over financial reporting, including the Company's system to monitor and manage business risk and legal and ethical compliance programs, as well as those matters required to be discussed under the standards of the Public Company Accounting Oversight Board ("PCAOB"). The Committee shall review the resolution of any disagreements between the Adviser and the auditors regarding financial reporting. Further, the Committee shall meet separately with the independent auditors, without the Adviser present, to discuss the results of their examinations and any other matters they or the auditors believe should be discussed privately.
- The Committee may, at least annually, review reports from the auditors describing any material issues raised by inquiries, examinations or investigations by the PCAOB, internal teams, peer groups or governmental or professional authorities, as well as the auditor's responses to such issues.
- The Committee may periodically consider whether there should be a regular rotation of the independent auditors. The Committee shall confirm the regular rotation of the lead audit partner and reviewing partner as required by Section 203 of the Sarbanes-Oxley Act.
- The Committee shall review the semi-annual financial statements related to the Company's Semi-Annual Report to Shareholders. The Chair of the Committee may represent the entire Committee for the purposes of this review.
- The Committee shall review with the independent auditors the financial statements included in the Company's Annual Report to Shareholders, including the Adviser's and the independent auditor's judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. To the extent required by applicable law or regulation, such review shall include review of the Company's disclosures under "Management's Discussion of Company Performance." Also, the Committee shall discuss the results of

the annual audit, critical accounting policies and practices used by the Company, alternative accounting treatments, if applicable, any significant disagreements between the Adviser and the auditors, and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

- The Committee shall oversee the preparation of an Audit Committee Report as required by the SEC to the extent required to be included in the Company's annual proxy statement.
- The Committee shall obtain annually in writing from the independent auditor their letter as to the adequacy of the Company's internal controls over financial reporting as required by Form N-SAR.
- The Committee shall discuss with the Adviser any comments raised by regulators with respect to financial statement reporting and disclosure.
- The Committee shall review reports (if any) from the Company's principal executive officer or principal financial officer prepared in connection with required certifications regarding (i) significant deficiencies in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data, (ii) material weaknesses in internal controls, or (iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
- The Committee shall set clear hiring policies for employees or former employees of the independent auditors.
- The Committee shall review and take or delegate any measures it deems appropriate to address any complaints or reports provided to the Company or the Committee related to any Company accounting or auditing matter. Also, the Committee shall review and take or delegate any measures it deems appropriate to address any complaints or reports provided by employees of the Company's investment adviser or its affiliates, attorneys, the auditors or others concerning any such matters. Actions taken under any such delegation will be reported to the Committee at a subsequent meeting designated by the Committee.
- The Committee shall at least annually evaluate its own performance, which may be conducted as part of the Board's self-evaluation.
- The Committee shall have the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting or other advisers, as necessary, to perform its duties and responsibilities.

Last Amended: November 14, 2016