

RAND CAPITAL CORPORATION
BUSINESS ETHICS POLICY
(v. 7-24-14)

Purpose

This policy applies to the directors, officers, and employees (“personnel”) of Rand Capital Corporation and its subsidiaries (“the Corporation”) as a general statement of the Corporation’s expectations regarding the ethical standards that each director, officer and employee should adhere to while acting on behalf of the Corporation. The purpose of this policy is to help directors, officers, and employees to (i) recognize ethical issues and take the appropriate steps to resolve these issues, (ii) deter ethical violations, (iii) report any unethical or illegal conduct, and (iv) reaffirm and promote commitment to a corporate culture that values honesty and accountability. Each director, officer and employee is expected to read and become familiar with the ethical standards described in this policy and affirm his or her agreement to adhere to such standards by signing a Compliance Certificate in the form that appears at the end of this Code.

The Corporation’s Governance and Nominating Committee, which includes a majority of directors who are not interested persons, is responsible for setting the standards of business conduct contained in this Code and updating these standards as it deems appropriate to reflect changes in the legal and regulatory framework applicable to the Corporation, the business practices within the Corporation’s industry, the Corporation’s own business practices, and the prevailing ethical standards of the communities in which the Corporation operates. The Corporation’s Board of Directors will oversee the procedures designed to implement this Code. It is the individual responsibility of each director, officer and employee of the Corporation to comply with this Code.

Accounting and Financial Reporting and Protection of Assets

The Corporation will comply with all laws and governmental regulations that are applicable to the Corporation’s activities, and expects that all directors, officers and employees acting on behalf of the Corporation will obey the law. Specifically, the Corporation is committed to complying with all applicable state and federal securities laws.

All transactions, revenues, expenses, assets, and liabilities should be recorded accurately and in reasonable detail in the appropriate books, records, and accounts. The books, records, and accounts of the Corporation should be maintained in a manner that will facilitate the timely preparation of required public disclosure documents that are accurate and complete, including financial statements that conform with generally acceptable accounting principles and other requirements, and supported by strong systems of internal controls and disclosure procedures. Corporate personnel should cooperate fully with independent auditors.

Directors, officers and employees are responsible for understanding the Code and acting in accordance with it, including in the protection of the Corporation’s assets. Directors, officers and employees shall use the Corporation’s assets for the Corporation’s legitimate business purposes only.

Improper Pursuit of Personal Interest

Corporate personnel should not be diverted by personal interests in carrying out activities on behalf of the Corporation. In particular, no director, officer or employee shall:

- be consultant to, or a director, officer or employee of, or otherwise operate an outside business:
 - that sells securities, products or services to the Corporation; or
 - that purchases securities, products or services from the Corporation;
- have a direct interest in a portfolio company that might create a conflict of interest;
- seek or accept any personal loan or services from any portfolio company, except from financial institutions or service providers offering similar loans or services to third parties under similar terms in the ordinary course of their respective businesses;
- be a consultant to, or a director, officer or employee of, or otherwise operate an outside business if the demands of the outside business would materially interfere with the director's, officer's or employee's responsibilities with the Corporation;
- accept any personal loan or guarantee of obligations from the Corporation, except to the extent such arrangements are legally permissible;
- conduct business on behalf of the Corporation with immediate family members, which includes spouses, children, parents, siblings and persons sharing the same home whether or not legal relatives; or
- use the Corporation's property, information or position for personal gain.

Investment Committee

The Corporation will have an Investment Committee that will be responsible for reviewing and considering investment transactions in "Covered Securities", as recommended by the officers of Rand.

Rand's officers, Grum and Penberthy will be the members of the Investment Committee, and will be responsible for reviewing and considering investment transactions in "Covered Securities" as defined in Rule 17j-1.

Personal Investment Activities of Investment Company Personnel

Determination of Identity of Access Person. For the purpose of this policy, each officer of the Corporation, and each interested director (based on owning more than 5%

of Rand's securities) and each employee of the Corporation who is a member of the Investment Committee shall be deemed to be an Access Person.

Reports Required to be Made by Access Persons. Each Access Person shall be advised of the reports to the Corporation concerning Covered Securities required to be made under Rule 17j-1 of the SEC.

The Corporation will develop, maintain, and administer investment related procedures reasonably necessary to prevent its directors or officers from engaging in any act, practice or course of business that would act as a fraud or deceit on the Corporation, prior to Rand investing, while an investment is outstanding, or immediately following the exit from a portfolio company investment. Rand's Investment Procedures are hereby incorporated into this policy and attached as Schedule 1 hereto.

Confidentiality

Corporate personnel should maintain the confidentiality of non-public or "inside" information with respect to the Corporation, its customers, suppliers, or others obtained by them in the course of their Corporate activities, *except* as authorized by the party that supplied the information or as required by law, regulation, or rule. All reports and records prepared or maintained pursuant to this Business Ethics Policy shall be considered confidential and shall be maintained and protected accordingly.

To avoid inadvertent disclosure of confidential information, directors, officers and employees shall not discuss confidential information with or in the presence of any unauthorized persons, including family members and friends.

Payments to Influence Others/Fair Dealing

The Corporation is committed to promoting the values of honesty, integrity and fairness in the conduct of its business and sustaining a work environment that fosters mutual respect, openness and individual integrity. Directors, officers and employees are expected to deal honestly and fairly with the Corporation's portfolio companies, suppliers, competitors and other third parties. To this end, directors, officers and employees shall not knowingly:

- make materially false or misleading statements to portfolio companies or business partners;
- make materially false or misleading statements about portfolio companies to third parties;
- solicit or accept from any person that does business with the Corporation, or offer to extend to any such person,
 - cash of any amount; or
 - gifts, gratuities, meals or entertainment that could influence or reasonably give the appearance of influencing the Corporation's business relationship with that person or go beyond common courtesies usually associated with accepted business practice;

- solicit or accept any fee, commission or other compensation for referring portfolio companies or business partners to third parties, or for referring third parties to portfolio companies or business partners; or
- take unfair advantage of the Corporation's portfolio companies or business partners, through manipulation, concealment, abuse of privileged information or any other unfair-dealing practice.

Political Contributions

No funds or assets of the Corporation may be used, directly or indirectly, for or in aid of any candidate for political office or for nomination to any such office, nor for any political party or committee.

Payments of Gifts to Public Officials

The Corporation prohibits any illegal payments to any government officials or political party representatives of any country.

Reporting Violations, Monitoring Compliance, Investigations, Disciplinary Action

The Corporation will monitor compliance with this Policy on an ongoing basis. The Corporation's Audit Committee will investigate any reported violations and will oversee an appropriate response, including corrective action and preventative measures. Directors, officers and employees that violate any laws, governmental regulations or this code will face appropriate, case specific disciplinary action, which may include demotion or discharge.

Directors, officers and employees shall report, in person or in writing, any known or suspected violations of laws, governmental regulations or this Code to the Corporation's Audit Committee. The Corporation has adopted a whistleblower policy to prevent any retaliation against a director, officer or employee who acts in good faith in reporting any such violation. Corporate personnel may, if they prefer, make such a report anonymously.

Advice with Respect to the Policy

Directors and officers, and employees should direct their questions to the Chief Executive Officer or the Chairman of the Audit Committee.

Waivers of Compliance

Waivers of compliance with this Policy will be granted only in unusual circumstances where good cause is clearly demonstrated. A request for a waiver must be presented in writing to the Chief Executive Officer and must specify the reasons why a waiver is considered to be appropriate. Waivers with respect to a director or executive officer must be approved a majority of the non-conflicting Board of Directors. Any waiver granted to a director or an executive officer must be disclosed within four business days to the Corporation's stockholders under the Corporation's reporting requirements on Form 8-K.

COMPLIANCE CERTIFICATE

I have read and understand the Corporation’s Business Ethics Policy (the “Policy”). I will adhere in all respects to the ethical standards described in the Policy. I further confirm my understanding that any violation of the Policy will subject me to appropriate disciplinary action, which may include demotion or termination of my relationship with the Corporation.

I certify to the Corporation that I am not in violation of the Policy, unless I have noted such violation in a signed Statement of Exceptions attached to this Compliance Certificate.

Date: _____, 20 __

Name

Title/Position

Check one of the following

A Statement of Exceptions is attached.

No Statement of Exceptions is attached.

Schedule 1

RAND INVESTMENT PROCEDURES

Rand Capital Corporation and its subsidiary (collectively, “Rand” or the “Corporation”), and their directors and officers will adhere to the following procedures in order to comply with the Corporation’s Business Ethics Policies:

- a. Prior to closing any new investments, the Corporation will obtain a written confirmation from the portfolio company that no Rand directors or officers are shareholders or have a financial interest in the company.
- b. Rand will obtain a written confirmation annually from the all non-public portfolio entities that none of Rand’s listed Board of Directors or Officers is a shareholder or has a financial interest in the portfolio company. The Portfolio company also affirms that prior to initiating any security transaction with any of the listed individuals they will obtain the written approval of Rand.
- c. Rand will obtain a written representation annually from each Director and Officer of the Corporation attesting that they do not have a financial or securities interest in Rand’s portfolio companies consistent with NASDAQ Listing Rule 5605.
- d. Following Rand’s exit from a portfolio company, the securities of the portfolio company will continue to be listed as prohibited investments for a one year period following the exit, requiring annual disclosure by the individual to the Corporation.
- e. The Corporation’s Investment Committee will include its two executive officers who will be authorized to make all Rand investments decisions.
- f. Any Interested Director of the Corporation and Executive Officers Grum and Penberthy will be considered Access Persons, and will be required to submit personal securities reports to the Corporation as required by Rule 17j-1 of the SEC.
- g. Rand will inform its Directors of all investment term sheets and fundings monthly. If directors identify a covered security transaction, they agree to immediately notify the Corporation for resolution.

Required Prior Approval

Each Access Person must obtain the prior written approval of a majority of the directors of the Corporation who are not interested persons before directly or indirectly obtaining beneficial ownership of any securities in an Initial Public Offering (IPO).

Rule 17j-1 Written Reports and Certifications by the Corporation

No less frequently than annually, the officers of the Corporation shall:

- a. furnish to the Board of Directors, and the Board of Directors will consider, a report that describes any issues that arise under Section

“Transactions in Covered Securities by Access Persons” of this Code or related procedures since the last such report to the Board, including, but not limited to, information about material violations of Section “Transactions in Covered Securities by Access Persons” or related procedures and sanctions imposed in response to material violations, and

- b. certify that the Corporation has adopted procedures reasonably necessary to prevent Access persons from violating “Transactions in Covered Securities by Access Persons” of the Code.
- c. the Secretary of the Corporation shall maintain copies of any such report in the permanent records of the Corporation, and of such other matters as are required by Rule 17j-1 of the SEC.