

# AUDIT COMMITTEE CHARTER

(v 4.23.15)

## ***Purpose***

The Audit Committee (the “Committee”) is part of the Board of Directors (the “Board”) of Rand Capital Corporation (the “Corporation”). The Committee’s primary function is to assist the Board in fulfilling its oversight responsibility with respect to the quality and integrity of the Corporation’s published financial information, internal controls, audit processes and other matters as deemed necessary by the Committee or directed by the Board. The Committee serves as a communication channel among independent accountants, financial management and the Board on such matters.

## ***Authority***

In discharging its oversight role, the Committee is empowered to investigate any matter relating to the Corporation’s accounting, auditing, internal control or financial reporting practices brought to its attention with full access to the Corporation’s books, records, facilities and personnel. The Committee may retain outside counsel, independent accountants or advisors in achieving such purpose, whose funding will be determined by the Audit Committee, and provided for by the Corporation.

## ***Membership***

The size of the Committee shall be determined by the Board with a minimum size and independence requirements to maintain membership on the Committee which meets or exceeds the NASDAQ and SEC Regulations.

The Committee will consist of at least three members of the Board. The Committee will be composed solely of directors who in the business judgment of the Board meet the independence requirements of SEC Rule 10A-3(b)(1) and NASDAQ Listing Rule 5605(c)(2) and who are not an “interested persons” as defined under the Investment Company Act of 1940.

All of the members of the Committee must be able to understand fundamental financial statements, including balance sheets, income statements, and cash flow statements. The Committee shall include at least one member who is an “Audit Committee Financial Expert” as that term is defined under SEC Regulation S-K, Item 407(d).

One member of the Committee shall be appointed as Chair by the Board and will maintain communication with the President, CFO and the Corporation’s independent accountant’s audit partner.

Compensation for the Committee is established by the Board subject to the by-laws of the Corporation and as permitted by SEC Rule 10A-3(b) and NASDAQ Listing Rule 5605. An Audit Committee member may not receive any compensation from the Corporation except for Board or Committee service.

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### ***Meetings***

The Committee shall meet formally at least four times per year, or more frequently as the Committee considers necessary. In addition or combined with the aforementioned meetings, the Committee or its Chair will communicate with the independent accountants regarding quarterly/interim financial information.

The Committee shall meet separately and periodically with management and the independent accountants in Executive Session. The Committee shall report to the Board on the proceedings of each Committee meeting and make recommendations to the Board when appropriate.

### ***Oversight Areas***

Although the Committee may wish to consider additional duties from time to time, the general recurring responsibilities of the Committee in carrying out its oversight role are described below:

- The independent accountants' ultimate accountability shall be to the Board and the Audit Committee, as representatives of the shareholders. The Committee has the authority to interact directly with and evaluate the performance of the independent accountants, to monitor the independent accountants' qualifications and independence, to oversee the performance of the accountants, and is directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of any disagreements between management and the auditor regarding financial accounting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, and such registered public accounting firm must report directly to the Committee. In accordance with any regulatory requirements, the Committee may appoint the independent accountants or nominate the independent accountants to be submitted for approval in the Corporation's proxy statement.
- Oversee the relationships with the independent accountants, the audit process/plan, receive and review audit reports, and provide full access to the Committee by accountants. Discuss the independent accountants performance and effectiveness. The Committee must pre-approve all non-audit and audit services provided by the audit firm. The independent accountant shall report directly to the Audit Committee.

- Discuss with management and the independent accountants financial information and earnings reports contained in annual reports and other shareholder filings. The review of interim/quarterly financial data may be discussed with the independent accountants by the Committee or its Chair, as necessary, in conjunction with the Board's review of the financial information.
- Obtain annual written confirmation of their independence from the independent accountants consistent with applicable Independence Standards Requirements. The Committee shall discuss the contents of the confirmation with the accountants and take necessary action with respect to relationships identified which could impair such independence.
- Review and discuss financial statements with management and independent accountants. Such discussions shall include matters required by Statement of Auditing Standards, No. 61 as it may be modified and amended. Following such review, the Committee shall make a recommendation to the Board regarding the inclusion of such audit financials in the Corporation's Annual Report filed with the SEC.
- Discuss with management and/or legal counsel any legal matters, including pending litigation and/or inquiries from regulatory or governmental agencies that may have a material impact on the Corporation's financial statements.
- Review at least annually, the Charter of the Committee and the Committee's effectiveness.
- Include in the proxy statement required reports from the Committee for submission to shareholders, as required by NASDAQ regulations. These may include the Committee's Charter and Committee Report.
- Review and recommend to the Board of Directors the Audited Financial Statements to be included in the Corporation's annual report on Form 10-K.
- Discuss with management and the independent accountants the quality of and compliance with the Corporation's internal controls and the effect of significant changes in accounting policy and procedures.
- Review all related-party transactions (defined as those required to be disclosed pursuant to Item 404 of Regulation S-K) for potential conflicts of interest on an ongoing basis and approve all such transactions. In addition, make inquiries regarding compliance with established codes of conduct of directors, officers and employees.
- Review and discuss with Management and the independent accountants the Corporation's critical accounting policies and practices; alternative treatments and/or disclosures of financial information within accounting principles that may have been considered by Management, or that the Independent Accountants recommend; and audit problems or difficulties identified, including written communications to Management, and their response.
- Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, and auditing matters, including

procedures for employees' confidential anonymous submission of concerns regarding questionable accounting or auditing matters.

- The Committee will have any additional power and authority required by Section 301 of the Sarbanes-Oxley Act or Rule 10A-3 of the SEC.

Notwithstanding the foregoing, the Committee's responsibilities are limited to provide oversight of the Corporation's accounting and financial reporting processes and the audits of the Corporation's financial statements. Management of the Corporation is responsible for the preparation, presentation and integrity of the Corporation's financial statements as well as the Corporation's financial reporting process, accounting policies, internal audit function, internal control over financial reporting and disclosure controls and procedures. The independent accounting firm is responsible for performing an audit of the Corporation's annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles, expressing an opinion on management's assessment of the Corporation's internal control over financial reporting, expressing any required opinion on the Corporation's internal control over financial reporting and reviewing the Corporation's quarterly financial statements. It is not the responsibility of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosure are complete and accurate and in accordance with generally accepted accounting principles and applicable laws, rules and regulations.

Each member of the Committee shall be entitled to rely on the integrity of those persons within the Corporation and of the professionals and experts from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts. Further, auditing literature defines the term "review" to include a designated set of procedures to be undertaken by independent auditors. The members of the Committee are not independent auditors, and any reference to a review in this Charter is not intended to have that meaning with respect to activities undertaken by the Committee, and it should not be interpreted to suggest that the Committee members can or should follow procedures required of auditors performing reviews of financial statements.