
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from _____ to _____

Commission File Number: 814-00235

Rand Capital Corporation

(Exact Name of Registrant as specified in its Charter)

New York
(State or Other Jurisdiction of
Incorporation or Organization)

16-0961359
(IRS Employer
Identification No.)

1405 Rand Building, Buffalo, NY
(Address of Principal executive offices)

14203
(Zip Code)

(716) 853-0802
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|----------------------|--|
| Common Stock, \$0.10 par value | RAND | Nasdaq Capital Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, anon-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of November 7, 2022, there were 2,581,021 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements and Supplementary Data

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | September 30, 2022 (Unaudited) | December 31, 2021 |
|--|--------------------------------------|----------------------------|
| ASSETS | | |
| Investments at fair value: | | |
| Control investments (cost of \$4,612,896 and \$0, respectively) | \$ 4,237,896 | \$ — |
| Affiliate investments (cost of \$26,176,398 and \$27,357,797, respectively) | 29,521,315 | 30,279,873 |
| Non-Control/Non-Affiliate investments (cost of \$22,329,474 and \$25,012,871, respectively) | 25,964,429 | 33,788,589 |
| Total investments, at fair value (cost of \$53,118,768 and \$52,370,668, respectively) | 59,723,640 | 64,068,462 |
| Cash | 1,035,455 | 833,875 |
| Interest receivable | 220,664 | 128,047 |
| Prepaid income taxes | 51,136 | 252,010 |
| Deferred tax asset | 229,398 | 181,003 |
| Other assets | 447,317 | 181,457 |
| Total assets | <u>\$61,707,610</u> | <u>\$65,644,854</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS) | | |
| Liabilities: | | |
| Due to investment adviser | \$ 225,649 | \$ 891,102 |
| Accounts payable and accrued expenses | 74,142 | 51,689 |
| Capital gains incentive fees | 2,667,000 | 3,547,760 |
| Deferred revenue | 358,886 | 408,887 |
| Total liabilities | 3,325,677 | 4,899,438 |
| Commitments and contingencies (See Note 5) | | |
| Stockholders' equity (net assets): | | |
| Common stock, \$0.10 par; shares authorized 100,000,000; shares issued: 2,648,916; shares outstanding: 2,581,021 at 9/30/22 and 12/31/21 | 264,892 | 264,892 |
| Capital in excess of par value | 51,679,809 | 51,679,809 |
| Treasury stock, at cost: 67,895 shares at 9/30/22 and 12/31/21 | (1,566,605) | (1,566,605) |
| Total distributable earnings | 8,003,837 | 10,367,320 |
| Total stockholders' equity (net assets) (per share – 9/30/22: \$22.62; 12/31/21: \$23.54) | <u>58,381,933</u> | <u>60,745,416</u> |
| Total liabilities and stockholders' equity (net assets) | <u>\$61,707,610</u> | <u>\$65,644,854</u> |

See accompanying notes

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three months ended September 30, 2022 | Three months ended September 30, 2021 | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 |
|--|--|---|---|---|
| Investment income: | | | | |
| Interest from portfolio companies: | | | | |
| Control investment | \$ 124,408 | \$ 8,898 | \$ 124,408 | \$ 11,765 |
| Affiliate investments | 581,911 | 409,467 | 1,767,024 | 1,023,968 |
| Non-Control/Non-Affiliate investments | 393,686 | 339,416 | 1,125,544 | 1,075,016 |
| Total interest from portfolio companies | <u>1,100,005</u> | <u>757,781</u> | <u>3,016,976</u> | <u>2,110,749</u> |
| Interest from other investments: | | | | |
| Non-Control/Non-Affiliate investments | 48 | 473 | 49 | 13,343 |
| Total interest from other investments | <u>48</u> | <u>473</u> | <u>49</u> | <u>13,343</u> |
| Dividend and other investment income: | | | | |
| Affiliate investments | 305,959 | 100,896 | 552,469 | 208,947 |
| Non-Control/Non-Affiliate investments | 115,700 | 129,013 | 358,700 | 404,678 |
| Total dividend and other investment income | <u>421,659</u> | <u>229,909</u> | <u>911,169</u> | <u>613,625</u> |
| Fee income: | | | | |
| Control investments | 3,900 | — | 3,900 | — |
| Affiliate investments | 19,340 | 13,867 | 72,160 | 77,785 |
| Non-Control/Non-Affiliate investments | 9,313 | 10,313 | 27,941 | 24,270 |
| Total fee income | <u>32,553</u> | <u>24,180</u> | <u>104,001</u> | <u>102,055</u> |
| Total investment income | <u>1,554,265</u> | <u>1,012,343</u> | <u>4,032,195</u> | <u>2,839,772</u> |
| Expenses: | | | | |
| Base management fee (see Note 8) | 225,730 | 230,724 | 696,772 | 619,240 |
| Capital gains incentive fees (see Note 8) | 22,000 | 454,000 | (880,760) | 4,114,000 |
| Interest expense | 26,042 | 104,190 | 26,042 | 312,570 |
| Professional fees | 126,089 | 94,258 | 569,310 | 378,382 |
| Stockholders and office operating | 41,739 | 43,420 | 163,327 | 184,503 |
| Directors' fees | 47,800 | 39,050 | 137,783 | 114,450 |
| Insurance | 9,525 | 9,230 | 31,788 | 28,937 |
| Corporate development | — | 2,027 | 3,753 | 10,330 |
| Bad debt recovery | — | (15,000) | — | (15,000) |
| Other operating | 34 | — | 124 | 108 |
| Total expenses | <u>498,959</u> | <u>961,899</u> | <u>748,139</u> | <u>5,747,520</u> |
| Net investment income (loss) before income taxes: | <u>1,055,306</u> | <u>50,444</u> | <u>3,284,056</u> | <u>(2,907,748)</u> |
| Income tax expense | 45,140 | (2,708) | 83,750 | 17,015 |
| Net investment income (loss) | <u>1,010,166</u> | <u>53,152</u> | <u>3,200,306</u> | <u>(2,924,763)</u> |
| Net realized gain on sales and dispositions of investments: | | | | |
| Affiliate investments | — | — | 167,159 | 135,430 |
| Non-Control/Non-Affiliate investments | 1,919 | 2,601,361 | 523,432 | 4,594,036 |
| Net realized gain on sales and dispositions of investments | <u>1,919</u> | <u>2,601,361</u> | <u>690,591</u> | <u>4,729,466</u> |

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| | | | | |
|--|---------------------|---------------------|-----------------------|----------------------|
| Net change in unrealized appreciation/depreciation on investments: | | | | |
| Affiliate investments | — | 3,647,299 | 47,841 | 3,647,299 |
| Non-Control/Non-Affiliate investments | 92,817 | (3,980,612) | (5,140,762) | 9,401,742 |
| Change in unrealized appreciation/depreciation before income taxes | 92,817 | (333,313) | (5,092,921) | 13,049,041 |
| Deferred income tax expense | — | — | — | 951 |
| Net change in unrealized appreciation/depreciation on investments | 92,817 | (333,313) | (5,092,921) | 13,048,090 |
| Net realized and unrealized gain (loss) on investments | 94,736 | 2,268,048 | (4,402,330) | 17,777,556 |
| Net increase (decrease) in net assets from operations | \$ 1,104,902 | \$ 2,321,200 | (\$ 1,202,024) | \$ 14,852,793 |
| Weighted average shares outstanding | 2,581,021 | 2,581,679 | 2,581,021 | 2,581,942 |
| Basic and diluted net increase (decrease) in net assets from operations per share | \$ 0.43 | \$ 0.90 | (\$ 0.47) | \$ 5.75 |

See accompanying notes

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(Unaudited)

| | Three months ended September 30, 2022 | Three months ended September 30, 2021 | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 |
|---|--|--|---|---|
| Net assets at beginning of period | \$57,664,184 | \$58,119,821 | \$60,745,416 | \$46,104,830 |
| Net investment income (loss) | 1,010,166 | 53,152 | 3,200,306 | (2,924,763) |
| Net realized gain on sales and dispositions of investments | 1,919 | 2,601,361 | 690,591 | 4,729,466 |
| Net change in unrealized appreciation/depreciation on investments | 92,817 | (333,313) | (5,092,921) | 13,048,090 |
| Net increase (decrease) in net assets from operations | 1,104,902 | 2,321,200 | (1,202,024) | 14,852,793 |
| Purchase of treasury shares | — | (20,771) | — | (20,771) |
| Declaration of dividend | (387,153) | (258,125) | (1,161,459) | (774,727) |
| Net assets at end of period | \$58,381,933 | \$60,162,125 | \$58,381,933 | \$60,162,125 |

See accompanying notes

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 |
|--|---|---|
| Cash flows from operating activities: | | |
| Net (decrease) increase in net assets from operations | (\$ 1,202,024) | \$ 14,852,793 |
| Adjustments to reconcile net (decrease) increase in net assets to net cash provided by (used in) operating activities: | | |
| Investments in portfolio companies | (3,142,086) | (15,086,336) |
| Proceeds from sale of portfolio investments | 3,529,549 | 7,243,193 |
| Proceeds from loan repayments | 90,175 | 3,873,553 |
| Net realized gain on sales and dispositions of portfolio investments | (690,591) | (4,729,466) |
| Change in unrealized (appreciation) depreciation on investments before income taxes | 5,092,921 | (13,049,041) |
| Deferred income tax (benefit) | (48,395) | (68,395) |
| Depreciation and amortization | 6,250 | 28,255 |
| Original issue discount amortization | (18,754) | (105,923) |
| Non-cash conversion of debenture interest | (516,391) | (199,848) |
| Change in interest receivable allowance | — | (15,000) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in interest receivable | (92,617) | 161,973 |
| Increase in other assets | (147,111) | (93,860) |
| Decrease in prepaid income taxes | 200,874 | 20,459 |
| Increase (decrease) in accounts payable and accrued expenses | 22,453 | (89,064) |
| (Decrease) increase in due to investment adviser | (665,453) | 76,439 |
| (Decrease) increase in capital gains incentive fees payable | (880,760) | 4,114,000 |
| (Decrease) increase in deferred revenue | (50,001) | 230,301 |
| Total adjustments | 2,690,063 | (17,688,760) |
| Net cash provided by (used in) operating activities | 1,488,039 | (2,835,967) |
| Cash flows from financing activities: | | |
| Payment of cash dividends | (1,161,459) | (4,208,843) |
| Payment of closing fee | (125,000) | — |
| Purchase of treasury shares | — | (20,771) |
| Net cash used in financing activities | (1,286,459) | (4,229,614) |
| Net increase (decrease) in cash and cash equivalents | 201,580 | (7,065,581) |
| Cash and cash equivalents: | | |
| Beginning of period | 833,875 | 20,365,415 |
| End of period | <u>\$ 1,035,455</u> | <u>\$ 13,299,834</u> |

See accompanying notes

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2022
(Unaudited)

| Company, Geographic Location, Business Description, (Industry) and Website | (a) Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|---|---|----------------------|---------------|-----------|----------------------|-----------------------|
| Non-Control/Non-Affiliate Investments – 44.5% of net assets: (g) | | | | | | |
| (j) | | | | | | |
| ACV Auctions, Inc. (e)(n)(p) NASDAQ: ACVA Buffalo, NY. Live mobile wholesale auctions for new and used car dealers. (Software) www.acvauctions.com | 319,934 shares of Class A Common Stock valued at \$7.97 per share. | 8/12/16 | <1% | \$ 87,219 | \$ 2,548,808 | 4.4% |
| Ares Capital Corporation (n) NASDAQ: ARCC New York, NY. (BDC Investment Fund) | 21,000 shares. | 3/16/20 | <1% | 267,140 | 358,540 | 0.6% |
| Barings BDC, Inc. (n) NYSE: BBDC New York, NY. (BDC Investment Fund) | 40,000 shares. | 8/13/20 | <1% | 333,352 | 336,800 | 0.6% |
| Caitec, Inc. (l) Halethorpe, MD. Pet product manufacturer and distributor. (Consumer Goods) www.caitec.com | \$1,750,000 Subordinated Secured Promissory Note at 12% (+2% PIK) due June 1, 2026. | 11/6/20 | 2% | 1,818,630 | 1,818,630 | 6.7% |
| | 150 Class A Units. | 11/6/20 | | 150,000 | 150,000 | |
| | \$1,750,000 Subordinated Secured Promissory Note at 12% (+2% PIK) due June 1, 2026. | 11/6/20 | 2% | 1,818,630 | 1,818,630 | |
| | 150 Class A Units. | 11/6/20 | | 150,000 | 150,000 | |
| | Total Caitec | | | | <u>3,937,260</u> | |
| Carlyle Secured Lending Inc. (formerly TCG BDC, Inc.) (n) NASDAQ: CGBD New York, NY. (BDC Investment Fund) | 86,000 shares. | 8/13/20 | <1% | 899,749 | 1,018,527 | 1.7% |
| Empire Genomics, Corp. Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments. (Health Care) www.empiregenomics.com | \$444,915 + \$1,000,000 Secured Promissory Notes at 8% due December 31, 2026. | 5/3/21 | 0% | 1,444,915 | 1,444,915 | 2.5% |
| FS KKR Capital Corp. (n) NYSE: FSK Philadelphia, PA. (BDC Investment Fund) | 48,000 shares. | 3/16/20 | <1% | 755,058 | 828,640 | 1.4% |
| GoNoodle, Inc. (h) (l) Nashville, TN. Student engagement education software providing core aligned physical activity breaks. (Software) www.gonoodle.com | \$1,500,000 Secured Note at 12% (1% PIK) due September 30, 2024. | 11/1/19 | <1% | 1,408,248 | 1,408,248 | 2.4% |
| | Warrant for 47,324 Series C Preferred. | 3/1/15 | | 25 | 25 | |
| | Warrant for 21,948 Series D Preferred. | 11/1/19 | | 38 | 38 | |
| | Total GoNoodle | | | | <u>1,408,311</u> | |
| HDI Acquisition LLC (Hilton Displays) (l) Greenville, NC. HDI is engaged in manufacturing, installation and maintenance of signage and brands. (Manufacturing) www.hiltondisplays.com | \$1,245,119 Term Loan at 12% (+2% PIK) due June 20, 2023. | 11/8/19 | 0% | 1,321,030 | 1,321,030 | 2.2% |
| Lumious (Tech 2000, Inc.) Herndon, VA. Develops and delivers IT training. (Software) www.t2000inc.com | \$850,000 Replacement Term Note at 14% due November 15, 2023. | 11/16/18 | 0% | 860,777 | 860,777 | 1.5% |

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2022 (Continued)
(Unaudited)

| Company, Geographic Location, Business Description, (Industry) and Website | (a) Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|---|---|---|---------------|--------------------------------|-------------------------|-----------------------|
| Mattison Avenue Holdings LLC (l) Dallas, TX. Provider of upscale salon spaces for lease. (Professional Services) www.mattisonsalonsuites.com | \$1,794,944 Third Amended, Restated and Consolidated Promissory Note at 14% (2% PIK) due December 9, 2023. | 6/23/21 | 0% | 1,847,096 | 1,847,096 | 3.2% |
| Nailbiter, Inc. Reston, VA. Video-metrics data analytics supporting name brand Consumer Products Groups (CPG) shopping behavioral insight. (Professional Services) www.nailbiter.com | \$2,250,000 Membership Interest of USB Focus Fund Nailbiter I, LLC with economic interest of \$2,250,000 Subordinated Secured Promissory Note at net 9% due November 23, 2024. Warrants for Preferred Stock. | 11/22/21 | <1% | 2,250,000 | 2,250,000 | 3.9% |
| Total Nailbiter, Inc. | | | | <u>2,250,000</u> | <u>2,250,000</u> | |
| (i) Interest Receivable \$50,092 | | | | | | |
| OnCore Golf Technology, Inc. (e) Buffalo, NY. Patented and proprietary golf balls utilizing technology and innovation. (Consumer Product) www.oncoregolf.com | 300,483 Preferred AA. | 11/30/18 | 3% | 752,712 | 300,000 | 0.5% |
| Open Exchange, Inc. (e) Lincoln, MA. Online presentation and training software. (Software) www.openexc.com | 397,899 Series C Preferred. 397,899 Common. | 11/13/13 10/22/19 | 3% | 1,193,697 208,243 | 2,785,000 2,785,000 | 9.5% |
| Total Open Exchange | | | | <u>1,401,940</u> | <u>5,570,000</u> | |
| PennantPark Investment Corporation (n) NASDAQ: PNNT New York, NY. (BDC Investment Fund) | 195,000 shares. | 8/13/20 | <1% | 892,212 | 1,084,850 | 1.9% |
| PostProcess Technologies, Inc. (e) Buffalo, NY. Provides innovative solutions for the post-processing of additive manufactured 3D parts. (Manufacturing) www.postprocess.com | 360,002 Series A1 Preferred. | 11/1/19 | <1% | 348,875 | 348,875 | 0.6% |
| Rheonix, Inc. (e) Ithaca, NY. Developer of fully automated microfluidic based molecular assay and diagnostic testing devices. (Health Care) www.rheonix.com | 9,676 Common. 1,839,422 Series A Preferred. 50,593 Common. 589,420 Series B Preferred. | 10/29/09 12/12/13 10/24/09 9/29/15 | 4% | — 2,099,999 — 702,732 | — — — — | 0.0% |
| Total Rheonix | | | | <u>2,802,731</u> | <u>—</u> | |
| Somerset Gas Transmission Company, LLC (e)(m) Columbus, OH. Natural gas transportation. (Oil and Gas) www.somersetgas.com | 26.5337 Units. | 4/1/05 | 3% | 719,097 | 500,000 | 0.9% |
| Subtotal Non-Control/Non-Affiliate Investments | | | | \$ 22,329,474 | \$ 25,964,429 | |
| Affiliate Investments – 50.6% of net assets (g)(k) | | | | | | |
| Applied Image, Inc. Rochester NY. Global supplier of precision imaged optical components and calibration standards for a wide range of industries and applications. (Manufacturing) www.appliedimage.com | \$1,750,000 Term Note at 10% due February 1, 2029. Warrant for 1,167 Shares. | 12/31/21 12/31/21 | 12% | \$ 1,750,000 — | \$ 1,750,000 — | 3.0% |
| Total Applied Imaging | | | | <u>\$ 1,750,000</u> | <u>\$ 1,750,000</u> | |
| BMP Swanson Holdco, LLC (m) Plano, TX. Designs, installs, and maintains a variety of fire protection systems. (Professional Services) | \$1,600,000 Term Note at 12% due September 4, 2026. Preferred Membership Interest for 9.29%. | 3/4/21 3/4/21 | 9% | 1,600,000 233,333 | \$ 1,600,000 233,333 | 3.1% |
| Total BMP Swanson | | | | <u>1,833,333</u> | <u>1,833,333</u> | |

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2022 (Continued)
(Unaudited)

| Company, Geographic Location, Business Description, (Industry) and Website | (a) Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|--|---|---|---------------|---|---|-----------------------|
| Carolina Skiff LLC (m) Waycross, GA. Manufacturer of ocean fishing and pleasure boats. (Manufacturing) www.carolinaskiff.com | 6.0825% Class A Common Membership Interest. | 1/30/04 | 7% | 15,000 | 1,300,000 | 2.2% |
| DSD Operating, LLC (l)(m) Duluth, GA. Design and renovate auto dealerships. (Automotive) www.dsdteam.com | \$3,063,276 Term Note at 12% (+2% PIK) due September 30, 2026. 1,067 Class A Preferred Shares. 1,067 Class B Common Shares. | 9/30/21 | 11% | 3,123,816 1,067,500 — | 3,123,816 1,067,500 — | 7.2% |
| Total DSD | | | | <u>4,191,316</u> | <u>4,191,316</u> | |
| Filterworks Acquisition USA, LLC DBA Autotality (l)(m) Deerfield Beach, FL. Provides spray booth equipment, frame repair machines and paint booth filter services for collision shops. (Automotive) www.autotality.com | \$2,283,702 Term Note at 12% (+2% PIK) modified to 8% PIK and 6% payable in A-0 shares for the period May 1, through December 31, 2022. 626.2 Shares Class A-1 Units. 258.7 Shares Class A-0 Units. | 11/18/19 6/3/22 9/30/22 | 8% | 2,593,340 626,243 86,213 | 2,593,340 256,994 86,213 | 5.0% |
| Total Filterworks | | | | <u>3,305,796</u> | <u>2,936,547</u> | |
| Knoa Software, Inc. (e) New York, NY. End user experience management and performance (EMP) solutions utilizing enterprise applications. (Software) www.knoa.com | 973,533 Series A-1 Convertible Preferred. 1,876,922 Series B Preferred. | 11/20/12 6/9/14 | 7% | 750,000 479,155 | — 479,155 | 0.8% |
| Total Knoa | | | | <u>1,229,155</u> | <u>479,155</u> | |
| Mezmeriz, Inc. (e) Ithaca, NY. Technology company developing novel reality capture tools for 3D mapping, reality modeling, object tracking and classification. (Electronics Developer) www.mezmeriz.com | 1,554,565 Series Seed Preferred. | 5/14/15 | 12% | 742,850 | — | 0.0% |
| SciAps, Inc. (e) Woburn, MA. Instrumentation company producing portable analytical devices using XRF, LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements. (Manufacturing) www.sciaps.com | 187,500 Series A Preferred. 274,299 Series A1 Convertible Preferred. 117,371 Series B Convertible Preferred. 113,636 Series C Convertible Preferred. 369,698 Series C1 Convertible Preferred. 147,059 Series D Convertible Preferred. Warrant to purchase Series D-1 Preferred. \$1,500,000 Second Amended and Restated Secured Subordinated Promissory Note at 12% due August 20, 2024. | 7/12/13 4/4/14 8/31/15 4/7/16 4/7/16 5/9/17 5/9/17 8/20/21 | 6% | 1,500,000 504,710 250,000 175,000 399,274 250,000 45,000 — | 210,000 96,000 124,000 84,000 207,000 250,000 — | 4.2% |
| Total SciAps | | | | <u>1,491,250</u> <u>4,615,234</u> | <u>1,491,250</u> <u>2,462,250</u> | |
| Seybert's Billiards Corporation (l) Coldwater, MI. Billiard supplies. (Consumer Product) www.seyberts.com | \$4,139,444 Term Note at 12% (+2% PIK) due January 19, 2026. Warrant for 4%. \$1,435,435 Term Note at 12% (+2% PIK) due January 19, 2026. Warrant for 4%. | 11/22/21 1/19/21 1/19/21 1/19/21 | 8% | 4,161,500 25,000 1,432,199 25,000 | 4,161,500 25,000 1,432,199 25,000 | 9.7% |
| Total Seybert's | | | | <u>5,643,699</u> | <u>5,643,699</u> | |

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2022 (Continued)
(Unaudited)

| Company, Geographic Location, Business Description, (Industry) and Website | (a) Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|--|---|----------------------|---------------|----------------------|----------------------|-----------------------|
| Tilson Technology Management, Inc. | *120,000 Series B Preferred. | 1/20/15 | 9% | 600,000 | 3,900,000 | 15.3% |
| Portland, ME. Provides network deployment construction and information system services management for cellular, fiber optic and wireless systems providers. Its affiliated entity, SQF, LLC is a CLEC supporting small cell 5G deployment. (Professional Services) | *21,391 Series C Preferred. | 9/28/16 | | 200,000 | 695,000 | |
| www.tilsonstech.com | *70,176 Series D Preferred. | 9/29/17 | | 800,000 | 2,280,000 | |
| | *15,385 Series E Preferred. | 3/15/19 | | 500,012 | 500,012 | |
| | 211,567 Class A-1 Units of SQF Holdco LLC. | 3/15/19 | | — | 800,000 | |
| | 23,077 Series F Preferred. | 6/15/20 | | 750,003 | 750,003 | |
| | Total Tilson | | | 2,850,015 | 8,925,015 | |
| | *2.5% dividend payable quarterly. | | | | | |
| Subtotal Affiliate Investments | | | | \$ 26,176,398 | \$ 29,521,315 | |
| Control Investments -7.3% of net assets (o) | | | | | | |
| ITA Acquisition, LLC (l)(m) | \$1,900,000 Term Note at 12% (+2% PIK) due June 21, 2026. | 6/22/21 | 37% | 1,949,783 | 1,949,783 | 7.3% |
| Ormond Beach, FL. Blind and shade manufacturing. (Manufacturing) | \$1,500,000 Term Note at 12% (+2% PIK) due June 21, 2026. | 6/22/21 | | 1,539,303 | 1,539,303 | |
| www.itainc.com | 1,124 Class A Preferred Units and 1,924 Class B Common Units. | 6/22/21 | | 1,123,810 | 748,810 | |
| | Total ITA | | | 4,612,896 | 4,237,896 | |
| | (i) Interest Receivable \$70,765. | | | | | |
| Subtotal Control Investments | | | | \$ 4,612,896 | \$ 4,237,896 | |
| TOTAL INVESTMENTS – 102.3% | | | | \$ 53,118,768 | \$ 59,723,640 | |
| LIABILITIES IN EXCESS OF OTHER ASSETS - (2.3%) | | | | | (1,341,707) | |
| NET ASSETS – 100% | | | | | \$ 58,381,933 | |

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2022 (Continued)
(Unaudited)

Notes to the Consolidated Schedule of Portfolio Investments

- (a) At September 30, 2022, restricted securities represented 90% of the fair value of the investment portfolio. Restricted securities are subject to one or more restrictions on resale and are not freely marketable. Type of investment for equity position is in the form of shares unless otherwise noted as units or interests, i.e., preferred shares, common shares.
- (b) The Date Acquired column indicates the date on which the Corporation first acquired an investment.
- (c) Each equity percentage estimates the Corporation's ownership interest in the applicable portfolio investment. The estimated ownership is calculated based on the percent of outstanding voting securities held by the Corporation or the potential percentage of voting securities held by the Corporation upon exercise of warrants or conversion of debentures, or other available data. If applicable, the symbol "<1%" indicates that the Corporation holds an equity interest of less than one percent.
- (d) The Corporation's investments are carried at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 "Fair Value Measurements and Disclosures," which defines fair value and establishes guidelines for measuring fair value. At September 30, 2022, ASC 820 designates 90% of the Corporation's investments as "Level 3" assets. Under the valuation policy of the Corporation, unrestricted publicly traded securities are valued at the average closing price for these securities for the last three trading days of the reporting period. Restricted securities are subject to restrictions on resale and are valued at fair value as determined in good faith by our external investment advisor Rand Capital Management, LLC ("RCM") and approved by the Board of Directors. Fair value is considered to be the amount that the Corporation may reasonably expect to receive for portfolio securities when sold on the valuation date. Valuations as of any particular date, however, are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of securities and these favorable or unfavorable differences could be material. Among the factors considered in determining the fair value of restricted securities are the financial condition and operating results, projected operations, and other analytical data relating to the investment. Also considered are the market prices for unrestricted securities of the same class (if applicable) and other matters which may have an impact on the value of the portfolio company (see Note 3. "Investments" to the Consolidated Financial Statements).
- (e) These investments are non-income producing. All other investments are income producing. Non-income producing investments have not generated cash payments of interest or dividends including LLC tax-related distributions within the last twelve months or are not expected to do so going forward. If a debt or a preferred equity investment fails to make its most recent payment, then the investment will also be classified as non-income producing.
- (f) As of September 30, 2022, the total cost of investment securities was approximately \$53.1 million. Net unrealized appreciation was approximately \$6.6 million, which was comprised of \$14.5 million of unrealized appreciation of investment securities and (\$7.9) million of unrealized depreciation of investment securities. At September 30, 2022, the aggregate gross unrealized gain for federal income tax purposes was \$13.8 million and the aggregate gross unrealized loss for federal income tax purposes was (\$7.6) million. The net unrealized gain for federal income tax purposes was \$6.2 million based on a tax cost of \$53.6 million.
- (g) All of the Corporation's portfolio assets are pledged as collateral for purposes of securing the Corporation's senior secured revolving credit facility pursuant to a general security agreement, dated June 27, 2022, between the Corporation, the subsidiaries listed therein, and the Lender (as defined herein).
- (h) Reduction in cost and value from previously reported balances reflects current principal repayment.
- (i) Represents interest due (amounts over \$50,000) from investments included as interest receivable on the Corporation's Consolidated Statements of Financial Position.
- (j) Non-Control/Non-Affiliate Investments are investments that are neither Control Investments nor Affiliate Investments.
- (k) Affiliate Investments are defined by the Investment Company Act of 1940, as amended ("1940 Act"), as those Non-Control investments in companies in which between 5% and 25% of the voting securities are owned by the Corporation.
- (l) Payment in kind (PIK) represents earned interest that is added to the cost basis of the investment and due at maturity. The amount of PIK earned is included in the interest rate detailed in the "Type of Investment" column, unless it has been noted with a (+), in which case the PIK is in addition to the face amount of interest due on the security.
- (m) Equity holdings are held in a wholly owned (100%) "blocker corporation" of Rand Capital Corporation or Rand Capital Sub LLC for federal income tax and Regulated Investment Company (RIC) compliance.
- (n) Publicly traded company.
- (o) Control Investments are defined by the 1940 Act as investments in companies in which more than 25% of the voting securities are owned by the Corporation or where greater than 50% of the board representation is maintained.
- (p) Subsequent to September 30, 2022, ACV Auction's (ACVA) public market share price had a trading range on Nasdaq of \$7.68 per share to \$8.99 per share for the period of October 1, 2022 to October 30, 2022. The Corporation's value per share at September 30, 2022 was \$7.97.

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2022 (Continued)
(Unaudited)

Investments in and Advances to Affiliates

| Company | Type of Investment | January 1, 2022, Fair Value | Net Change in Unrealized Appreciation (Depreciation) | Gross Additions (1) | Gross Reductions (2) | September 30, 2022, Fair Value | Net Realized (Losses) Gains | Amount of Interest/ Dividend/ Fee Income (3) |
|---|--|-----------------------------------|---|---------------------------|----------------------------|---|--------------------------------------|--|
| Control Investments: | | | | | | | | |
| ITA Acquisition | \$1,900,000 Term Note at 12% (+2% PIK) due June 21, 2026. | \$ — | \$ — | \$ 1,949,783 | \$ — | \$ 1,949,783 | \$ — | \$ 71,422 |
| | \$1,500,000 Term Note at 12% (+2% PIK) due June 21, 2026. | — | — | 1,539,303 | — | 1,539,303 | — | 56,886 |
| | 1,124 Class A Preferred Units | — | — | 748,810 | — | 748,810 | — | — |
| | 1,924 Class B Common Units. | — | — | — | — | — | — | — |
| | Total ITA | — | — | 4,237,896 | — | 4,237,896 | — | 128,308 |
| | Total Control Investments | \$ — | \$ — | \$ 4,237,896 | — | \$ 4,237,896 | \$ — | \$ 128,308 |
| Affiliate Investments: | | | | | | | | |
| Applied Image Inc. | \$1,750,000 Term Note at 10% due December 28, 2028. | \$ 1,750,000 | \$ — | \$ — | \$ — | \$ 1,750,000 | \$ — | \$ 137,773 |
| | Warrant for 1,167 shares. | — | — | — | — | — | — | — |
| | Total Applied Image | 1,750,000 | — | — | — | 1,750,000 | — | 137,773 |
| BMP Swanson Holdco, LLC | \$1,600,000 Term Note at 12% due September 4, 2026. | 1,600,000 | — | — | — | 1,600,000 | — | 150,600 |
| | Preferred Membership Interest for 9.29% | 233,333 | — | — | — | 233,333 | — | — |
| | Total BMP Swanson | 1,833,333 | — | — | — | 1,833,333 | — | 150,600 |
| Carolina Skiff LLC | 6.0825% Class A Common Membership interest. | 1,300,000 | — | — | — | 1,300,000 | — | 398,830 |
| DSD Operating, LLC | \$2,745,000 Term Note at 12% (+2% PIK) due September 30, 2026. | 2,759,183 | — | 364,633 | — | 3,123,816 | — | 450,205 |
| | 1,067 Class A Preferred shares. | 1,067,500 | — | — | — | 1,067,500 | — | — |
| | 1,067 Class B Common shares. | — | — | — | — | — | — | — |
| | Total DSD | 3,826,683 | — | 364,633 | — | 4,191,316 | — | 450,205 |
| Filterworks Acquisition USA, LLC | \$2,283,702 Term Note at 12%. | 2,446,617 | — | 146,723 | — | 2,593,340 | — | 265,761 |
| | 626.2 Class A Units. | 256,994 | — | — | — | 256,994 | — | — |
| | 258.7 Class A-0 Units | — | — | 86,213 | — | 86,213 | — | — |
| | Total Filterworks | 2,703,611 | — | 232,936 | — | 2,936,547 | — | 265,761 |
| ITA Acquisition | \$1,900,000 Term Note at 12% (+2% PIK) due June 21, 2026. | 1,920,459 | — | 29,324 | (1,949,783) | — | — | \$ 139,547 |
| | \$1,500,000 Term Note at 12% (+2% PIK) due June 21, 2026. | 1,516,152 | — | 23,151 | (1,539,303) | — | — | 110,373 |
| | 1,124 Class A Preferred Units | 125,000 | — | 623,810 | (748,810) | — | — | — |
| | 1,924 Class B Common Units. | — | — | — | — | — | — | — |
| | Total ITA | 3,561,611 | — | 676,285 | (4,237,896) | — | — | 249,920 |
| Knoa Software, Inc. | 973,533 Series A-1 Convertible Preferred. | — | — | — | — | — | — | — |
| | 1,876,922 Series B Preferred. | 479,155 | — | — | — | 479,155 | — | — |
| | Total Knoa | 479,155 | — | — | — | 479,155 | — | — |
| Mezmeriz, Inc. | 1,554,565 Series Seed Preferred. | — | — | — | — | — | — | — |
| Microcision | Membership Interest Purchase Warrant for 5%. | 85,000 | — | — | (85,000) | — | 190,000 | — |
| New Monarch Machine Tool, Inc. | 22.84 Common. | — | — | — | — | — | (22,841) | — |
| SciAps, Inc. | 187,500 Series A Preferred. | 210,000 | — | — | — | 210,000 | — | — |
| | 274,299 Series A-1 Convertible Preferred. | 96,000 | — | — | — | 96,000 | — | — |
| | 117,371 Series B Convertible Preferred. | 124,000 | — | — | — | 124,000 | — | — |
| | 113,636 Series C Convertible Preferred. | 84,000 | — | — | — | 84,000 | — | — |
| | 369,698 Series C-1 Convertible Preferred. | 207,000 | — | — | — | 207,000 | — | — |
| | 147,059 Series D Convertible Preferred. | 250,000 | — | — | — | 250,000 | — | — |
| | Warrant to Purchase Series D-1 Preferred. | — | — | — | — | — | — | — |
| | \$1,500,000 Subordinated Promissory Note at 12%. | 1,480,000 | — | 11,250 | — | 1,491,250 | — | 161,250 |
| | Total SciAps | 2,451,000 | — | 11,250 | — | 2,462,250 | — | 161,250 |
| Seybert's Billiards Corporation | \$1,400,000 Term Note at 12% (+2% PIK) due January 19, 2026. | 1,907,774 | — | 2,253,726 | — | 4,161,500 | — | 376,208 |
| | Warrant for 4%. | 25,000 | — | — | — | 25,000 | — | — |
| | \$1,400,000 Term Note at 12% (+2% PIK) due January 19, 2026. | 1,406,690 | — | 25,509 | — | 1,432,199 | — | 161,732 |
| | Warrant for 4%. | 25,000 | — | — | — | 25,000 | — | — |
| | Total Seybert's | 3,364,464 | — | 2,279,235 | — | 5,643,699 | — | 537,940 |

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2022 (Continued)
(Unaudited)

| Company | Type of Investment | January 1, 2022, Fair Value | Net Change in Unrealized Appreciation (Depreciation) | Gross Additions (1) | Gross Reductions (2) | September 30, 2022, Fair Value | Net Realized (Losses) Gains | Amount of Interest/ Dividend/ Fee Income (3) |
|---------------------------------------|--|-----------------------------------|---|---------------------------|-----------------------------|--------------------------------------|--------------------------------------|--|
| Tilson Technology Management, Inc. | 120,000 Series B Preferred. | 3,900,000 | — | — | — | 3,900,000 | — | 39,375 |
| | 21,391 Series C Preferred. | 695,000 | — | — | — | 695,000 | — | — |
| | 70,176 Series D Preferred. | 2,280,000 | — | — | — | 2,280,000 | — | — |
| | 15,385 Series E Preferred. | 500,012 | — | — | — | 500,012 | — | — |
| | 23,077 Series F Preferred. | 800,000 | — | — | — | 800,000 | — | — |
| | 211,567 SQF Hold Co. Common. | 750,003 | — | — | — | 750,003 | — | — |
| | Total Tilson | <u>8,925,015</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>8,925,015</u> | <u>—</u> | <u>39,375</u> |
| | Total Affiliate Investments | \$30,279,872 | \$ — | \$3,564,339 | \$(4,322,896) | \$ 29,521,315 | \$167,159 | \$ 2,391,654 |
| | Total Control and Affiliate Investments | <u>\$30,279,872</u> | <u>\$ —</u> | <u>\$7,802,235</u> | <u>\$(4,322,896)</u> | <u>\$ 33,759,211</u> | <u>\$167,159</u> | <u>\$ 2,519,962</u> |

This schedule should be read in conjunction with the Corporation’s Consolidated Financial Statements, including the Notes to the Consolidated Financial Statements and the Consolidated Schedule of Portfolio Investments.

- (1) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow on investments, capitalized interest and the accretion of discounts. Gross additions also include the movement of an existing portfolio company into this category and out of another category.
- (2) Gross reductions include decreases in the cost basis of investments resulting from principal repayments, sales, note conversions, the exchange of existing securities for new securities and the movement of an existing portfolio company out of this category and into another category.
- (3) Represents the total amount of interest, fees or dividends credited to income for the portion of the period an investment was included in “Control or Affiliate” categories, respectively.

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2022 (Continued)
(Unaudited)

| Industry Classification | Percentage of Total Investments (at fair value) as of September 30, 2022 |
|--------------------------------|---|
| Professional Services | 24.9% |
| Manufacturing | 19.1 |
| Software | 18.2 |
| Consumer Product | 16.6 |
| Automotive | 11.9 |
| BDC Investment Fund | 6.1 |
| Healthcare | 2.4 |
| Oil and Gas | 0.8 |
| Total Investments | 100% |

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2021

| Company, Geographic Location, Business Description, (Industry) and Website | (a) Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|---|--|----------------------|---------------|------------------|----------------------|-----------------------|
| Non-Control/Non-Affiliate Investments – 55.6% of net assets: (j) | | | | | | |
| ACV Auctions, Inc. NASDAQ: ACVA (e)(g)(n)(p) Buffalo, NY. Live mobile wholesale auctions for new and used car dealers. (Software) www.acvauctions.com | 442,934 Class A Common stock valued at \$18.81 per share. | 8/12/16 | <1% | \$ 121,659 | \$ 8,333,065 | 13.7% |
| Ares Capital Corporation (n) NASDAQ: ARCC New York, NY. (BDC Investment Fund) | 27,000 shares. | 3/16/20 | <1% | 343,460 | 567,090 | 0.9% |
| Barings BDC, Inc. (n) NYSE: BBDC New York, NY. (BDC Investment Fund) | 40,000 shares. | 8/13/20 | <1% | 333,352 | 438,000 | 0.7% |
| Caitec, Inc. (l) Halethorpe, MD. Pet product manufacturer and distributor. (Consumer Goods) www.caitec.com | \$1,750,000 Subordinated Secured Promissory Note at 12% (+2% PIK) due June 1, 2026. | 11/6/20 | 4% | 1,791,278 | 1,791,278 | 6.4% |
| | 150 Class A Units. | 11/6/20 | | 150,000 | 150,000 | |
| | (g) \$1,750,000 Subordinated Secured Promissory Note at 12% (+2% PIK) due June 1, 2026. | 11/6/20 | | 1,791,278 | 1,791,278 | |
| | (g) 150 Class A Units. | 11/6/20 | | 150,000 | 150,000 | |
| | Total Caitec | | | <u>3,882,556</u> | <u>3,882,556</u> | |
| Empire Genomics Corp. (g) Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments. (Health Care) www.empiregenomics.com | \$444,915 + \$1,000,000 Secured Promissory Notes at 8% due December 31, 2026. | 5/3/21 | 0% | 1,444,915 | 1,444,915 | 2.4% |
| FS KKR Capital Corp. (n) NYSE: FSK Philadelphia, PA. (BDC Investment Fund) | 54,000 shares. | 3/16/20 | <1% | 849,438 | 1,127,160 | 1.9% |
| Golub Capital BDC, Inc. (n) NASDAQ: GBDC New York, NY. (BDC Investment Fund) | 31,250 shares. | 3/16/20 | <1% | 403,910 | 481,563 | 0.8% |
| GoNoodle, Inc. (g)(h)(l) Nashville, TN. Student engagement education software providing core aligned physical activity breaks. (Software) www.gonoodle.com | \$1,500,000 Secured Note at 12% (1% PIK) due September 30, 2024. | 11/1/19 | <1% | 1,487,801 | 1,487,801 | 2.5% |
| | Warrant for 47,324 Series C Preferred. | 3/1/15 | | 25 | 25 | |
| | Warrant for 21,948 Series D Preferred. | 11/1/19 | | 38 | 38 | |
| | Total GoNoodle | | | <u>1,487,864</u> | <u>1,487,864</u> | |
| HDI Acquisition LLC (Hilton Displays) (l) Greenville, NC. HDI is engaged in manufacturing, installation and maintenance of signage and brands. (Manufacturing) www.hiltondisplays.com | \$1,245,119 Term Loan at 12% (+2% PIK) due June 20, 2023. | 11/8/19 | 0% | 1,301,195 | 1,301,195 | 2.1% |
| Lumious (Tech 2000, Inc.) (g) Herndon, VA. Develops and delivers IT training. (Software) www.t2000inc.com | \$850,000 Replacement Term Note at 14% due November 15, 2023. | 11/16/18 | 0% | 860,777 | 860,777 | 1.4% |
| Mattison Avenue Holdings LLC (l) Dallas, TX. Provider of upscale salon spaces for lease. (Professional Services) www.mattisonsalonsuites.com | \$1,794,944 Third Amended, Restated and Consolidated Promissory Note at 14% (2% PIK) due December 9, 2023. | 6/23/21 | 0% | 1,819,362 | 1,819,362 | 3.0% |

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2021 (Continued)

| Company, Geographic Location, Business Description, (Industry) and Website | (a) Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|---|--|---|---------------|---------------------------------------|-----------------------------------|-----------------------|
| Nailbiter, Inc. Reston, VA. Video-metrics data analytics supporting name brand consumer products groups (CPG) shopping behavioral insight. (Professional Services) www.nailbiter.com | \$2,250,000 Membership Interest of USB Focus Fund Nailbiter I, LLC with economic interest of \$2,250,000 Subordinated Secured Promissory Note at 10% due November 23, 2024. Warrants for Preferred stock of Nailbiter, Inc. | 11/22/21 | <1% | 2,250,000 | 2,250,000 | 3.7% |
| Total Nailbiter | | | | <u>2,250,000</u> | <u>2,250,000</u> | |
| OnCore Golf Technology, Inc. (e)(g) Buffalo, NY. Patented and proprietary golf balls utilizing technology and innovation. (Consumer Product) www.oncoregolf.com | 300,483 Preferred AA. | 11/30/18 | 3% | 752,712 | 300,000 | 0.5% |
| Open Exchange, Inc. (e)(g) (Formerly KnowledgeVision Systems, Inc.) Lincoln, MA. Online presentation and training software. (Software) www.openexc.com | 397,899 Series C Preferred. 397,899 Common. | 11/13/13 10/22/19 | 3% | 1,193,697 <u>208,243</u> | 2,785,000 <u>2,785,000</u> | 9.2% |
| Total Open Exchange | | | | <u>1,401,940</u> | <u>5,570,000</u> | |
| Owl Rock Capital Corporation (n) NYSE: ORCC (n) New York, NY. (BDC Investment Fund) | 30,000 shares. | 3/16/20 | <1% | 347,067 | 427,600 | 0.7% |
| PennantPark Investment Corporation (n) NASDAQ: PNNT New York, NY. (BDC Investment Fund) | 195,000 shares. | 8/13/20 | <1% | 892,212 | 1,345,500 | 2.2% |
| PostProcess Technologies, Inc. (e)(g) Buffalo, NY. Provides innovative solutions for the post-processing of additive manufactured 3D parts. (Manufacturing) www.postprocess.com | 360,002 Series A1 Preferred. | 11/1/19 | <1% | 348,875 | 348,875 | 0.6% |
| Rheonix, Inc. (e) Ithaca, NY. Developer of fully automated microfluidic based molecular assay and diagnostic testing devices. (Health Care) www.rheonix.com | 9,676 Common. (g) 1,839,422 Series A Preferred. (g) 50,593 Common. (g) 589,420 Series B Preferred. | 10/29/09 12/12/13 10/24/09 9/29/15 | 4% | — 2,099,999 — <u>702,732</u> | — — — <u>—</u> | 0.0% |
| Total Rheonix | | | | <u>2,802,731</u> | <u>—</u> | |
| SocialFlow, Inc. (e)(g) New York, NY. Provides instant analysis of social networks using a proprietary, predictive analytic algorithm to optimize advertising and publishing. (Software) www.socialflow.com | 1,049,538 Series B Preferred. 1,204,819 Series B-1 Preferred. 717,772 Series C Preferred. | 4/5/13 4/8/14 6/26/15 | 4% | 500,000 750,000 <u>500,000</u> | 35,000 52,000 <u>35,000</u> | 0.2% |
| Total Social Flow | | | | <u>1,750,000</u> | <u>122,000</u> | |
| Somerset Gas Transmission Company, LLC (e)(m) Columbus, OH. Natural gas transportation. (Oil and Gas) www.somersetgas.com | 26.5337 Units. | 4/1/05 | 3% | 719,097 | 500,000 | 0.8% |
| TCG BDC, Inc. (n) NASDAQ: CGBD New York, NY. (BDC Investment Fund) | 86,000 shares. | 8/13/20 | <1% | 899,749 | 1,181,067 | 1.9% |
| Subtotal Non-Control/Non-Affiliate Investments | | | | <u>\$25,012,871</u> | <u>\$33,788,589</u> | |

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2021 (Continued)

| Company, Geographic Location, Business Description, (Industry) and Website | (a) Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|---|---|----------------------|---------------|------------------|----------------------|-----------------------|
| Affiliate Investments – 49.9% of net assets (k) | | | | | | |
| Applied Image, Inc. Rochester, NY. Global supplier of precision imaged optical components and calibration standards for a wide range of industries and applications. (Manufacturing) www.appliedimage.com | \$1,750,000 Term Note at 10% due February 1, 2029. | 12/31/21 | 12% | \$ 1,750,000 | \$ 1,750,000 | 2.9% |
| | Warrant for 1,167 shares. | 12/31/21 | | — | — | |
| | Total Applied Image | | | <u>1,750,000</u> | <u>1,750,000</u> | |
| BMP Swanson Holdco, LLC (g)(m) Plano, TX. Designs, installs and maintains a variety of fire protection systems. (Professional Services) www.swansonfire.com | \$1,600,000 Term Note at 12% due September 4, 2026. | 3/4/21 | 9% | 1,600,000 | 1,600,000 | 3.0% |
| | Preferred Membership Interest for 9.29%. | 3/4/21 | | 233,333 | 233,333 | |
| | Total BMP Swanson | | | <u>1,833,333</u> | <u>1,833,333</u> | |
| Carolina Skiff LLC (g)(m) Waycross, GA. Manufacturer of ocean fishing and pleasure boats. (Manufacturing) www.carolinaskiff.com | 6.0825% Class A Common Membership Interest. | 1/30/04 | 7% | 15,000 | 1,300,000 | 2.2% |
| DSD Operating, LLC (l)(m) Duluth, GA. Design and renovate auto dealerships. (Automotive) www.dssteam.com | \$2,745,000 Term Note at 12% (+2% PIK) due September 30, 2026. | 9/30/21 | 11% | 2,759,183 | 2,759,183 | 6.3% |
| | 1,067 Class A Preferred shares. | | | 1,067,500 | 1,067,500 | |
| | 1,067 Class B Common shares. | | | — | — | |
| | Total DSD | | | <u>3,826,683</u> | <u>3,826,683</u> | |
| Filterworks Acquisition USA, LLC DBA Autotality (l)(m) Deerfield Beach, FL. Provides spray booth equipment, frame repair machines and paint booth filter services for collision shops. (Automotive) www.autotality.com | \$2,283,702 Term Note at 12% (+2% PIK), modified to 4% (+10% PIK) through March 31, 2022, due December 4, 2023. | 11/8/19 | 9% | 2,446,617 | 2,446,617 | 4.5% |
| | 626 Class A Units. | 12/28/21 | | 626,243 | 256,994 | |
| | Total Filterworks | | | <u>3,072,860</u> | <u>2,703,611</u> | |
| ITA Acquisition, LLC (l)(m) Ormond Beach, FL. Blind and shade manufacturing. (Manufacturing) www.itainc.com | \$1,900,000 Term Note at 12% (+2% PIK) due June 21, 2026. | 6/22/21 | 24% | 1,920,459 | 1,920,459 | 5.9% |
| | (g) \$1,500,000 Term Note at 12% (+2% PIK) due June 21, 2026. | 6/22/21 | | 1,516,152 | 1,516,152 | |
| | (g) 500 Class A Preferred Units and 500 Class B Common Units. | 6/22/21 | | 500,000 | 125,000 | |
| | Total ITA | | | <u>3,936,611</u> | <u>3,561,611</u> | |
| Knoa Software, Inc. (e)(g) New York, NY. End user experience management and performance (EMP) solutions utilizing enterprise applications. (Software) www.knoa.com | 973,533 Series A-1 Convertible Preferred. | 11/20/12 | 7% | 750,000 | — | 0.8% |
| | 1,876,922 Series B Preferred. | 6/9/14 | | 479,155 | 479,155 | |
| | Total Knoa | | | <u>1,229,155</u> | <u>479,155</u> | |
| Mezmeriz, Inc. (e)(g) Ithaca, NY. Technology company developing novel reality capture tools for 3D mapping, reality modeling, object tracking and classification. (Electronics Developer) www.mezmeriz.com | 1,554,565 Series Seed Preferred. | 5/14/15 | 12% | 742,850 | — | 0.0% |
| Microcision LLC (g) Pennsauken Township, NJ. Manufacturer of precision machined medical implants, components and assemblies. (Manufacturing) www.microcision.com | Membership Interest Purchase Warrant for 5%. | 1/10/20 | 5% | 110,000 | 85,000 | 0.1% |
| New Monarch Machine Tool, Inc. (e)(g) Cortland, NY. Manufactures and services vertical/horizontal machining centers. (Manufacturing) www.monarchmt.com | 22.84 Common. | 1/17/08 | 15% | 22,841 | — | 0.0% |

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2021 (Continued)

| Company, Geographic Location, Business Description, (Industry) and Website | (a) Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|---|--|-------------------------|---------------|---------------------|-------------------------|-----------------------------|
| SciAps, Inc. (e)(g) Woburn, MA. Instrumentation company producing portable analytical devices using XRF, LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements. (Manufacturing) www.sciaps.com | 187,500 Series A Preferred. | 7/12/13 | 6% | 1,500,000 | 210,000 | 4.0% |
| | 274,299 Series A1 Convertible Preferred. | 4/4/14 | | 504,710 | 96,000 | |
| | 117,371 Series B Convertible Preferred. | 8/31/15 | | 250,000 | 124,000 | |
| | 113,636 Series C Convertible Preferred. | 4/7/16 | | 175,000 | 84,000 | |
| | 369,698 Series C1 Convertible Preferred. | 4/7/16 | | 399,274 | 207,000 | |
| | 147,059 Series D Convertible Preferred. | 5/9/17 | | 250,000 | 250,000 | |
| | Warrant to purchase Series D-1 Preferred. | 5/9/17 | | 45,000 | — | |
| | \$1,500,000 Second Amended and Restated Secured Subordinated Promissory Note at 12% due August 20, 2024. | 8/20/21 | | | | |
| | Total SciAps | | | 1,480,000 | 1,480,000 | |
| | | | | 4,603,984 | 2,451,000 | |
| Seybert's Billiards Corporation (l) Coldwater, MI. Billiard supplies. (Consumer Product) www.seyberts.com | \$1,900,000 Term Note at 12% (+2% PIK) due January 19, 2026. | 11/22/21 | 8% | 1,907,775 | 1,907,775 | 5.5% |
| | Warrant for 4%. | 1/19/21 | | 25,000 | 25,000 | |
| | (g) \$1,400,000 Term Note at 12% (+2% PIK) due January 19, 2026. | 1/19/21 | | 1,406,690 | 1,406,690 | |
| | Warrant for 4%. | 1/19/21 | | 25,000 | 25,000 | |
| | Total Seybert's | | | 3,364,465 | 3,364,465 | |
| Tilson Technology Management, Inc. (g) Portland, ME. Provides network deployment construction and information system services management for cellular, fiber optic and wireless systems providers. Its affiliated entity, SQF, LLC is a CLEC supporting small cell 5G deployment. (Professional Services) www.tilsontech.com | *120,000 Series B Preferred. | 1/20/15 | 9% | 600,000 | 3,900,000 | 14.7% |
| | *21,391 Series C Preferred. | 9/28/16 | | 200,000 | 695,000 | |
| | *70,176 Series D Preferred. | 9/29/17 | | 800,000 | 2,280,000 | |
| | *15,385 Series E Preferred. | 3/15/19 | | 500,012 | 500,012 | |
| | 211,567 SQF Hold Co. Common. | 3/15/19 | | — | 800,000 | |
| | 23,077 Series F Preferred. | 6/15/20 | | 750,003 | 750,003 | |
| | Total Tilson | | | 2,850,015 | 8,925,015 | |
| | *2.5% dividend payable quarterly. | | | | | |
| Subtotal Affiliate Investments | | | | \$27,357,797 | \$30,279,873 | |
| TOTAL INVESTMENTS – 105.5% | | | | \$52,370,668 | \$64,068,462 | |
| LIABILITIES IN EXCESS OF OTHER ASSETS – (5.5%) | | | | | (3,323,046) | |
| NET ASSETS – 100% | | | | | \$60,745,416 | |

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2021 (Continued)

Notes to the Consolidated Schedule of Portfolio Investments

- (a) At December 31, 2021, restricted securities represented 78% of the fair value of the investment portfolio. Restricted securities are subject to one or more restrictions on resale and are not freely marketable. Type of investment for equity position is in the form of shares unless otherwise noted as units or interests, i.e., preferred shares, common shares.
- (b) The Date Acquired column indicates the date on which the Corporation first acquired an investment.
- (c) Each equity percentage estimates the Corporation's ownership interest in the applicable portfolio investment. The estimated ownership is calculated based on the percent of outstanding voting securities held by the Corporation or the potential percentage of voting securities held by the Corporation upon exercise of warrants or conversion of debentures, or other available data. If applicable, the symbol "<1%" indicates that the Corporation holds an equity interest of less than one percent.
- (d) The Corporation's investments are carried at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 "Fair Value Measurements and Disclosures," which defines fair value and establishes guidelines for measuring fair value. At December 31, 2021, ASC 820 designates 78% of the Corporation's investments as "Level 3" assets. Under the valuation policy of the Corporation, unrestricted publicly traded securities are valued at the average closing price for these securities for the last three trading days of the reporting period. Restricted securities are subject to restrictions on resale and are valued at fair value as determined in good faith by our external investment advisor RCM and approved by the Board of Directors. Fair value is considered to be the amount that the Corporation may reasonably expect to receive for portfolio securities when sold on the valuation date. Valuations as of any particular date, however, are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of securities and these favorable or unfavorable differences could be material. Among the factors considered in determining the fair value of restricted securities are the financial condition and operating results, projected operations, and other analytical data relating to the investment. Also considered are the market prices for unrestricted securities of the same class (if applicable) and other matters which may have an impact on the value of the portfolio company (see Note 3. "Investments" to the Consolidated Financial Statements).
- (e) These investments are non-income producing. All other investments are income producing. Non-income producing investments have not generated cash payments of interest or dividends including LLC tax-related distributions within the last twelve months or are not expected to do so going forward. If a debt or a preferred equity investment fails to make its most recent payment, then the investment will also be classified as non-income producing.
- (f) As of December 31, 2021, the total cost of investment securities was approximately \$52.4 million. Net unrealized appreciation was approximately \$11.7 million, which was comprised of \$21.2 million of unrealized appreciation of investment securities and (\$9.5) million of unrealized depreciation of investment securities. At December 31, 2021, the aggregate gross unrealized gain for federal income tax purposes was \$20.6 million and the aggregate gross unrealized loss for federal income tax purposes was (\$9.6) million. The net unrealized gain for federal income tax purposes was \$11.0 million based on a tax cost of \$53.0 million.
- (g) Rand Capital investment held by Rand Capital Sub LLC.
- (h) Reduction in cost and value from previously reported balances reflects current principal repayment.
- (i) Represents interest due (amounts over \$50,000) from investments included as interest receivable on the Corporation's Consolidated Statements of Financial Position.
- (j) Non-Control/Non-Affiliate Investments are investments that are neither Control Investments nor Affiliate Investments.
- (k) Affiliate Investments are defined by the 1940 Act, as those Non-Control investments in companies in which between 5% and 25% of the voting securities are owned by the Corporation.
- (l) Payment in kind (PIK) represents earned interest that is added to the cost basis of the investment and due at maturity. The amount of PIK earned is included in the interest rate detailed in the "Type of Investment" column, unless it has been noted with a (+), in which case the PIK is in addition to the face amount of interest due on the security.
- (m) Equity holdings are held in a wholly owned (100%) "blocker corporation" of Rand Capital Corporation or Rand Capital Sub LLC for federal income tax and Regulated Investment Company (RIC) compliance.
- (n) Publicly traded company.
- (o) Control Investments are defined by the 1940 Act as investments in companies in which more than 25% of the voting securities are owned by the Corporation or where greater than 50% of the board representation is maintained (None at December 31, 2021).
- (p) Subsequent to December 31, 2021, ACV Auctions' (ACVA) public market share price had a trading range on Nasdaq of \$10.30 per share to \$19.73 per share for the period of January 1, 2022 to February 28, 2022. The Corporation's value per share at December 31, 2021 was \$18.81.

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2021 (Continued)

Investments in and Advances to Affiliates

| Company | Type of Investment | January 1, 2021, Fair Value | Net Change in Unrealized Appreciation (Depreciation) | Gross Additions (1) | Gross Reductions (2) | December 31, 2021 Fair Value | Net Realized (Losses) Gains | Amount of Interest/ Dividend/ Fee Income (3) |
|---|--|-----------------------------|--|---------------------|----------------------|------------------------------|-----------------------------|--|
| Control Investments: | | | | | | | | |
| Empire Genomics Corp. | \$444,915 Secured Promissory Note at 8% due December 31, 2026. | \$ — | \$ — | \$ 444,915 | (\$ 444,915) | \$ — | (\$ 308,676) | \$ 23,068 |
| | 1,576,499 common shares | — | — | 157,655 | (157,655) | — | — | — |
| | Total Empire | — | — | 602,570 | (602,570) | — | (308,676) | 23,068 |
| | Total Control Investments | \$ — | \$ — | \$ 602,570 | (\$ 602,570) | \$ — | (\$ 308,676) | \$ 23,068 |
| Affiliate Investments: | | | | | | | | |
| Applied Image Inc. | \$1,750,000 Term Note at 10% due December 28, 2028. | \$ — | \$ — | \$ 1,750,000 | \$ — | \$ 1,750,000 | \$ — | \$ 17,500 |
| | Warrant for 1,167 shares. | — | — | — | — | — | — | — |
| | Total Applied Image | — | — | 1,750,000 | — | 1,750,000 | — | 17,500 |
| BMP Swanson Holdco, LLC | \$1,600,000 Term Note at 12% due September 4, 2026. | — | — | 1,600,000 | — | 1,600,000 | — | 166,623 |
| | Preferred Membership Interest for 9.29% | — | — | 233,333 | — | 233,333 | — | — |
| | Total BMP Swanson | — | — | 1,833,333 | — | 1,833,333 | — | 166,623 |
| Carolina Skiff LLC | 6.0825% Class A Common Membership interest. | 1,500,000 | (200,000) | — | — | 1,300,000 | — | 214,265 |
| ClearView Social, Inc. | 312,500 Series Seed Plus Preferred. | 200,000 | — | — | (200,000) | — | 135,430 | — |
| DSD Operating, LLC | \$2,745,000 Term Note at 12% (+2% PIK) due September 30, 2026. | — | — | 2,759,183 | — | 2,759,183 | — | 103,089 |
| | 1,067 Class A Preferred shares. | — | — | 1,067,500 | — | 1,067,500 | — | — |
| | 1,067 Class B Common shares. | — | — | — | — | — | — | — |
| | Total DSD | — | — | 3,826,683 | — | 3,826,683 | — | 103,089 |
| Filterworks Acquisition USA, LLC | \$2,283,702 Term Note at 12%. | 2,349,831 | — | 96,786 | — | 2,446,617 | — | 336,090 |
| | 562.5 Class A Units. | 562,500 | (369,249) | 63,743 | — | 256,994 | — | — |
| | Total Filterworks | 2,912,331 | (369,249) | 160,529 | — | 2,703,611 | — | 336,090 |
| ITA Acquisition LLC | \$1,900,000 Term Note at 12% (+2% PIK) due June 22, 2026. | — | — | 1,920,459 | — | 1,920,459 | — | 147,049 |
| | (g) \$1,500,000 Term Note at 12% (+2% PIK) due June 22, 2026. | — | — | 1,516,152 | — | 1,516,152 | — | 118,220 |
| | (g) 500 Class A Preferred Units and 500 Class B Common Units. | — | (375,000) | 500,000 | — | 125,000 | — | 14,096 |
| | Total ITA | — | (375,000) | 3,936,611 | — | 3,561,611 | — | 279,365 |
| Knoa Software, Inc. | 973,533 Series A-1 Convertible Preferred. | 544,860 | (544,860) | — | — | — | — | 87,771 |
| | 1,876,922 Series B Preferred. | 479,155 | — | — | — | 479,155 | — | — |
| | Total Knoa | 1,024,015 | (544,860) | — | — | 479,155 | — | 87,771 |
| Mezmeriz, Inc. | 1,554,565 Series Seed Preferred. | — | — | — | — | — | — | — |
| Microcision LLC | \$1,500,000 Subordinated Promissory Note at 10%. | 1,411,997 | — | 88,003 | (1,500,000) | — | 57,215 | 126,711 |
| | Membership Interest Purchase | — | — | — | — | — | — | — |
| | Warrant for 5% | 95,000 | (10,000) | — | — | 85,000 | — | — |
| | Total Microcision | 1,506,997 | (10,000) | 88,003 | (1,500,000) | 85,000 | 57,215 | 126,711 |
| New Monarch Machine Tool, Inc. | 22.84 Common. | 22,841 | (22,841) | — | — | — | — | — |
| OnCore Golf Technology, Inc. | 300,483 Series AA Preferred. | 300,000 | — | — | (300,000) | — | — | — |
| SciAps, Inc. | 187,500 Series A Preferred. | — | 210,000 | — | — | 210,000 | — | — |
| | 274,299 Series A-1 Convertible Preferred. | — | 96,000 | — | — | 96,000 | — | — |
| | 117,371 Series B Convertible Preferred. | — | 124,000 | — | — | 124,000 | — | — |
| | 113,636 Series C Convertible Preferred. | — | 84,000 | — | — | 84,000 | — | — |
| | 369,698 Series C-1 Convertible Preferred. | — | 207,000 | — | — | 207,000 | — | — |
| | 147,059 Series D Convertible Preferred. | 250,000 | — | — | — | 250,000 | — | — |
| | Warrant to Purchase Series D-1 Preferred. | — | — | — | — | — | — | — |
| | \$1,500,000 Subordinated Promissory Note at 12%. | 1,465,000 | — | 15,000 | — | 1,480,000 | — | 215,000 |
| | Total SciAps | 1,715,000 | 721,000 | 15,000 | — | 2,451,000 | — | 215,000 |

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2021 (Continued)

| Company | Type of Investment | January 1, 2021, Fair Value | Net Change in Unrealized Appreciation (Depreciation) | Gross Additions (1) | Gross Reductions (2) | December 31, 2021 Fair Value | Net Realized (Losses) Gains | Amount of Interest/ Dividend/ Fee Income (3) |
|--|--|-----------------------------------|---|---------------------------|----------------------------|---------------------------------------|--------------------------------------|--|
| Seybert's Billiards Corporation | \$1,400,000 Term Note at 12% (+2% PIK) due January 19, 2026. | — | — | 1,907,774 | — | 1,907,774 | — | 209,904 |
| | Warrant for 4%. | — | — | 25,000 | — | 25,000 | — | — |
| | (g) \$1,400,000 Term Note at 12% (+2% PIK) due January 19, 2026. | — | — | 1,406,690 | — | 1,406,690 | — | 201,922 |
| | Warrant for 4%. | — | — | 25,000 | — | 25,000 | — | — |
| | Total Seybert's | — | — | <u>3,364,464</u> | — | <u>3,364,464</u> | — | <u>411,826</u> |
| Tilson Technology Management, Inc. | 120,000 Series B Preferred. | 1,950,000 | 1,950,000 | — | — | 3,900,000 | — | 52,500 |
| | 21,391 Series C Preferred. | 347,604 | 347,396 | — | — | 695,000 | — | — |
| | 70,176 Series D Preferred. | 1,140,360 | 1,139,640 | — | — | 2,280,000 | — | — |
| | 15,385 Series E Preferred. | 500,012 | — | — | — | 500,012 | — | — |
| | 23,077 Series F Preferred. | 750,003 | — | — | — | 750,003 | — | — |
| | 211,567 SQF Hold Co. Common. | 22,036 | 777,964 | — | — | 800,000 | — | — |
| Total Tilson | <u>4,710,015</u> | <u>4,215,000</u> | — | — | <u>8,925,015</u> | — | <u>52,500</u> | |
| Total Affiliate Investments | | <u>\$13,891,199</u> | <u>\$ 3,414,050</u> | <u>\$14,974,623</u> | <u>(\$2,000,000)</u> | <u>\$ 30,279,872</u> | <u>\$ 192,645</u> | <u>\$ 2,010,740</u> |
| Total Control and Affiliate Investments | | <u>\$13,891,199</u> | <u>\$ 3,414,050</u> | <u>\$15,577,193</u> | <u>(\$2,602,570)</u> | <u>\$ 30,279,872</u> | <u>(\$116,031)</u> | <u>\$ 2,033,808</u> |

This schedule should be read in conjunction with the Corporation's Consolidated Financial Statements, including the Notes to the Consolidated Financial Statements and the Consolidated Schedule of Portfolio Investments.

- (1) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow on investments, capitalized interest and the accretion of discounts. Gross additions also include the movement of an existing portfolio company into this category and out of another category.
- (2) Gross reductions include decreases in the cost basis of investments resulting from principal repayments, sales, note conversions, the exchange of existing securities for new securities and the movement of an existing portfolio company out of this category and into another category.
- (3) Represents the total amount of interest, fees or dividends credited to income for the portion of the period an investment was included in "Control or Affiliate" categories, respectively.

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2021 (Continued)

| Industry Classification | Percentage of Total Investments (at fair value) as of December 31, 2021 |
|--------------------------------|--|
| Software | 26.3% |
| Professional Services | 23.1 |
| Manufacturing | 16.8 |
| Consumer Product | 11.8 |
| Automotive | 10.2 |
| BDC Investment Funds | 8.7 |
| Healthcare | 2.3 |
| Oil and Gas | 0.8 |
| Total Investments | 100% |

Rand Capital Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
(Unaudited)

Note 1. ORGANIZATION

Rand Capital Corporation (“Rand”, “we”, “us” and “our”) was incorporated under the laws of New York in February 1969. We completed our initial public offering in 1971 and operated as an internally managed, closed end, diversified, management investment company from that time until November 2019.

In November 2019, Rand completed a stock sale transaction (the “Closing”) with East Asset Management (“East”). The transaction consisted of a \$25 million investment in Rand by East, in the form of cash and contributed portfolio assets, in exchange for approximately 8.3 million shares of Rand common stock. East owns approximately 64% of Rand Capital’s outstanding common stock at September 30, 2022. Concurrent with the Closing, Rand’s management and staff became employees of Rand Capital Management, LLC (“RCM”), a registered investment adviser that has been retained by Rand as its external investment adviser and administrator (the Closing and the retention of RCM as our investment adviser and administrator are collectively referred to herein as the “Transaction”). In connection with a change of control of RCM (the “Adviser Change of Control”), Rand’s shareholders approved a new investment advisory and management agreement (the “Investment Management Agreement”) with RCM at a special meeting of shareholders held on December 16, 2020 (the “Special Meeting”), the term of which expires December 31, 2022. The terms of the Investment Management Agreement are identical to those contained in the prior investment management agreement that was in effect prior to the Adviser Change of Control (the “Prior Investment Management Agreement”) with RCM continuing to provide investment advisory and management services to Rand. Following approval by Rand’s shareholders at the Special Meeting, Rand, on December 31, 2020, entered into the Investment Management Agreement and a new administration agreement (the “Administration Agreement”) with RCM, the term of which expires December 31, 2022, and terminated the prior administration agreement (the “Prior Administration Agreement”). The terms of the Administration Agreement are identical to those contained in the Prior Administration Agreement. After expiration of the initial two-year term, the Investment Management Agreement and Administration Agreement will continue automatically for successive annual periods provided that such continuance is specifically approved at least annually by (i)(A) the affirmative vote of a majority of the Board of Directors or (B) the affirmative vote of a majority of our outstanding voting securities, and (ii) the affirmative vote of a majority of our directors who are not “interested persons,” as defined in Section 2(a)(19) of the 1940 Act, of us, RCM or our respective affiliates. Pursuant to the terms of the Investment Management Agreement, Rand pays RCM a base management fee and may pay an incentive fee, if specified benchmarks are met.

In connection with the Closing, we also entered into a shareholder agreement by and between Rand and East (the “Shareholder Agreement”). Pursuant to the terms of the Shareholder Agreement, East has the right to designate two or three persons, depending upon the size of the Board of Directors of Rand (the “Board”), for nomination for election to the Board. East has the right to designate (i) up to two persons if the size of the Board is composed of fewer than seven directors or (ii) up to three persons if the size of the Board is composed of seven or more directors. East’s right to designate persons for nomination for election to the Board under the Shareholder Agreement is the exclusive means by which East may designate or nominate persons for election to the Board. The Board currently consists of five directors, and East’s designees are Adam S. Gusky and Benjamin E. Godley.

After the completion of the Transaction, we are an externally managed, closed-end, diversified management investment company. We have elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). As a BDC, we are required to comply with certain regulatory requirements specified in the 1940 Act. For instance, we generally have to invest at least 70% of our total assets in “qualifying assets” and provide managerial assistance to the portfolio companies in which we invest. See “Item 1. Business - Regulations, Business Development Company Regulations” in our Annual Report on Form 10-K for the year ended December 31, 2021.

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Prior to 2021, we made the majority of our investments through our wholly owned subsidiary, Rand Capital SBIC, Inc. (“Rand SBIC”), which operated as a small business investment company (“SBIC”) and was licensed by the U.S. Small Business Administration (“SBA”) from 2002 until December 2021. Until December 2021, Rand SBIC also operated as a BDC.

In November 2021, Rand SBIC repaid, in full, all of its outstanding SBA-guaranteed debentures and surrendered its SBIC license. In connection with the surrender of its SBIC license, Rand SBIC changed its name to Rand Capital Sub, Inc. (“Rand Sub”), withdrew its election to be regulated as a BDC, and merged with and into Rand Capital Sub LLC, a Delaware limited liability company, a wholly owned subsidiary of Rand.

In connection with the completion of the Transaction, we adopted an investment strategy focused on higher yielding debt investments and elected to be treated as a regulated investment company (“RIC”) for U.S. Federal income tax purposes as of January 1, 2020 on our U.S. Federal tax return for the 2020 tax year. As required for the RIC election, we paid a special dividend to shareholders to distribute all of our accumulated earnings and profits since inception to 2019.

The Board declared the following quarterly cash dividends during the nine months ended September 30, 2022:

| <u>Quarter</u> | <u>Dividend/Share Amount</u> | <u>Record Date</u> | <u>Payment Date</u> |
|-----------------|----------------------------------|--------------------|---------------------|
| 1 st | \$0.15 | March 14, 2022 | March 28, 2022 |
| 2 nd | \$0.15 | June 1, 2022 | June 15, 2022 |
| 3 rd | \$0.15 | September 1, 2022 | September 15, 2022 |

In order to qualify to make the RIC election, Rand placed several of its equity investments in newly formed holding companies that facilitate a tax structure that is advantageous to the RIC election. Rand has the following wholly owned blocker companies in place at September 30, 2022: Rand Somerset Holdings Corp., Rand Carolina Skiff Holdings Corp., Rand DSD Holdings Corp., Rand Filterworks Holdings Corp., Rand ITA Holdings Corp., and Rand BMP Swanson Holdings Corp. (the “Blocker Corps”). These subsidiaries are consolidated using United States generally accepted accounting principles (“GAAP”) for financial reporting purposes.

On October 7, 2020, Rand, RCM and certain of their affiliates received exemptive relief from the Securities and Exchange Commission (“SEC”) to permit Rand to co-invest in portfolio companies with certain other funds, including other BDCs and registered investment companies, managed by RCM and certain of its affiliates in a manner consistent with Rand’s investment objective, positions, policies, strategies and restrictions as well as regulatory requirements, subject to compliance with certain conditions (the “Order”). Pursuant to the Order, Rand is generally permitted to co-invest with affiliated funds if a “required majority” (as defined in Section 57(o) of the 1940 Act) of Rand’s independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transaction, including the consideration to be paid, are reasonable and fair to Rand and its shareholders and do not involve overreaching in respect to Rand or its shareholders on the part of any person concerned and (2) the transaction is consistent with the interests of Rand’s shareholders and is consistent with Rand’s investment objective and strategies. On March 29, 2021, the SEC granted approval for a new exemptive relief order (the “New Order”) that supersedes the Order and permits the Corporation to co-invest with affiliates of RCM and Callodine Group, LLC (“Callodine”) in connection with the completion of the Adviser Change of Control. Callodine holds a controlling interest in RCM.

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The accompanying consolidated financial statements describe the operations of Rand and its wholly-owned subsidiaries Rand Sub and the Blocker Corps, (collectively, the “Corporation”).

Our corporate office is located in Buffalo, NY and our website address is www.randcapital.com. We make available on our website our annual and quarterly reports, proxy statements and other information as soon as reasonably practicable after such material is filed with the Securities and Exchange Commission (“SEC”). Our shares are traded on the Nasdaq Capital Market under the ticker symbol “RAND.”

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – It is our opinion that the accompanying consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair presentation in accordance with GAAP of the consolidated financial position, results of operations, cash flows and statement of changes in net assets for the interim periods presented. Certain information and note disclosures normally included in audited annual consolidated financial statements prepared in accordance with GAAP have been omitted; however, we believe that the disclosures made are adequate to make the information presented herein not misleading. The interim results for the nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the full year.

These statements should be read in conjunction with the consolidated financial statements and the notes included in our Annual Report on Form 10-K for the year ended December 31, 2021. Information contained in this filing should also be reviewed in conjunction with our related filings with the SEC prior to the date of this report.

Principles of Consolidation - The consolidated financial statements include the accounts of Rand and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Fair Value of Financial Instruments – The carrying amounts reported in the consolidated statement of financial position of cash, interest receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short-term nature of these financial instruments.

Investment Classification – In accordance with the provisions of the 1940 Act, the Corporation classifies its investments by level of control. Under the 1940 Act, “Control Investments” are investments in companies that the Corporation is deemed to “Control” because it owns more than 25% of the voting securities of the company or has greater than 50% representation on the company’s board. “Affiliate Investments” are companies in which the Corporation owns between 5% and 25% of the voting securities. “Non-Control/Non-Affiliate Investments” are those companies that are neither Control Investments nor Affiliate Investments.

Investments – Investments are valued at fair value as determined in good faith by RCM and approved by our Board. The Corporation generally invests in loan, debt, and equity instruments and there is no single standard for determining fair value of these investments. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio company while employing a consistent valuation process. Due to the inherent uncertainty of determining the fair value of portfolio investments, there may be material risks associated with this determination including that estimated fair values may differ from the values that would have been used had a readily available market value for the investments existed and these differences could be material if our assumptions and judgments differ from results of actual liquidation events. The Corporation analyzes and values each investment quarterly and records unrealized depreciation for an investment that they believe has become impaired, including where collection of a loan or realization of the recorded value of an equity security is doubtful. Conversely, the Corporation will record unrealized appreciation if they believe that an underlying portfolio company has appreciated in value and, therefore, its equity security has also appreciated in value. Additionally, the Corporation continues to assess any material risks associated with this fair value determination, including risks associated with material conflicts of interest. Under the valuation policy of the Corporation, unrestricted publicly traded securities are valued at the average closing price for these securities for the last three trading days of the reporting period.

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Qualifying Assets - More than 70% of the Corporation's investments were made in qualifying privately held small business enterprises, that were not investment companies, are principally based in the United States, and represent qualifying assets as defined by Section 55(a) of the 1940 Act.

Revenue Recognition - Interest Income - Interest income is recognized on the accrual basis except where the investment is in default or otherwise presumed to be in doubt. In such cases, interest is recognized at the time of receipt. A reserve for possible losses on interest receivable is maintained when appropriate.

The Corporation holds debt securities in its investment portfolio that contain payment-in-kind ("PIK") interest provisions. PIK interest, computed at the contractual rate specified in each debt agreement, is added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment.

Revenue Recognition - Dividend Income - The Corporation may receive cash distributions from portfolio companies that are limited liability companies or corporations, and these distributions are classified as dividend income on the consolidated statement of operations. Dividend income is recognized on an accrual basis when it can be reasonably estimated.

The Corporation may hold preferred equity securities that contain cumulative dividend provisions. Cumulative dividends are recorded as dividend income, if declared and deemed collectible, and any dividends in arrears are recognized into income and added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed.

Revenue Recognition - Fee Income - Consists of the revenue associated with the amortization of financing fees charged to the portfolio companies upon successful closing of financings and income associated with portfolio company board attendance fees.

Realized Gain or Loss and Unrealized Appreciation or Depreciation of Investments - Amounts reported as realized gains and losses are measured by the difference between the proceeds from the sale or exchange and the cost basis of the investment without regard to unrealized gains or losses recorded in prior periods. The cost of securities that have, in management's judgment, become worthless are written off and reported as realized losses when appropriate. Unrealized appreciation or depreciation reflects the difference between the fair value of the investments and the cost basis of the investments.

Original Issue Discount - Investments may include "original issue discount" or OID income. This occurs when the Corporation purchases a warrant and a note from a portfolio company simultaneously, which requires an allocation of a portion of the purchase price to the warrant and reduces the note or debt instrument by an equal amount in the form of a note discount or OID.

Net Assets per Share - Net assets per share are based on the number of shares of common stock outstanding. There are no common stock equivalents outstanding.

Supplemental Cash Flow Information - Income taxes (refunded) paid during the nine months ended September 30, 2022 and 2021 were (\$69,028) and \$63,276, respectively. The Corporation paid a one-time closing fee on the Senior Secured Credit Facility (see Note 6) in the amount of \$125,000 during the nine months ended September 30, 2022. Interest paid during the nine months ended September 30, 2022 and 2021 was \$19,792 and \$379,085, respectively. The Corporation converted \$516,391 and \$199,848 of interest receivable into investments during the nine months ended September 30, 2022 and 2021, respectively.

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Accounting Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stockholders' Equity (Net Assets) - At September 30, 2022 and December 31, 2021, there were 500,000 shares of \$10.00 par value preferred stock authorized and unissued.

On April 21, 2022, the Board approved a share repurchase plan which authorizes the Corporation to repurchase shares of the Corporation's outstanding common stock with an aggregate cost of up to \$1,500,000 at prices per share of common stock no greater than the then current net asset value. This share repurchase authorization is in effect through April 21, 2023. This share repurchase plan replaces the share repurchase authorization that was previously approved by the Board in April 2021. No shares of common stock were repurchased by the Corporation during the nine months ended September 30, 2022. During the nine months ended September 30, 2021, the Corporation repurchased 1,148 shares of common stock at a cost of \$20,771.

Income Taxes - The Corporation elected to be treated, for income tax purposes, as a RIC for the 2022 and 2021 tax years under Subchapter M of the Code. As a result, the Corporation did not pay corporate-level federal income taxes on any net ordinary income or capital gains that the Corporation distributed to its shareholders as dividends. The Corporation must distribute substantially all of its investment company taxable income each tax year as dividends to its shareholders to maintain its RIC status. Accordingly, no provision for federal income tax has been made in the financial statements for the nine months ended September 30, 2022 and 2021, respectively.

Distributions from net investment income and distributions from net realized capital gains are determined in accordance with U.S. federal tax regulations, which may differ from amounts determined in accordance with GAAP and those differences could be material. These book-to-tax differences are either temporary or permanent in nature. Reclassifications due to permanent book-tax differences, including the offset of net operating losses against short-term gains and nondeductible meals and entertainment, have no impact on net assets.

The Corporation reviews the tax positions it has taken to determine if they meet a "more likely than not threshold" for the benefit of the tax position to be recognized in the consolidated financial statements. A tax position that fails to meet the more likely than not recognition threshold will result in either a reduction of a current or deferred tax asset or receivable, or the recording of a current or deferred tax liability. There were no uncertain tax positions recorded at September 30, 2022 or December 31, 2021.

The Corporation is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2018 through 2021. In general, the Corporation's state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2018 through 2021.

It is the Corporation's policy to include interest and penalties related to income tax liabilities in income tax expense on the Consolidated Statement of Operations. There were no amounts recognized for the nine months ended September 30, 2022 or the nine months ended September 30, 2021.

Concentration of Credit and Market Risk - The Corporation's financial instruments potentially subject it to concentrations of credit risk. Cash is invested with banks in amounts which, at times, exceed insurable limits. The Corporation does not anticipate non-performance by such banks.

The following are the concentrations of the top five portfolio company values compared to the fair value of the Corporation's total investment portfolio:

| | <u>September 30, 2022</u> |
|---|---------------------------|
| Tilson Technology Management, Inc. (Tilson) | 15% |
| Seybert's Billiards Corporation (Seybert's) | 9% |
| Open Exchange, Inc. (Open Exchange) | 9% |
| ITA Acquisition, LLC (ITA) | 7% |
| DSD Operating, LLC (DSD) | 7% |

| | <u>December 31, 2021</u> |
|--------------------------|--------------------------|
| Tilson | 14% |
| ACV Auctions, Inc. (ACV) | 13% |
| Open Exchange | 9% |
| Caitec, Inc. (Caitec) | 6% |
| DSD | 6% |

Note 3. INVESTMENTS

The Corporation’s investments are carried at fair value, as determined in good faith by the Board, in accordance with FASB Accounting Standards Codification (ASC) 820, “Fair Value Measurements and Disclosures”, which defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements.

Loan investments are defined as traditional loan financings typically with no equity features or required equityco-investment. Debt investments are defined as debt financings that include one or more equity features such as conversion rights, stock purchase warrants, and/or stock purchase options. Equity investments will be direct investments into a portfolio company and may include preferred stock, common stock, warrants and limited liability company membership interests.

The Corporation uses several approaches to determine the fair value of an investment. The main approaches are:

- Loan and debt securities are generally valued using an Asset approach and will be valued at cost when representative of the fair value of the investment or sufficient assets or liquidation proceeds are expected to exist from a sale of a portfolio company at its estimated fair value. The valuation may also consider the carrying interest rate versus the related inherent portfolio risk of the investment. A loan or debt instrument may be reduced in value if it is judged to be of poor quality, collection is in doubt or insufficient liquidation proceeds exist.
- Equity securities may be valued using the “asset approach”, “market approach” or “income approach.” The asset approach involves estimating the liquidation value of the portfolio company’s assets. To the extent the value exceeds the remaining principal amount of the debt or loan securities of the portfolio company, the fair value of such securities is generally estimated to be their cost. However, where value is less than the remaining principal amount of the loan and debt securities, the Corporation may discount the value of an equity security. The market approach uses observable prices and other relevant information generated by similar market transactions. It may include both private and public M&A transactions where the traded price is a multiple of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) or another relevant operating metric. It may also include the market value of comparable public companies that are trading in an active market, or the use of market multiples derived from a set of comparables to assist in pricing the investment. Additionally, the Corporation adjusts valuations if a subsequent significant equity financing has occurred that includes a meaningful portion of the financing by a sophisticated, unrelated new investor. The income approach employs valuation techniques to convert future benefits or costs, usually in the form of cash flows, into a present value amount. The measurement is based on value indicated by current market expectations about those future amounts.

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ASC 820 classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, used in the Corporation's valuation at the measurement date. Under the valuation policy, the Corporation values unrestricted publicly traded companies, categorized as Level 1 investments, at the average closing price for the last three trading days of the reporting period.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable and significant inputs to determining the fair value.

Financial assets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Any changes in estimated fair value are recorded in the statement of operations.

At September 30, 2022, 10% of the Corporation's investments were Level 1 investments and 90% were Level 3 investments. At December 31, 2021, 22% of the Corporation's investments were Level 1 investments and 78% were Level 3 investments. There were no Level 2 investments at September 30, 2022 or December 31, 2021.

In the valuation process, the Corporation values restricted securities categorized as Level 3 investments, using information from these portfolio companies, which may include:

- Audited and unaudited statements of operations, balance sheets and operating budgets;
- Current and projected financial, operational and technological developments of the portfolio company;
- Current and projected ability of the portfolio company to service its debt obligations;
- The current capital structure of the business and the seniority of the various classes of equity if a deemed liquidation event were to occur;
- Pending debt or capital restructuring of the portfolio company;
- Current information regarding any offers to purchase the investment, or recent fundraising transactions;
- Current ability of the portfolio company to raise additional financing if needed;
- Changes in the economic environment which may have a material impact on the operating results of the portfolio company;
- Internal circumstances and events that may have an impact (both positive and negative) on the operating performance of the portfolio company;
- Qualitative assessment of key management;
- Contractual rights, obligations or restrictions associated with the investment; and
- Other factors deemed relevant to assess valuation.

The valuation may be reduced if a portfolio company's performance and potential have deteriorated significantly. If the factors that led to a reduction in valuation are overcome, the valuation may be readjusted.

Equity Securities

Equity securities may include preferred stock, common stock, warrants and limited liability company membership interests.

The significant unobservable inputs used in the fair value measurement of the Corporation's equity investments are earnings before interest, tax and depreciation and amortization (EBITDA) and revenue multiples, where applicable, the financial and operational performance of the business, and the debt and senior equity preferences that may exist in a deemed liquidation event. Standard industry multiples may be used when available; however, the Corporation's portfolio companies are typically small and in early stages of development

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and these industry standards may be adjusted to more closely match the specific financial and operational performance of the portfolio company. Due to the nature of certain investments, fair value measurements may be based on other criteria, which may include third party appraisals. Significant changes in any of these unobservable inputs may result in a significantly higher or lower fair value estimate.

Another key factor used in valuing equity investments is a significant recent arms-length equity transaction entered into by the portfolio company with a sophisticated, non-strategic, unrelated, new investor. The terms of these equity transactions may not be identical to the equity transactions between the portfolio company and the Corporation, and the impact of the difference in transaction terms on the market value of the portfolio company may be difficult or impossible to quantify.

When appropriate the Black-Scholes pricing model is used to estimate the fair value of warrants for accounting purposes. This model requires the use of highly subjective inputs including expected volatility and expected life, in addition to variables for the valuation of minority equity positions in small private and early stage companies. Significant changes in any of these unobservable inputs may result in a significantly higher or lower fair value estimate.

For investments made within the last year, the Corporation generally relies on the cost basis, which is deemed to represent the fair value, unless other fair value inputs are identified causing the Corporation to depart from this basis.

Loan and Debt Securities

The significant unobservable inputs used in the fair value measurement of the Corporation's loan and debt securities are the financial and operational performance of the portfolio company, similar debt with similar terms with other portfolio companies, as well as the market acceptance for the portfolio company's products or services. These inputs will likely provide an indicator as to the probability of principal recovery of the investment. The Corporation's loan and debt investments are often junior secured or unsecured securities. Fair value may also be determined based on other criteria where appropriate. Significant changes to the unobservable inputs may result in a change in fair value. For recent investments, the Corporation generally relies on the cost basis, which is deemed to represent the fair value, unless other fair value inputs are identified causing the Corporation to depart from this basis.

The following table provides a summary of the significant unobservable inputs used to determine the fair value of the Corporation's Level 3 portfolio investments as of September 30, 2022:

| Investment Type | Market Approach EBITDA Multiple | Market Approach Liquidation Seniority | Market Approach Revenue Multiple | Market Approach Transaction Pricing | Totals |
|---|---------------------------------|---------------------------------------|----------------------------------|-------------------------------------|----------------------|
| Non-Control/Non-Affiliate Equity | \$ — | \$ 500,000 | \$ — | \$ 6,518,938 | \$ 7,018,938 |
| Non-Control/Non-Affiliate Loan and Debt | 3,168,126 | 2,269,025 | 1,444,915 | 5,887,260 | 12,769,326 |
| Total Non-Control/Non-Affiliate | \$ 3,168,126 | \$ 2,769,025 | \$ 1,444,915 | \$ 12,406,198 | \$ 19,788,264 |
| Affiliate Equity | \$ 1,643,207 | \$ — | \$ 1,450,155 | \$ 10,275,848 | \$ 13,369,210 |
| Affiliate Loan and Debt | 2,593,340 | — | 1,491,250 | 12,067,515 | 16,152,105 |
| Total Affiliate | \$ 4,236,547 | \$ — | \$ 2,941,405 | \$ 22,343,363 | \$ 29,521,315 |
| Control Equity | \$ 748,810 | \$ — | \$ — | \$ — | \$ 748,810 |
| Control Loan and Debt | — | — | — | 3,489,086 | 3,489,086 |
| Total Control | \$ 748,810 | \$ — | \$ — | \$ 22,343,363 | \$ 4,237,896 |
| Total Level 3 Investments | \$ 8,153,483 | \$ 2,769,025 | \$ 4,386,320 | \$ 38,238,647 | \$ 53,547,475 |
| Range | 5X - 6X | 1X | 1X - 4X | Not Applicable | |
| Unobservable Input | EBITDA Multiple | Asset Value | Revenue Multiple | Transaction Price | |
| Weighted Average | 5.8X | 1X | 1.9X | Not Applicable | |

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The following table provides a summary of the components of Level 1, 2 and 3 Assets Measured at Fair Value at September 30, 2022:

| Description | September 30, 2022 | Fair Value Measurements at Reported Date Using | | |
|--------------------|-----------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Other Significant Unobservable Inputs (Level 3) |
| Loan investments | \$ 16,002,950 | \$ — | \$ — | \$ 16,002,950 |
| Debt investments | 16,407,567 | — | — | 16,407,567 |
| Equity investments | 27,313,123 | 6,176,165 | — | 21,136,958 |
| Total | \$ 59,723,640 | \$ 6,176,165 | \$ — | \$ 53,547,475 |

The following table provides a summary of the components of Level 1, 2 and 3 Assets Measured at Fair Value at December 31, 2021:

| Description | December 31, 2021 | Fair Value Measurements at Reported Date Using | | |
|--------------------|----------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Other Significant Unobservable Inputs (Level 3) |
| Loan investments | \$15,503,404 | \$ — | \$ — | \$ 15,503,404 |
| Debt investments | 14,030,078 | — | — | 14,030,078 |
| Equity investments | 34,534,980 | 13,901,045 | — | 20,633,935 |
| Total | \$64,068,462 | \$ 13,901,045 | \$ — | \$ 50,167,417 |

The following table provides a summary of changes in Assets Measured at Fair Value Using Significant Unobservable Inputs (Level 3) for the nine months ended September 30, 2022:

| Description | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | |
|--|--|---------------------|-----------------------|--------------------|
| | Loan Investments | Debt Investments | Equity Investments | Total |
| Ending balance December 31, 2021, of Level 3 Assets | \$15,503,404 | \$14,030,078 | \$20,633,935 | \$50,167,417 |
| Realized gains (losses) included in net change in net assets from operations: | | | | |
| ClearView Social, Inc. (Clearview Social) | — | — | 38,881 | 38,881 |
| GiveGab, Inc. (Givegab) | — | — | 1,919 | 1,919 |
| Microcision, LLC (Microcision) | — | — | 190,000 | 190,000 |
| New Monarch Machine Tool, Inc. (New Monarch) | — | — | (22,841) | (22,841) |
| SocialFlow, Inc. (Social Flow) | — | — | (1,481,498) | (1,481,498) |
| Total realized (losses), net | — | — | (1,273,539) | (1,273,539) |

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| | | | | |
|--|---------------------|---------------------|---------------------|-----------------------|
| Unrealized gains, net included in net change in net assets from operations: | | | | |
| Microcision | — | — | 25,000 | 25,000 |
| New Monarch | — | — | 22,841 | 22,841 |
| Social Flow | — | — | 1,628,000 | 1,628,000 |
| Total unrealized gains | — | — | 1,675,841 | 1,675,841 |
| Purchases of securities/changes to securities/non-cash conversions: | | | | |
| Caitec, Inc. (Caitec) | 54,704 | — | — | 54,704 |
| DSD Operating, LLC (DSD) | 364,633 | — | — | 364,633 |
| Filterworks Acquisition USA, LLC (Filterworks) | — | 146,723 | 86,213 | 232,936 |
| GoNoodle, Inc. (GoNoodle) | — | 10,622 | — | 10,622 |
| HDI Acquisition LLC (Hilton Displays) | — | 19,835 | — | 19,835 |
| ITA Acquisition, LLC (ITA) | 52,475 | — | 623,810 | 676,285 |
| Mattison Avenue Holdings LLC (Mattison) | 27,734 | — | — | 27,734 |
| Seybert's Billiards Corporation (Seybert's) | — | 2,279,234 | — | 2,279,234 |
| SciAps, Inc. (Sciaps) | — | 11,250 | — | 11,250 |
| Total purchases of securities/changes to securities/non-cash conversions | 499,546 | 2,467,664 | 710,023 | 3,677,233 |
| Repayments and sales of securities: | | | | |
| Clearview Social | — | — | (38,881) | (38,881) |
| Givegab | — | — | (1,919) | (1,919) |
| GoNoodle | — | (90,175) | — | (90,175) |
| Microcision | — | — | (300,000) | (300,000) |
| Social Flow | — | — | (268,502) | (268,502) |
| Total repayments and sales of securities | — | (90,175) | (609,302) | (699,477) |
| Ending balance September 30, 2022, of Level 3 Assets | \$16,002,950 | \$16,407,567 | \$21,136,958 | \$53,547,475 |
| Change in unrealized appreciation/depreciation on investments for the period included in changes in net assets | | | | <u>(\$ 5,092,921)</u> |
| Net realized gain on investments for the period included in changes in net assets | | | | <u>\$ 690,591</u> |

The following table provides a summary of changes in Assets Measured at Fair Value Using Significant Unobservable Inputs (Level 3) for the nine months ended September 30, 2021:

| Description | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | Total |
|--|---|--------------------|---------------------|---------------------|
| | Loan Investments | Debt Investments | Equity Investments | |
| Ending Balance December 31, 2020, of Level 3 Assets | \$6,771,394 | \$9,799,365 | \$20,181,405 | \$36,752,164 |
| Realized gain included in net change in net assets from operations: | | | | |
| Centivo Corporation (Centivo) | — | — | 1,614,433 | 1,614,433 |
| ClearView Social, Inc. (Clearview Social) | — | — | 135,430 | 135,430 |
| GiveGab, Inc. (Givegab) | — | — | 1,846,705 | 1,846,705 |
| Total realized gains | — | — | 3,596,568 | 3,596,568 |
| Unrealized gains/(losses) included in net change in net assets from operations: | | | | |
| Centivo | — | — | (584,832) | (584,832) |
| Knoa Software, Inc. (Knoa) | — | — | (544,860) | (544,860) |
| Mercantile Adjustment Bureau, LLC (Mercantile) | — | 849,040 | — | 849,040 |
| New Monarch Machine Tool, Inc. (New Monarch) | — | — | (22,841) | (22,841) |
| Open Exchange, Inc. (Open Exchange) | — | — | 4,918,061 | 4,918,061 |
| Post Process technologies, Inc. (Post Process) | — | — | (122,728) | (122,728) |
| Tilson Technology Management, Inc. (Tilson) | — | — | 4,215,000 | 4,215,000 |
| Total unrealized gains (losses) | — | 849,040 | 7,857,800 | 8,706,840 |

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| | | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| Purchases of securities/changes to securities/non-cash conversions: | | | | |
| Caitec, Inc. (Caitec) | 53,606 | — | — | 53,606 |
| DSD Operating, LLC (DSD) | 2,745,000 | — | 1,067,500 | 3,812,500 |
| Filterworks Acquisition USA, LLC (Filterworks) | — | 35,819 | — | 35,819 |
| GoNoodle, Inc. (GoNoodle) | — | 11,412 | — | 11,412 |
| HDI Acquisition LLC (Hilton Displays) | — | 19,438 | — | 19,438 |
| ITA Acquisition, LLC (ITA) | 3,419,000 | — | 500,000 | 3,919,000 |
| Mattison Avenue Holdings LLC (Mattison) | 682,296 | 5,611 | — | 687,907 |
| Microcision, LLC (Microcision) | — | 88,003 | — | 88,003 |
| Seybert's Billiards Corporation (Seybert's) | — | 2,796,366 | 50,000 | 2,846,366 |
| SciAps, Inc. (Sciaps) | — | 11,250 | — | 11,250 |
| BMP Swanson Holdco, LLC (Swanson) | 1,600,000 | — | 233,333 | 1,833,333 |
| Total purchases of securities/changes to securities/non-cash conversions | 8,500,002 | 2,967,899 | 1,850,833 | 13,318,734 |
| Repayments and sale of securities: | | | | |
| Advantage 24/7, LLC (Advantage 24/7) | (55,000) | — | — | (55,000) |
| Centivo | — | — | (2,415,775) | (2,415,775) |
| Clearview Social | — | — | (335,430) | (335,430) |
| Givegab | — | — | (2,462,926) | (2,462,926) |
| Mercantile | — | (418,553) | — | (418,553) |
| Microcision | — | (1,500,000) | — | (1,500,000) |
| Science and Medicine Group, Inc. (SMG) | (1,900,000) | — | — | (1,900,000) |
| Total repayments and sale of securities | (1,955,000) | (1,918,553) | (5,214,131) | (9,087,684) |
| Transfers within Level 3 | 1,127,815 | (1,285,469) | 157,654 | — |
| Transfers out of Level 3 | — | — | (6,531,815) | (6,531,815) |
| Ending Balance September 30, 2021, of Level 3 Assets | \$14,444,211 | \$10,412,281 | \$21,898,315 | \$46,754,807 |
| Change in unrealized appreciation/depreciation on investments for the period included in changes in net assets | | | | <u>\$13,049,041</u> |
| Net realized gain on investments for the period included in changes in net assets | | | | <u>\$ 4,729,466</u> |

Note 4. OTHER ASSETS

At September 30, 2022 and December 31, 2021, other assets was comprised of the following:

| | September 30, 2022 | December 31, 2021 |
|------------------------------|-----------------------|-------------------|
| Dividend receivables | \$ 220,891 | \$ 99,720 |
| Deferred financing fees, net | 118,750 | — |
| Escrow receivables | 68,983 | 71,765 |
| Prepaid expenses | 38,693 | 9,972 |
| Total other assets | \$ 447,317 | \$ 181,457 |

Amortization expense related to the deferred financing fees during the nine months ended September 30, 2022 was \$6,250.

Note 5. COMMITMENTS AND CONTINGENCIES

The Corporation had no commitments at September 30, 2022 or December 31, 2021.

Note 6. SENIOR SECURED REVOLVING CREDIT FACILITY

On June 27, 2022, the Corporation entered into a credit agreement (the "Credit Agreement") with M&T Bank, as lender (the "Lender"), which provides the Corporation with a senior secured revolving credit facility in a principal amount not to exceed \$25.0 million (the "Credit Facility"). The amount the Corporation

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can borrow, at any given time, under the Credit Facility is tied to a borrowing base, which is measured as (i) 75% of the aggregate sum of the fair market values of the publicly traded equity securities held (other than shares of ACV Auctions) plus (ii) the least of (a) 75% of the fair market value of the shares of ACV Auctions held, (b) \$6.25 million and (c) 25% of the aggregate borrowing base availability for the Credit Facility at any date of determination plus (iii) 50% of the aggregate sum of the fair market values of eligible private loans held that meet specified criteria plus (iv) the lesser of (a) 50% of the aggregate sum of the fair market values of unsecured private loans held that meet specified criteria and (b) \$1.25 million minus (v) such reserves as the Lender may establish from time to time in its sole discretion. The Credit Facility has a maturity date of June 27, 2027.

The Corporation's borrowings under the Credit Facility bear interest at a variable rate determined as a rate per annum equal to 3.50 percentage points above the greater of (i) the applicable daily simple secured overnight financing rate (SOFR) and (ii) 0.25%. In addition, under the terms of the Credit Facility, the Corporation has also agreed to pay the Lender an unused commitment fee on a quarterly basis, computed as 0.30% multiplied by the average daily Unused Commitment Fee Base (which is defined as the difference between (i) \$25.0 million and (ii) the sum of the aggregate principal amount of the Corporation's outstanding borrowings under the Credit Facility) for the preceding quarter.

The Credit Agreement contains representations and warranties and affirmative, negative and financial covenants usual and customary for agreements of this type, including among others, covenants that prohibit, subject to certain specified exceptions, the Corporation's ability to merge or consolidate with other companies, sell any material part of the Corporation's assets, incur other indebtedness, incur liens on the Corporation's assets, make investments or loans to third parties other than permitted investments and permitted loans, and declare any distribution or dividend other than certain permitted distributions. The Credit Agreement includes the following financial covenants: (i) a tangible net worth covenant that requires the Corporation to maintain a Tangible Net Worth (defined in the Credit Agreement as the Corporation's aggregate assets, excluding intangible assets, less all liabilities) of not less than \$50.0 million, which is measured quarterly at the end of each fiscal quarter, (ii) an asset coverage ratio covenant that requires the Corporation to maintain an Asset Coverage Ratio (defined in the Credit Agreement as the ratio of the fair market value of all of the Corporation's assets to the sum of all of the Corporation's obligations for borrowed money plus all capital lease obligations) of not less than 3:00:1:00, which is measured quarterly at the end of each fiscal quarter and (iii) an interest coverage ratio covenant that requires the Corporation to maintain an Interest Coverage Ratio (defined in the Credit Agreement as the ratio of Cash Flow (as defined in the Credit Agreement) to Interest Expense (as defined in the Credit Agreement)) of not less than 2:50:1:00, which is measured quarterly on a trailing twelve-months basis.

Events of default under the Credit Agreement which permit the Lender to exercise its remedies, including acceleration of the principal and interest on the Credit Facility, include, among others: (i) default in the payment of principal or interest on the Credit Facility, (ii) default by the Corporation on any other obligation, condition, covenant or other provision under the Credit Agreement and related documents, (iii) failure by the Corporation to pay any material indebtedness or obligation owing to any third party or affiliate, or the failure by the Corporation to perform any agreement with any third party or affiliate that would have a material adverse effect on the Corporation and its subsidiaries taken as a whole, (iv) the sale of all or substantially all of the Corporation's assets to a third party, (v) various bankruptcy and insolvency events, and (vi) any material adverse change in the Corporation's and its subsidiaries, taken as a whole, or their business, assets, operations, management, ownership, affairs, condition (financial or otherwise) or the Lender's collateral that the Lender reasonably determines will have a material adverse effect on the Lender's collateral, the Corporation and its subsidiaries, taken as a whole, or their business, assets, operation or condition (financial or otherwise) or on the Corporation's ability to repay its debts.

In connection with entry into the Credit Facility, the Corporation and each of its subsidiaries that guaranty the Credit Facility entered into a general security agreement, dated June 27, 2022, with the Lender (the "Security Agreement"). The Security Agreement secures all of the Corporation's obligations to the

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Lender, including, without limitation, principal and interest on the Credit Facility and any fees and charges. The security interest granted under the Security Agreement covers all of the Corporation's personal property including, among other things, all accounts, chattel paper, investment property, deposit accounts, general intangibles, inventory, and all of the fixtures. The Security Agreement contains various representations, warranties, covenants and agreements customary in security agreements and various events of default with remedies under the New York Uniform Commercial Code and the Security Agreement. Events of default under the Security Agreement, which permit the Lender to exercise its various remedies, are similar to those contained in the Credit Agreement.

There was no outstanding balance drawn on the Credit Facility at September 30, 2022. A closing fee of \$125,000 was paid related to the closing of this Credit Facility, and it is recorded in Other Assets on the Consolidated Statements of Financial Position at September 30, 2022. This closing fee will be amortized over the life of the Credit Facility. Amortization expense related to the Credit Facility during the nine months ended September 30, 2022 was \$6,250.

Note 7. CHANGES IN STOCKHOLDERS' EQUITY (NET ASSETS)

The following schedule analyzes the changes in stockholders' equity (net assets) section of the Consolidated Statement of Financial Position for the three and nine months ended September 30, 2022 and 2021, respectively:

| | Common Stock | Capital in excess of par value | Treasury Stock, at cost | Total distributable earnings (losses) | Total Stockholders' Equity (Net Assets) |
|--|------------------|--------------------------------------|----------------------------|---|--|
| July 1, 2022 | \$264,892 | \$51,679,809 | (\$1,566,605) | \$ 7,286,088 | \$ 57,664,184 |
| Payment of dividend | — | — | — | (387,153) | (387,153) |
| Net increase in net assets from operations | — | — | — | 1,104,902 | 1,104,902 |
| September 30, 2022 | <u>\$264,892</u> | <u>\$51,679,809</u> | <u>(\$1,566,605)</u> | <u>\$ 8,003,837</u> | <u>\$ 58,381,933</u> |
| | Common Stock | Capital in excess of par value | Treasury Stock, at cost | Total distributable earnings (losses) | Total Stockholders' Equity (Net Assets) |
| July 1, 2021 | \$264,892 | \$52,003,545 | (\$1,545,834) | \$ 7,397,218 | \$ 58,119,821 |
| Payment of dividend | — | — | — | (258,125) | (258,125) |
| Purchase of treasury shares | — | — | (20,771) | — | (20,771) |
| Net increase in net assets from operations | — | — | — | 2,321,200 | 2,321,200 |
| September 30, 2021 | <u>\$264,892</u> | <u>\$52,003,545</u> | <u>(\$1,566,605)</u> | <u>\$ 9,460,293</u> | <u>\$ 60,162,125</u> |
| | Common Stock | Capital in excess of par value | Treasury Stock, at cost | Total (losses) earnings | Total Stockholders' Equity (Net Assets) |
| January 1, 2022 | \$264,892 | \$51,679,809 | (\$1,566,605) | \$ 10,367,320 | \$ 60,745,416 |
| Payment of dividend | — | — | — | (1,161,459) | (1,161,459) |
| Net decrease in net assets from operations | — | — | — | (1,202,024) | (1,202,024) |
| September 30, 2022 | <u>\$264,892</u> | <u>\$51,679,809</u> | <u>(\$1,566,605)</u> | <u>\$ 8,003,837</u> | <u>\$ 58,381,933</u> |
| | Common Stock | Capital in excess of par value | Treasury Stock, at cost | Total distributable (losses) earnings | Total Stockholders' Equity (Net Assets) |
| January 1, 2021 | \$264,892 | \$52,003,545 | (\$1,545,834) | (\$ 4,617,773) | \$ 46,104,830 |
| Payment of dividend | — | — | — | (774,727) | (774,727) |
| Purchase of treasury shares | — | — | (20,771) | — | (20,771) |
| Net increase in net assets from operations | — | — | — | 14,852,793 | 14,852,793 |
| September 30, 2021 | <u>\$264,892</u> | <u>\$52,003,545</u> | <u>(\$1,566,605)</u> | <u>\$ 9,460,293</u> | <u>\$ 60,162,125</u> |

Note 8. RELATED PARTY TRANSACTIONS

Investment Management Agreement

Effective with the Closing, RCM, a registered investment adviser, was retained by the Corporation as its external investment adviser and administrator. Under the Investment Management Agreement, the Corporation pays RCM, as compensation for the investment advisory and management services, fees consisting of two components: (i) the Base Management Fee and (ii) the Incentive Fee.

The “Base Management Fee” is calculated at an annual rate of 1.50% of the Corporation’s total assets (other than cash but including assets purchased with borrowed funds). For the three and nine months ended September 30, 2022, the Base Management Fee was \$225,730 and \$696,772, respectively. For the three and nine months ended September 30, 2021, the Base Management Fee was \$230,724 and \$619,240, respectively. At September 30, 2022 and December 31, 2021, the Corporation had \$225,649 and \$238,862 payable, respectively, for the Base Management Fees on its Consolidated Statement of Financial Position.

The “Incentive Fee” is comprised of two parts: (1) the “Income Based Fee” and (2) the “Capital Gains Fee”. The Income Based Fee is calculated and payable quarterly in arrears based on the “Pre-Incentive Fee Net Investment Income” (as defined in the agreement) for the immediately preceding calendar quarter, subject to a hurdle rate of 1.75% per quarter (7% annualized) and is payable promptly following the filing of the Corporation’s financial statements for such quarter.

The Corporation pays RCM an Incentive Fee with respect to its Pre-Incentive Fee Net Investment Income in each calendar quarter as follows:

- (i) no Income Based Fee in any quarter in which the Pre-Incentive Fee Net Investment Income for such quarter does not exceed the hurdle rate of 1.75% (7.00% annualized);
- (ii) 100% of the Pre-Incentive Fee Net Investment Income for any calendar quarter with respect to that portion of the Pre-Incentive Fee Net Investment Income for such calendar quarter, if any, that exceeds the hurdle rate of 1.75% (7.00% annualized) but is less than 2.1875% (8.75% annualized); and
- (iii) 20% of the amount of the Pre-Incentive Fee Net Investment Income for any calendar quarter with respect to that portion of the Pre-Incentive Fee Net Investment Income for such calendar quarter, if any, that exceeds 2.1875% (8.75% annualized).

The Income Based Fee paid to RCM for any calendar quarter shall not be in excess of the Incentive Fee Cap. The “Incentive Fee Cap” for any quarter is an amount equal to (1) 20.0% of the Cumulative Net Return (as defined below) during the relevant Income Based Fee Calculation Period (as defined below) minus (2) the aggregate Income Based Fee that was paid in respect of the calendar quarters included in the relevant Income Based Fee Calculation Period.

For purposes of the calculation of the Income Based Fee, “Income Based Fee Calculation Period” is defined as, with reference to a calendar quarter, the period of time consisting of such calendar quarter and the additional quarters that comprise the lesser of (1) the number of quarters immediately preceding such calendar quarter that began more than two years after November 8, 2019 or (2) the eleven calendar quarters immediately preceding such calendar quarter.

For purposes of the calculation of the Income Based Fee, “Cumulative Net Return” is defined as (1) the aggregate net investment income in respect of the relevant Income Based Fee Calculation Period minus (2) any Net Capital Loss, if any, in respect of the relevant Income Based Fee Calculation Period. If, in any quarter, the Incentive Fee Cap is zero or a negative value, the Corporation pays no Income Based Fee to RCM for such quarter. If, in any quarter, the Incentive Fee Cap for such quarter is a positive value but is less than the Income Based Fee that is payable to RCM

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for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, the Corporation pays an Income Based Fee to RCM equal to the Incentive Fee Cap for such quarter. If, in any quarter, the Incentive Fee Cap for such quarter is equal to or greater than the Income Based Fee that is payable to RCM for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, we pay an Income Based Fee to the Adviser equal to the Income Based Fee calculated as described above for such quarter without regard to the Incentive Fee Cap.

For purposes of the calculation of the Income Based Fee, “Net Capital Loss,” in respect of a particular period, means the difference, if positive, between (1) aggregate capital losses, whether realized or unrealized, in such period and (2) aggregate capital gains, whether realized or unrealized, in such period.

Any Income Based Fee otherwise payable under the Investment Management Agreement with respect to Accrued Unpaid Income (such fees being the “Accrued Unpaid Income Based Fees”) shall be deferred, on a security by security basis, and shall become payable to RCM only if, as, when and to the extent cash is received by us in respect of any Accrued Unpaid Income. Any Accrued Unpaid Income that is subsequently reversed by us in connection with a write-down, write-off, impairment or similar treatment of the investment giving rise to such Accrued Unpaid Income will, in the applicable period of reversal, (1) reduce Pre-Incentive Fee Net Investment Income and (2) reduce the amount of Accrued Unpaid Income Based Fees. Subsequent payments of Accrued Unpaid Income Based Fees deferred pursuant to this paragraph shall not reduce the amounts otherwise payable for any quarter as an Income Based Fee.

For the nine months ended September 30, 2022 and the nine months ended September 30, 2021, there were no Income Based Fees earned under the Investment Management Agreement.

The second part of the Incentive Fee is the “Capital Gains Fee”. This fee is determined and payable in arrears as of the end of each calendar year. Under the terms of the Investment Management Agreement, the Capital Gains Fee is calculated at the end of each applicable year by subtracting (1) the sum of the cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (2) the cumulative aggregate realized capital gains, in each case calculated from November 8, 2019. If this amount is positive at the end of any calendar year, then the Capital Gains Fee for such year is equal to 20.0% of such amount, less the cumulative aggregate amount of Capital Gains Fees paid in all prior years. If such amount is negative, then there is no Capital Gains Fee payable for that calendar year. If the Investment Management Agreement is terminated as of a date that is not a calendar year end, the termination date shall be treated as though it were a calendar year end for purposes of calculating and paying the Capital Gains Fee.

For purposes of the Capital Gains Fee:

- The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in the Corporations portfolio when sold minus (b) the accreted or amortized cost basis of such investment.
- The cumulative aggregate realized capital losses are calculated as the sum of the amounts by which (a) the net sales price of each investment in the portfolio when sold is less than (b) the accreted or amortized cost basis of such investment.
- The aggregate unrealized capital depreciation is calculated as the sum of the amount, if negative, between (a) the valuation of each investment in the portfolio as of the applicable Capital Gains Fee calculation date minus (b) the accreted or amortized cost basis of such investment.

In determining whether a capital gains incentive fee accrual is necessary, U.S. generally accepted accounting principles (GAAP) requires a company to consider the amount of cumulative aggregate unrealized

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capital appreciation that such company has with respect to its investments, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, despite the fact that such unrealized capital appreciation is not used by the Corporation in determining the amount of Capital Gains Fee actually payable under the terms of the RCM Investment Management Agreement. A capital gains incentive fee accrual under GAAP is calculated using the cumulative aggregate realized capital gains and losses and the aggregate net change in unrealized capital appreciation/depreciation at the close of the period. If the calculated amount is positive, GAAP requires the Corporation to record a capital gains incentive fee accrual equal to 20% of this cumulative amount, less the aggregate amount of actual capital gains incentive fees paid, or capital gains incentive fees accrued under GAAP, for all prior periods. There can be no guarantee that the Corporation will realize the unrealized capital appreciation, upon which this accrual has been calculated, in the future.

As of September 30, 2022, there was no Capital Gains Fee currently payable under the terms of the Investment Management Agreement, and the final calculations are determined annually, and subject to change based on subsequent realized gains, losses or unrealized losses during the remainder of 2022. At December 31, 2021, there was \$652,240 of Capital Gains Fee payable. The Capital Gains Fee earned of \$652,240 was included in the “Due to investment adviser” line on the Consolidated Statements of Financial Position and the \$3,547,760 cumulative accrued capital gains incentive fee was recorded in the line item “Capital gains incentive fees” on the Consolidated Statements of Financial Position at December 31, 2021.

In accordance with GAAP, the Corporation is required to accrue a capital gains incentive fee on all realized and unrealized gains and losses, resulting in an accrual of \$2,667,000 at September 30, 2022, which represents the fee that would be due based on net portfolio appreciation. The \$2,667,000 accrued capital gains incentive fee is recorded in the line item “Capital gains incentive fees” on the Consolidated Statements of Financial Position at September 30, 2022. At December 31, 2021, there was an accrual of \$4,200,000 for the capital gains incentive fee, which represented both the capital gains fee payable to RCM of \$652,240 and \$3,547,760 that would be due based on net portfolio appreciation at December 31, 2021. The \$652,240 capital gains fee payable was paid to RCM during the nine months ended September 30, 2022.

Administration Agreement

Under the terms of the Administration Agreement, RCM agreed to perform (or oversee, or arrange for, the performance of) the administrative services necessary for the Corporation’s operations, including, but not limited to, office facilities, equipment, clerical, bookkeeping, finance, accounting, compliance and record keeping services at such office facilities and such other services as RCM, subject to review by the Board, will from time to time determine to be necessary or useful to perform its obligations under the Administration Agreement. RCM shall also arrange for the services of, and oversee, custodians, depositories, transfer agents, dividend disbursing agents, other shareholder servicing agents, accountants, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable.

RCM is responsible for the Corporation’s financial and other records that are required to be maintained and prepares all reports and other materials required to be filed with the SEC or any other regulatory authority, including reports to shareholders. In addition, RCM assists the Corporation in determining and publishing the Corporation’s net asset value (NAV), overseeing the preparation and filing of the tax returns, and the printing and dissemination of reports to shareholders, and generally overseeing the payment of expenses and the performance of administrative and professional services rendered by others. RCM provides, on the Corporation’s behalf, managerial assistance to those portfolio companies that have accepted its offer to provide such assistance.

Note 9. FINANCIAL HIGHLIGHTS

The following schedule provides the financial highlights, calculated based on shares outstanding, for the periods indicated:

| | Nine months ended September 30, 2022 (Unaudited) * | Nine months ended September 30, 2021 (Unaudited) * |
|--|---|---|
| Income (loss) from investment operations (1): | | |
| Investment income | \$ 1.56 | \$ 1.10 |
| Expenses | 0.29 | 2.22 |
| Investment income (loss) before income taxes | 1.27 | (1.12) |
| Income tax expense | 0.03 | 0.01 |
| Net investment income (loss) | 1.24 | (0.13) |
| Net realized and unrealized (loss) gain on investments | (1.71) | 6.89 |
| (Decrease) increase in net assets from operations | (0.47) | 5.76 |
| Purchase of treasury shares | — | (0.01) |
| Payment of cash dividend | (0.45) | (0.30) |
| (Decrease) increase in net assets | (0.92) | 5.45 |
| Net asset value, beginning of period | 23.54 | 17.86 |
| Net asset value, end of period | \$ 22.62 | \$ 23.31 |
| Per share market price, end of period | \$ 14.65 | \$ 16.13 |
| Total return based on market price | (13.8%) | (8.4%) |
| Total shareholder return (includes dividends paid) | (11.1%) | 0.9% |
| Total return based on net asset value | (3.9%) | 30.5% |
| Supplemental data: | | |
| Ratio of expenses before income taxes to average net assets | 1.26% | 10.8% |
| Ratio of expenses including income taxes to average net assets | 1.40% | 10.9% |
| Ratio of net investment income (loss) to average net assets | 6.77% | (5.5%) |
| Debt/Equity ratio | 0% | 18.0% |
| Portfolio turnover | 5.08% | 29.5% |
| Net assets, end of period | \$ 58,381,933 | \$ 60,162,124 |
| Weighted shares outstanding, end of period | 2,581,021 | 2,582,942 |

(1) Per share data is based on shares outstanding and the results are rounded to the nearest cent.

* Amounts are rounded.

The Corporation's interim period results could fluctuate as a result of a number of factors; therefore results for any interim period should not be relied upon as being indicative of performance for the full year or in future periods.

Note 10. SUBSEQUENT EVENT

Subsequent to the quarter end, on October 6, 2022, the Corporation borrowed \$300,000 from the Lender under its Credit Facility for use to fund a debt investment.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and related notes included elsewhere in this report. Historical results and percentage relationships among any amounts in the consolidated financial statements are not necessarily indicative of trends in operating results for any future periods.

FORWARD LOOKING STATEMENTS

Statements included in this Management’s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report that do not relate to present or historical conditions are “forward-looking statements” within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and in Section 21E of the Securities Exchange Act of 1934, as amended. Additional oral or written forward-looking statements may be made by us from time to time, and forward-looking statements may be included in documents that are filed with the SEC. Forward-looking statements involve risks and uncertainties that could cause our results or outcomes to differ materially from those expressed in the forward-looking statements. Forward-looking statements may include, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions, including statements related to our investment strategies and our intention to co-invest with certain of our affiliates, the impact of COVID-19 on our portfolio companies; the impact of our election as a RIC for U.S. federal tax purposes on the payment of corporate level U.S. federal income taxes by Rand; statements regarding our liquidity and financial resources; statements regarding any capital gains fee that may be due to RCM upon a hypothetical liquidation of our portfolio and the amount of the capital gains fee that may be payable for 2022; and statements regarding our compliance with the RIC requirements as of September 30, 2022, future dividend payments, and are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as “believes,” “forecasts,” “intends,” “possible,” “expects,” “estimates,” “anticipates,” or “plans” and similar expressions are intended to identify forward-looking statements. Among the important factors on which such statements are based are assumptions concerning the scope of the impact of the COVID-19 pandemic and its specific impact on our portfolio companies, the state of the United States economy and the local markets in which our portfolio companies operate, the state of the securities markets in which the securities of our portfolio companies could be traded, liquidity within the United States financial markets, and inflation. Forward-looking statements are also subject to the risks and uncertainties described under the caption “Risk Factors” contained in Part II, Item 1A of this report and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021.

There may be other factors not identified that affect the accuracy of our forward-looking statements. Further, any forward-looking statement speaks only as of the date when it is made and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time that may cause our business not to develop as we expect, and we cannot predict all of them.

Overview

We are an externally managed investment company that lends to and invests in lower middle market companies. Our investment objective is to generate current income and when also possible, capital appreciation, by targeting investment opportunities with favorable risk-adjusted returns. Our investment activities are managed by our investment adviser, Rand Capital Management, LLC (“RCM”).

We have elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). As a BDC, we are required to comply with certain regulatory requirements specified in the 1940 Act.

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In November 2019, Rand completed a stock sale transaction (the “Transaction”) with East. The Transaction consisted of a \$25 million investment in Rand by East, in exchange for approximately 8.3 million shares of Rand common stock. Concurrent with the closing of the Transaction, on November 8, 2019, Rand entered into an investment advisory and management agreement (the “Prior Investment Management Agreement”) and an administration agreement (the “Prior Administration Agreement”) with RCM. In connection with retaining RCM as our investment adviser and administrator, Rand’s management and staff became employees of RCM.

In December 2020, Rand’s shareholders approved a new investment advisory and management agreement (the “Investment Management Agreement”) with RCM at a special meeting of shareholders (the “Special Meeting”). The approval was required because Callodine Group, LLC (“Callodine”) planned to acquire a controlling interest in RCM, which was, at that time, majority owned by East (the “Adviser Change in Control”). The terms of the Investment Management Agreement are identical to those contained in the Prior Investment Management Agreement, with RCM continuing to provide investment advisory and management services to Rand following the Adviser Change in Control. Following approval by Rand’s shareholders at the Special Meeting, Rand, on December 31, 2020, entered into the Investment Management Agreement and a new administration agreement (the “Administration Agreement”) with RCM and terminated the Prior Administration Agreement. The terms of the Administration Agreement are identical to those contained in the Prior Administration Agreement.

Pursuant to the terms of the Investment Management Agreement, Rand pays RCM a base management fee and may pay an incentive fee if specified benchmarks are met.

We elected U.S federal tax treatment as a regulated investment company (“RIC”) as of January 1, 2020, under subchapter M of the Internal Revenue Code of 1986, as amended, on our timely filed U.S. Federal tax return for the 2020 tax year. To maintain our qualification as a RIC, we must, among other things, meet certain source of income and asset diversification requirements. As of September 30, 2022, we believe we were in compliance with the RIC requirements. As a RIC, we generally will not be subject to corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our shareholders as dividends.

In connection with our RIC election, we paid a special dividend of \$23.7 million, or approximately \$1.62 per share, on the Corporation’s common stock, par value \$0.10 per shares (the “Common Stock”), in cash and stock to our shareholders on May 11, 2020, which distributed all of our accumulated earnings and profits since our inception through 2019. The total amount of cash distributed to all shareholders, as part of the special dividend, was limited to \$4.8 million, or 20% of the total special dividend that was paid. The remaining 80% of the special dividend was paid using approximately 8.6 million shares of the Corporation’s common stock.

In addition, to maintain our RIC status, we must distribute annually to our shareholders at least 90% of our ordinary net income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Accordingly, our Board of Directors has initiated a quarterly cash dividend.

The Board of Directors declared the following quarterly cash dividends during the nine months ended September 30, 2022:

| <u>Quarter</u> | <u>Dividend/Share Amount</u> | <u>Record Date</u> | <u>Payment Date</u> |
|-----------------|----------------------------------|--------------------|---------------------|
| 1 st | \$ 0.15 | March 14, 2022 | March 28, 2022 |
| 2 nd | \$ 0.15 | June 1, 2022 | June 15, 2022 |
| 3 rd | \$ 0.15 | September 1, 2022 | September 15, 2022 |

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We intend to co-invest, subject to the conditions included in the exemptive relief order we received from the SEC, with certain of our affiliates. See “SEC Exemptive Order” below. We believe these types of co-investments are likely to afford us additional investment opportunities and provide an ability to achieve greater diversification in our investment portfolio.

SEC Exemptive Order

On October 7, 2020, the Corporation, RCM and certain of their affiliates received exemptive relief from the SEC to permit the Corporation to co-invest in portfolio companies with certain other funds, including other BDCs and registered investment companies managed by RCM and certain of its affiliates, in a manner consistent with the Corporation’s investment objective, positions, policies, strategies and restrictions as well as regulatory requirements, subject to compliance with certain conditions (the “Order”). Pursuant to the Order, the Corporation is generally permitted to co-invest with affiliated funds if a “required majority” (as defined in Section 57(o) of the 1940 Act) of the Corporation’s independent directors makes certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transaction, including the consideration to be paid, are reasonable and fair to the Corporation and its shareholders and do not involve overreaching in respect of the Corporation or its shareholders on the part of any person concerned; and (2) the transaction is consistent with the interests of the Corporation’s shareholders and is consistent with the Corporation’s investment objective and strategies.

On March 29, 2021, the SEC approved a new exemptive relief order (the “New Order”) reflecting the new organizational structure of RCM and its affiliates after the Adviser Change of Control. This New Order supersedes the Order and permits, subject to compliance with specified conditions, the Corporation to co-invest with funds managed by RCM and its affiliates under RCM’s current ownership structure after the completion of the Adviser Change in Control.

COVID-19 Update

Since the outbreak of the COVID-19 pandemic, our investment adviser, RCM, has continued to engage in active discussions with the management teams of the companies within our portfolio regarding actions taken by those portfolio companies with respect to the safety and welfare of their employees. RCM has informed us about the impact of COVID-19 on the businesses of our portfolio companies, and the potential impact of disruptions in the supply chain, and the actions these portfolio companies have taken, and are taking, to adapt to changes in demand, both increased and decreased, depending upon the portfolio company. While we do not know what the ultimate long-term impact of the COVID -19 pandemic will be on our portfolio companies, RCM is actively monitoring our portfolio companies, their liquidity and operational status.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles (GAAP), which require the use of estimates and assumptions that affect the reported amounts of assets and liabilities. A summary of our critical accounting policies can be found in our Annual Report on Form 10-K for the year ended December 31, 2021 under Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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Financial Condition

Overview:

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>Decrease</u> | <u>% Decrease</u> |
|-------------------|---------------------------|--------------------------|-----------------------|-------------------|
| Total assets | \$ 61,707,610 | \$ 65,644,854 | (\$ 3,937,244) | (6.0%) |
| Total liabilities | 3,325,677 | 4,899,438 | (1,573,761) | (32.1%) |
| Net assets | <u>\$ 58,381,933</u> | <u>\$ 60,745,416</u> | <u>(\$ 2,363,483)</u> | <u>(3.9%)</u> |

Net asset value per share (NAV) was \$22.62 at September 30, 2022 and \$23.54 at December 31, 2021.

Cash approximated 1.8% of net assets at September 30, 2022, as compared to 1.4% of net assets at December 31, 2021.

During the second quarter of 2022, we entered into a new \$25 million senior secured revolving credit facility (the “Credit Facility”), with the amount that we can borrow thereunder, at any given time, determined based upon a borrowing base formula. The Credit Facility has a 5-year term with a maturity date of June 27, 2027. Our borrowings under the Credit Facility bear interest at a variable rate determined as a rate per annum equal to 3.50 percentage points above the greater of (i) the applicable daily simple secured overnight financing rate (SOFR) and (ii) 0.25%. There was no outstanding balance drawn on the Credit Facility at September 30, 2022. See “Note 6. Senior Secured Revolving Credit Facility” for additional information regarding the terms of our Credit Facility.

Composition of Our Investment Portfolio

Our financial condition is dependent on the success of our portfolio holdings. The following summarizes our investment portfolio at the dates indicated.

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>Increase (Decrease)</u> | <u>% Increase (Decrease)</u> |
|------------------------------|---------------------------|--------------------------|--------------------------------|----------------------------------|
| Investments, at cost | \$ 53,118,768 | \$ 52,370,668 | \$ 748,100 | 1.4% |
| Unrealized appreciation, net | 6,604,872 | 11,697,794 | (5,092,922) | (43.5%) |
| Investments, at fair value | <u>\$ 59,723,640</u> | <u>\$ 64,068,462</u> | <u>(\$ 4,344,822)</u> | <u>(6.8%)</u> |

Our total investments at fair value, as determined by RCM and approved by our Board of Directors, approximated 102% of net assets at September 30, 2022 as compared to approximately 106% of net assets at December 31, 2021.

Our investment objective is to generate current income and when possible, capital appreciation, by targeting investment opportunities with favorable risk-adjusted returns. As a result, we are focused on investing in higher yielding debt instruments and related equity investments in privately held, lower middle market companies with a committed and experienced management team in a broad variety of industries. We may also invest in publicly traded shares of other business development companies that provide income through dividends and have more liquidity than our private company equity investments.

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The change in investments during the nine months ended September 30, 2022, at cost, is comprised of the following:

| | Cost Increase (Decrease) |
|--|-----------------------------|
| New investments: | |
| Seybert's Billiards Corporation (Seybert's) | \$ 2,200,000 |
| ITA Acquisition, LLC (ITA) | 623,810 |
| DSD Operating, LLC (DSD) | 318,276 |
| Total of new investments | 3,142,086 |
| Other changes to investments: | |
| Filterworks Acquisition USA, LLC (Filterworks) interest conversion | 232,936 |
| Seybert's OID amortization and interest conversion | 79,234 |
| Caitec, Inc. (Caitec) interest conversion | 54,704 |
| ITA interest conversion | 52,475 |
| DSD interest conversion | 46,357 |
| Mattison Avenue Holdings, LLC (Mattison) interest conversion | 27,734 |
| HDI Acquisition LLC (Hilton Displays) interest conversion | 19,835 |
| SciAps, Inc. (Sciaps) OID amortization | 11,250 |
| GoNoodle, Inc. (GoNoodle) interest conversion | 10,622 |
| Total of other changes to investments | 535,147 |
| Investments repaid, sold, liquidated or converted: | |
| New Monarch Machine Tool, Inc. (New Monarch) liquidated | (22,841) |
| ACV Auctions, Inc. (ACV) sale | (34,440) |
| Ares Capital Corporation (Ares) sale | (76,320) |
| GoNoodle debt repayment | (90,175) |
| FS KKR Capital Corp. (FS KKR) sale | (94,380) |
| Microcision LLC (Microcision) sale | (110,000) |
| Owl Rock Capital Corporation (Owl Rock) sale | (347,067) |
| Golub Capital BDC, Inc. (Golub) sale | (403,910) |
| SocialFlow, Inc. (Social Flow) sale | (1,750,000) |
| Total of investments repaid, sold, liquidated or converted | (2,929,133) |
| Net change in investments, at cost | \$ 748,100 |

Results of Operations

Comparison of the three months ended September 30, 2022 to the three months ended September 30, 2021

Investment Income

| | Three months ended September 30, 2022 | Three months ended September 30, 2021 | Increase (Decrease) | % Increase (Decrease) |
|--------------------------------------|--|--|------------------------|-----------------------------|
| Interest from portfolio companies | \$ 1,100,005 | \$ 757,781 | \$342,224 | 45.2% |
| Interest from other investments | 48 | 473 | (425) | (89.9%) |
| Dividend and other investment income | 421,659 | 229,909 | 191,750 | 83.4% |
| Fee income | 32,553 | 24,180 | 8,373 | 34.6% |
| Total investment income | <u>\$ 1,554,265</u> | <u>\$ 1,012,343</u> | <u>\$541,922</u> | 53.5% |

The total investment income during the three months ended September 30, 2022 was received from 21 portfolio companies. For the three months ended September 30, 2021 total investment income was generated from 23 portfolio companies.

Interest from portfolio companies – Interest from portfolio companies was approximately 45% higher during the three months ended September 30, 2022 versus the same period in 2021 due to the fact that we originated more interest yielding investments during the last year. The new debt instruments were originated from Applied Image, Inc. (Applied Image), DSD Operating, LLC (DSD), Nailbiter Inc. (Nailbiter) and Seybert's Billiards Corporation (Seybert's).

Interest from other investments - The decrease in interest from other investments is due to lower cash balances during the three months ended September 30, 2022 versus the same period in 2021.

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Dividend and other investment income - Dividend income is comprised of cash distributions from limited liability companies (LLCs) and corporations in which we have invested, including our investment in the shares of publicly traded business development companies (BDC). Our investment agreements with certain LLCs require those LLCs to distribute funds to us for payment of income taxes on our allocable share of the LLC's profits. These portfolio companies may also elect to make additional discretionary distributions. Dividend income will fluctuate based upon the profitability of these LLCs and corporations and the timing of the distributions. The dividend distributions for the respective periods were:

| | Three months ended September 30, 2022 | Three months ended September 30, 2021 |
|---|--|--|
| Carolina Skiff LLC (Carolina Skiff) | \$ 178,570 | \$ — |
| DSD Operating, LLC (DSD) | 114,264 | — |
| Carlyle Secured Lending Inc. (Carlyle) (formerly TCG BDC, Inc.) | 34,400 | 32,680 |
| FS KKR | 32,160 | 35,100 |
| PennantPark Investment Corporation (PennantPark) | 29,250 | 23,400 |
| Tilson Technology Management Inc. (Tilson) | 13,125 | 13,125 |
| Ares Capital Corporation (Ares) | 10,290 | 11,070 |
| Barings BDC, Inc. (Barings) | 9,600 | 8,400 |
| Knoa Software, Inc. (Knoa) | — | 87,771 |
| Owl Rock Capital Corporation (Owl Rock) | — | 9,300 |
| Golub Capital BDC, Inc. (Golub) | — | 9,063 |
| Total dividend and other investment income | <u>\$ 421,659</u> | <u>\$ 229,909</u> |

Fee income - Fee income generally consists of the revenue associated with the amortization of financing fees charged to the portfolio companies upon successful closing of financings, income from portfolio company board attendance fees and other miscellaneous fees. The financing fees are amortized ratably over the life of the instrument associated with the fees. The unamortized fees are carried on the balance sheet under the line item "Deferred revenue."

The income associated with the amortization of financing fees was \$32,553 and \$24,180 for the three months ended September 30, 2022 and 2021, respectively.

Expenses

| | Three months ended September 30, 2022 | Three months ended September 30, 2021 | Decrease | % Decrease |
|----------------|--|--|-----------------|-------------------|
| Total expenses | \$ 498,959 | \$ 961,899 | (\$462,940) | (48.1%) |

The decrease in total expenses during the three months ended September 30, 2022 versus the same period in 2021 was primarily due to a \$432,000 decrease in the capital gains incentive fee accrual and a \$78,148 decrease in interest expense. The decrease in the capital gains incentive fee accrual during the three months ended September 30, 2022 was primarily due to the decrease in unrealized appreciation on our publicly traded securities. The Investment Management Agreement with RCM does not include unrealized gains in calculating the amount of the capital gains incentive fee payable under that agreement. However, as required by GAAP, we must accrue capital gains incentive fees including unrealized gains on our Consolidated Statement of Financial Position. Our capital gains incentive fee accrual, on our Consolidated Statement of Financial Position, reflects the capital gains incentive fees that would be payable to RCM if our entire investment portfolio was liquidated at its fair value as of the balance sheet date even though RCM is not entitled to be paid a capital gains incentive fee with respect to unrealized gains unless and until such gains are actually realized.

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On June 27, 2022, we entered into a credit agreement with M&T Bank, as lender (the “Lender”), which provides us with a senior secured revolving credit facility in a principal amount not to exceed \$25 million. We incurred \$26,042 in interest expense related to the line of credit during the three months ended September 30, 2022. There was no corresponding expense during the three months ended September 30, 2022.

During the fourth quarter of 2021, we repaid, in full, our \$11,000,000 of outstanding SBA debentures, using cash on hand. Therefore, we did not incur any interest expense related to the SBA debentures during the three months ended September 30, 2022, while we incurred \$104,190 in interest expense during the same period in 2021.

Net Investment Income

The net investment income for the three months ended September 30, 2022 and 2021 was \$1,010,166 and \$53,152, respectively.

Realized Gain on Investments

| | <u>Three months ended</u> <u>September 30, 2022</u> | <u>Three months ended</u> <u>September 30, 2021</u> | <u>Change</u> |
|--|--|--|---------------|
| Realized gain on investments before income taxes | \$ 1,919 | \$ 2,601,361 | (\$2,599,442) |

During the three months ended September 30, 2022, we recognized a gain of \$1,919 on GiveGab, Inc. (Givegab), an investment we exited in 2021.

During the three months ended September 30, 2021, we sold our investment in Centivo Corporation and recognized a realized gain of \$1,614,433. In addition, during the three months ended September 30, 2021, we recognized a net realized gain of \$957,573 on the sale of 50,000 shares of Class A common stock of ACV Auctions, Inc. (ACV). As of September 30, 2021, we owned 540,580 shares of Class A common stock of ACV. In addition, during the three months ended September 30, 2021, we received additional proceeds from the sale of our investment in Givegab and recognized a gain of \$29,355.

Change in Unrealized Appreciation (Depreciation) of Investments

| | <u>Three months</u> <u>ended</u> <u>September 30, 2022</u> | <u>Three months</u> <u>ended</u> <u>September 30, 2021</u> | <u>Change</u> |
|---|--|--|---------------|
| Change in unrealized appreciation (depreciation) of investments before income taxes | \$ 92,817 | (\$ 333,313) | \$426,130 |

The change in net unrealized appreciation (depreciation), before income taxes, for the three months ended September 30, 2022, was comprised of the following:

| | <u>Three months ended</u> <u>September 30, 2022</u> |
|--|--|
| PennantPark Investment Corporation (Pennantpark) | (\$ 122,200) |
| FS KKR Capital Corp. (FS KKR) | (97,920) |
| Carlyle Secured Lending Inc. (Carlyle) <i>(formerly TCG BDC, Inc.)</i> | (86,287) |
| Barings BDC, Inc. (Barings) | (38,667) |
| Ares Capital Corporation (Ares) | (18,550) |
| ACV Auctions, Inc. (ACV) | 456,441 |
| Total change in net unrealized appreciation (depreciation) of investments before income taxes | <u>\$ 92,817</u> |

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ACV, Ares, Barings, Carlyle, FS KKR, and Pennantpark are all publicly traded stocks, and as such, are marked to market at the end of each quarter, using the three-day average closing price prior to the end of the quarter.

The change in unrealized appreciation (depreciation), before income taxes, for the three months ended September 30, 2021, was comprised of the following:

| | Three months ended September 30, 2021 |
|--|--|
| ACV Auctions, Inc. (ACV) | (\$ 4,318,151) |
| Centivo sale | (584,832) |
| Knoa Software, Inc. (Knoa) | (544,860) |
| PennantPark Investment Corporation (Pennantpark) | (22,750) |
| New Monarch Machine Tool, Inc. (New Monarch) | (22,841) |
| Owl Rock Capital Corporation (Owl Rock) | (7,300) |
| Golub Capital BDC, Inc. (Golub) | 8,854 |
| Barings BDC, Inc. (Barings) | 13,600 |
| Carlyle Secured Lending Inc. (Carlyle) <i>(formerly TCG BDC, Inc.)</i> | 15,767 |
| Ares Capital Corporation (Ares) | 19,800 |
| FS KKR Capital Corp. (FS KKR) | 45,360 |
| Mercantile Adjustment Bureau, LLC (Mercantile) | 849,040 |
| Tilson Technology Management, Inc. (Tilson) | 4,215,000 |
| Total change in net unrealized appreciation (depreciation) of investments before income taxes | <u>(\$ 333,313)</u> |

Ares, Barings, Carlyle, FS KKR, Golub, Owl Rock and Pennantpark are all publicly traded stocks, and as such, are marked to market at the end of each quarter.

ACV completed an Initial Public Offering (IPO) at a price of \$25.00 per share on March 23, 2021. At September 30, 2021, we held 540,580 shares of unrestricted Class A common stock. Our holdings in the Class A common stock of ACV at September 30, 2021 was valued using a price of \$18.12 per share, based upon the three-day average closing price.

In accordance with the Corporation's valuation policy, we increased the value of our investment in Tilson based on a significant equity financing by new non-strategic outside investors that had a higher valuation for this portfolio company.

During the three months ended September 30, 2021, the valuations of our investments in Knoa and New Monarch were decreased after a review of their operations and financial condition. In addition, our investment in Mercantile was increased during the same three-month period after a review of their financial operations.

All of these valuation adjustments resulted from a review by RCM management, which was subsequently approved by our Board of Directors, using the guidance set forth by ASC 820 and our established valuation policy.

Net Increase in Net Assets from Operations

The net increase in net assets from operations on our consolidated statements of operations for the three months ended September 30, 2022 and 2021 was \$1,104,902 and \$2,321,200, respectively.

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Comparison of the nine months ended September 30, 2022 to the nine months ended September 30, 2021

Investment Income

| | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 | Increase (Decrease) | % Increase (Decrease) |
|--------------------------------------|--|--|------------------------|-----------------------------|
| Interest from portfolio companies | \$ 3,016,976 | \$ 2,110,749 | \$ 906,227 | 42.9% |
| Interest from other investments | 49 | 13,343 | (13,294) | (99.6%) |
| Dividend and other investment income | 911,169 | 613,625 | 297,544 | 48.5% |
| Fee income | 104,001 | 102,055 | 1,946 | 1.9% |
| Total investment income | <u>\$ 4,032,195</u> | <u>\$ 2,839,772</u> | <u>\$ 1,192,423</u> | 42.0% |

The total investment income during the nine months ended September 30, 2022 was received from 23 portfolio companies as compared to 26 companies during the prior year period.

Interest from portfolio companies – Interest from portfolio companies was approximately 43% higher during the nine months ended September 30, 2022 versus the same period in 2021 due to the fact that we originated more interest yielding investments during the last year. The new debt instruments were originated from Applied Image, Inc. (Applied Image), BMP Swanson Holdco, LLC (Swanson), Caitec, Inc. (Caitec), DSD Operating, LLC (DSD), ITA Acquisition, LLC (ITA), Nailbiter Inc. (Nailbiter) and Seybert's Billiards Corporation (Seybert's).

Interest from other investments - The decrease in interest from other investments is due to lower cash balances during the nine months ended September 30, 2022 versus the same period in 2021.

Dividend and other investment income - Dividend income is comprised of cash distributions from limited liability companies (LLCs) and corporations in which we have invested, including our investment in the shares of publicly traded business development companies (BDC). Our investment agreements with certain LLCs require those LLCs to distribute funds to us for payment of income taxes on our allocable share of the LLC's profits. These portfolio companies may also elect to make additional discretionary distributions. Dividend income will fluctuate based upon the profitability of these LLCs and corporations and the timing of the distributions. The dividend distributions for the respective periods were:

| | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 |
|--|---|---|
| Carolina Skiff LLC (Carolina Skiff) | \$ 398,830 | \$ 81,801 |
| DSD Operating, LLC (DSD) | 114,264 | — |
| Carlyle | 103,200 | 95,460 |
| FS KKR | 95,040 | 99,900 |
| Pennantpark | 84,825 | 70,200 |
| Tilson | 39,375 | 39,375 |
| Ares | 28,560 | 32,670 |
| Barings | 28,400 | 24,000 |
| Golub | 9,375 | 27,188 |
| Owl Rock | 9,300 | 27,900 |
| Knoa | — | 87,771 |
| Apollo | — | 27,360 |
| Total dividend and other investment income | <u>\$ 911,169</u> | <u>\$ 613,625</u> |

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Fee income - Fee income generally consists of the revenue associated with the amortization of financing fees charged to the portfolio companies upon successful closing of financings, income from portfolio company board attendance fees and other miscellaneous fees. The financing fees are amortized ratably over the life of the instrument associated with the fees. The unamortized fees are carried on the balance sheet under the line item “Deferred revenue.”

The income associated with the amortization of financing fees was \$94,001 and \$57,959 for the nine months ended September 30, 2022 and 2021, respectively.

In addition, during the nine months ended September 30, 2022, we recognized a one-time loan monitoring fee of \$10,000 from our investment in Seybert’s. During the nine months ended September 30, 2021, we recognized a one-time fee of \$30,000 in conjunction with the repayment of the Microcision loan instrument.

There were no board fees earned during the nine months ended September 30, 2022 and \$14,096 in board fees earned for the nine months ended September 30, 2021.

Expenses

| | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 | Decrease | % Decrease |
|----------------|---|---|-----------------|-------------------|
| Total expenses | \$ 748,139 | \$ 5,747,520 | (\$4,999,381) | (87.0%) |

The decrease in total expenses during the nine months ended September 30, 2022 versus the same period in 2021 was primarily due to a \$4,994,760 decrease in the capital gains incentive fees expense and a \$286,528 decrease in interest expense. The decrease was partially offset by a \$190,928 increase in professional fees.

The decrease in capital gains incentive fees expense is due to an adjustment of the capital gains incentive fees accrual during the nine months ended September 30, 2022 based on valuation changes within our portfolio companies. The Investment Management Agreement with RCM does not include unrealized gains in calculating the amount of the capital gains incentive fee payable under that agreement. However, as required by GAAP, we must accrue capital gains incentive fees including unrealized gains on our Consolidated Statement of Financial Position. Our capital gains incentive fee accrual, on our Consolidated Statement of Financial Position, reflects the capital gains incentive fees that would be payable to RCM if our entire investment portfolio was liquidated at its fair value as of the balance sheet date, even though RCM is not entitled to be paid a capital gains incentive fee with respect to unrealized gains unless and until such gains are actually realized.

On June 27, 2022, we entered into a credit agreement with the Lender, which provides us with a senior secured revolving credit facility in a principal amount not to exceed \$25 million. We incurred \$26,042 in interest expense related to the line of credit during the nine months ended September 30, 2022. There was no corresponding expense during the nine months ended September 30, 2021.

During the fourth quarter of 2021, we repaid, in full, our \$11,000,000 of outstanding SBA debentures. Therefore, we did not incur any interest expense related to the SBA debentures during the nine months ended September 30, 2022, while we incurred \$312,570 in interest expense during the same period in 2021.

These decreases are offset by increases in our base management fees and professional fees. The base management fee, payable to RCM, increased 13%, or \$77,532, during the nine months ended September 30, 2022 versus the same period in 2021 because, as we deploy more cash into investments, the base management fee payable to RCM increases accordingly. Professional fees increased 50%, or \$190,928, during the nine months ended September 30, 2022 versus the same period in 2021 because we incurred increased fees associated with the complex regulatory environment in which we operate.

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Net Investment Income (Loss)

The net investment income (loss) for the nine months ended September 30, 2022 and 2021 was \$3,200,306 and (\$2,924,763), respectively.

Realized Gain on Investments

| | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 | Change |
|--|---|---|---------------|
| Realized gain on investments before income taxes | \$ 690,591 | \$ 4,729,466 | (\$4,038,875) |

During the nine months ended September 30, 2022, we sold our investment in Social Flow and recognized a realized loss of (\$1,481,498). Additionally, during the nine months ended September 30, 2022, we sold our investment in Microcision and recognized a realized gain of \$190,000 and recognized a realized loss of (\$22,841) on our investment in New Monarch Machine Tool, Inc. (New Monarch), when the company commenced bankruptcy proceedings. We recognized a realized gain on the receipt of \$38,881 from ClearView Social, Inc. (Clearview Social), an investment we exited during 2021. We also recognized a realized gain of \$1,919 from additional proceeds received from GiveGab, Inc. (Givegab), an investment we exited during 2021.

We recognized a net realized gain of \$1,701,446 on the sale of 123,000 shares of Class A common stock of ACV Auctions, Inc. (ACV), during the nine months ended September 30, 2022. At September 30, 2022, we owned 319,934 shares of Class A common stock of ACV.

In addition, during the nine months ended September 30, 2022, we recognized a \$73,101 realized gain on the sale of 31,250 shares of Golub Capital BDC, Inc (Golub), a \$97,932 realized gain on the sale of 30,000 shares of Owl Rock Capital Corporation (Owl Rock), a \$50,238 realized gain on the sale of 6,000 shares of Ares Capital Corporation (Ares), and a \$41,413 realized gain on the sale of 6,000 shares of FS KKR Capital Corp. (FS KKR).

During the nine months ended September 30, 2021, we sold our investment in Givegab and recognized a gain of \$1,846,705, sold our investment in Centivo Corporation and recognized a gain of \$1,614,433, and sold our investment in ClearView Social, Inc. and recognized a gain of \$135,430. The realized gain from the sale of our investment in Clearview Social included \$35,766 that was held in escrow and was received during the nine months ended September 30, 2022.

In addition, during the nine months ended September 30, 2021 we recognized a net realized gain of \$957,573 on the sale of 50,000 shares of ACV. As of September 30, 2021, we owned 540,580 shares of ACV. During the nine months ended September 30, 2021, we also sold our shares in Apollo Investment Corporation and recognized a gain of approximately \$175,000.

Change in Unrealized (Depreciation) Appreciation of Investments

| | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 | Change |
|---|---|---|----------------|
| Change in unrealized (depreciation) appreciation of investments before income taxes | (\$ 5,092,921) | \$ 13,049,041 | (\$18,141,962) |

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The change in net unrealized (depreciation) appreciation, before income taxes, for the nine months ended September 30, 2022, was comprised of the following:

| | Nine months ended September 30, 2022 |
|--|---|
| SocialFlow, Inc. (Social Flow) | \$ 1,628,000 |
| Microcision LLC (Microcision) | 25,000 |
| New Monarch Machine Tool, Inc. (New Monarch) | 22,841 |
| Golub Capital BDC, Inc. (Golub) | (77,653) |
| Owl Rock Capital Corporation (Owl Rock) | (80,533) |
| Barings BDC, Inc. (Barings) | (101,200) |
| Ares Capital Corporation (Ares) | (132,230) |
| Carlyle Secured Lending Inc. (Carlyle) <i>(formerly TCG BDC, Inc.)</i> | (162,540) |
| FS KKR Capital Corp. (FS KKR) | (204,140) |
| PennantPark Investment Corporation (Pennantpark) | (260,650) |
| ACV Auctions, Inc. (ACV) | (5,749,816) |
| Total change in net unrealized (depreciation) appreciation of investments before income taxes | <u>(\$ 5,092,921)</u> |

ACV, Ares, Barings, Carlyle, FS KKR and Pennantpark are all publicly traded stocks, and as such, are marked to market at the end of each quarter, using the three-day average closing price prior to the end of the quarter.

We sold our investments in Social Flow, Golub and Owl Rock during the nine months ended September 30, 2022.

The change in net unrealized appreciation, before income taxes, for the nine months ended September 30, 2021, was comprised of the following:

| | Nine months ended September 30, 2021 |
|---|---|
| Open Exchange | \$ 4,918,061 |
| Tilson | 4,215,000 |
| ACV | 3,277,495 |
| Mercantile | 849,040 |
| Pennantpark | 296,501 |
| FS KKR | 276,465 |
| Carlyle | 225,007 |
| Ares | 97,560 |
| Barings | 73,867 |
| Golub | 58,022 |
| Owl Rock | 44,900 |
| Apollo | (7,616) |
| New Monarch | (22,841) |
| Post Process | (122,728) |
| Knoa | (544,860) |
| Centivo sale | (584,832) |
| Total change in net unrealized appreciation of investments before income taxes | <u>\$ 13,049,041</u> |

Ares, Barings, Carlyle, FS KKR, Golub, Owl Rock and Pennantpark are all publicly traded stocks, and as such, are marked to market at the end of each quarter. We sold our Apollo shares during the nine months ended September 30, 2021.

ACV completed an Initial Public Offering (IPO) at a price of \$25.00 per share on March 23, 2021. At September 30, 2021, we held 540,580 shares of unrestricted Class A common stock. Our holdings in the Class A common stock of ACV at September 30, 2021 was valued using a price of \$18.12 per share, based upon the three-day average closing price.

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In accordance with the Corporation's valuation policy, we increased the value of our investments in Open Exchange and Tilson based on significant equity financings for each of these portfolio companies.

During the nine months ended September 30, 2021, the valuation of our investments in Knoa, New Monarch and Post Process was decreased after a review of their operations and financial condition. In addition, our investment in Mercantile was increased during the nine months ended September 30, 2021 after a review of their financial operations.

All of these valuation adjustments resulted from a review by RCM management, which was subsequently approved by our Board of Directors, using the guidance set forth by ASC 820 and our established valuation policy.

Net (Decrease) Increase in Net Assets from Operations

The net (decrease) increase in net assets from operations on our consolidated statements of operations for the nine months ended September 30, 2022 and 2021 was (\$1,202,024) and \$14,852,793, respectively.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet anticipated cash requirements, fund new and follow-on portfolio investments, pay distributions to our shareholders and respond to other general business demands. As of September 30, 2022, our total liquidity consisted of approximately \$1,035,000 in cash. In addition, we hold publicly traded equity securities of several BDCs and ACV Auctions, which are available for future liquidity requirements.

During the second quarter of 2022, we entered into a new \$25 million Credit Facility. The amount we can borrow, at any given time, under the Credit Facility is tied to a borrowing base, which is measured as (i) 75% of the aggregate sum of the fair market values of the publicly traded equity securities we hold (other than shares of ACV Auctions) plus (ii) the least of (a) 75% of the fair market value of the shares of ACV Auctions we hold, (b) \$6.25 million and (c) 25% of the aggregate borrowing base availability for the Credit Facility at any date of determination plus (iii) 50% of the aggregate sum of the fair market values of eligible private loans we hold that meet specified criteria plus (iv) the lesser of (a) 50% of the aggregate sum of the fair market values of unsecured private loans we hold that meet specified criteria and (b) \$1.25 million minus (v) such reserves as the Lender may establish from time to time in its sole discretion. The Credit Facility has a maturity date of June 27, 2027. As of September 30, 2022, under the borrowing base formula described above, we could have borrowed approximately \$21.0 million under the Credit Facility.

Our borrowings under the Credit Facility bear interest at a variable rate determined as a rate per annum equal to 3.50 percentage points above the greater of (i) the applicable daily simple secured overnight financing rate (SOFR) and (ii) 0.25%.

The Credit Agreement contains representations and warranties and affirmative, negative and financial covenants usual and customary for agreements of this type, including among others covenants that prohibit, subject to certain specified exceptions, our ability to merge or consolidate with other companies, sell any material part of our assets, incur other indebtedness, incur liens on our assets, make investments or loans to third parties other than permitted investments and permitted loans, and declare any distribution or dividend other than certain permitted distributions. The Credit Agreement includes the following financial covenants: (i) a tangible net worth covenant that requires us to maintain a Tangible Net Worth (defined in the Credit Agreement as our aggregate assets, excluding intangible assets, less all of our liabilities) of not less than \$50.0 million, which is measured quarterly at the end of each fiscal quarter, (ii) an asset coverage ratio covenant that

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requires us to maintain an Asset Coverage Ratio (defined in the Credit Agreement as the ratio of the fair market value of all of our assets to the sum of all of our obligations for borrowed money plus all capital lease obligations) of not less than 3:00:1:00, which is measured quarterly at the end of each fiscal quarter and (iii) an interest coverage ratio covenant that requires us to maintain an Interest Coverage Ratio (defined in the Credit Agreement as the ratio of Cash Flow (as defined in the Credit Agreement) to Interest Expense (as defined in the Credit Agreement)) of not less than 2:50:1:00, which is measured quarterly on a trailing twelve-months basis.

There was no outstanding balance drawn on the Credit Facility at September 30, 2022. See “Note 6. Senior Secured Revolving Credit Facility” on our Consolidated Statement of Financial Position for additional information regarding the terms of our Credit Facility. See “Note 10. Subsequent Event”.

For the nine months ended September 30, 2022, we experienced a net increase in cash of approximately \$202,000, which is a net effect of approximately \$1,488,000 of cash provided in our operating activities and approximately \$1,286,000 used in our financing activities.

We anticipate that we will continue to fund our investment activities through cash, cash flows generated through our ongoing operating activities, the sale of our publicly traded liquid investments, and through borrowings under the \$25 million Credit Facility. We anticipate that we will continue to exit investments. However, the timing of liquidation events with respect to our privately held investments is difficult to project.

Our ongoing liquidity is tied to the performance of our portfolio companies and, as such, it may be affected going forward based on the impact of the COVID-19 pandemic and its lasting impact on the capital markets, our portfolio companies, and the U.S. economy in general.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our investment activities contain elements of risk. Our investment portfolio primarily consists of equity and debt securities in private companies and is subject to valuation risk. Because there is typically no public market for the equity and debt securities in which we invest, the valuation of the equity interests in the portfolio is stated at “fair value” as determined in good faith by RCM and approved by our Board of Directors. This is in accordance with our investment valuation policy (see the discussion of valuation policy contained in “Note 3. Investments” in the Consolidated Financial Statements contained in Item 1 of this report, which is hereby incorporated herein by reference.) In the absence of readily ascertainable market values, the estimated value of investments in our portfolio may differ significantly from the values that would be placed on such investments in our portfolio if a ready market for the investments existed. Any changes in valuation are recorded on the consolidated statement of operations as “Net change in unrealized depreciation on investments.”

At times, our portfolio may include, and does currently include, marketable securities traded in the over-the-counter market or on other stock markets. In addition, there may be a portion of the portfolio for which no regular trading market exists. In order to realize the full value of a security, the market must trade in an orderly fashion, or a willing purchaser must be available when a sale is to be made. Should an economic or other event occur that would not allow markets to trade in an orderly fashion, we may not be able to realize the fair value of our marketable investments or other investments in a timely manner.

At September 30, 2022, we did not have any off-balance sheet arrangements or hedging or similar derivative financial instrument investments.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. The Corporation maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that this information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of September 30, 2022. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's controls and procedures were effective as of September 30, 2022.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during the Corporation's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

**PART II.
OTHER INFORMATION**

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

See the information provided under the heading “Risk Factors” in our annual report on Form10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

| Period | Total number of shares purchased (1) | Average price paid per share (2) | Total number of shares purchased as part of publicly announced plan (3) | Maximum dollar amount of shares that may yet be purchased under the share repurchase program (3) |
|----------------------|--------------------------------------|----------------------------------|---|--|
| 7/1/2022 – 7/31/2022 | — | — | — | \$ 1,500,000 |
| 8/1/2022 – 8/31/2022 | — | — | — | \$ 1,500,000 |
| 9/1/2022 – 9/30/2022 | — | — | — | \$ 1,500,000 |
| Total | — | — | — | — |

- (1) There were no shares repurchased during the quarter.
- (2) The average price paid per share is calculated on a settlement basis and includes commission.
- (3) On April 21, 2022, the Board of Directors approved a new share repurchase plan, which authorizes the Corporation to repurchase shares of the Corporation’s outstanding common stock with an aggregate cost of up to \$1,500,000 at prices per share of common stock of no greater than the then current net asset value. This share repurchase authorization lasts for a period of 12 months from the authorization date, until April 21, 2023.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

(a) Exhibits

The following exhibits are filed with this report or are incorporated herein by reference to a prior filing, in accordance with Rule 12b-32 under the Securities Exchange Act of 1934.

- (3.1)(i) [Certificate of Incorporation of the Corporation, incorporated by reference to Exhibit \(a\)\(1\) of Form N-2 filed with the SEC on April 22, 1997. \(File No. 333-25617\).](#)
- (3.1)(ii) [Certificate of Amendment to the Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed with the SEC on November 12, 2019.](#)
- (3.1)(iii) [Certificate of Amendment to the Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed with the SEC on May 21, 2020.](#)
- (3.1)(iv) [By-laws of the Corporation, incorporated by reference to Exhibit 3\(ii\) to the Corporation's Quarterly Report on Form 10-Q for the period ended September 30, 2016 filed with the SEC on November 2, 2016. \(File No. 814-00235\).](#)
- (4.1) [Specimen certificate of common stock certificate, incorporated by reference to Exhibit \(b\) of Form N-2 filed with the SEC on April 22, 1997. \(File No. 333-25617\).](#)
- (31.1) [Certification of Principal Executive Officer Pursuant to Rules 13a-14\(a\)/15d-14\(a\) under the Securities Exchange Act of 1934, as amended – filed herewith.](#)
- (31.2) [Certification of Principal Financial Officer Pursuant to Rules 13a-14\(a\)/15d-14\(a\) under the Securities Exchange Act of 1934, as amended – filed herewith.](#)
- (32.1) [Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Rand Capital Corporation – filed herewith.](#)

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 7, 2022

RAND CAPITAL CORPORATION

/s/ Daniel P. Penberthy

Daniel P. Penberthy, Chief Executive Officer and President
(Chief Executive Officer)

Dated: November 7, 2022

/s/ Margaret W. Brechtel

Margaret W. Brechtel, Executive Vice President, Chief
Financial Officer and Treasurer
(Chief Financial Officer)

EXHIBIT 31.1

CERTIFICATION

Pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended

I, Daniel P. Penberthy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rand Capital Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2022

/s/ Daniel P. Penberthy
Daniel P. Penberthy, Chief Executive Officer and President
(Chief Executive Officer)

EXHIBIT 31.2

CERTIFICATION

Pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended

I, Margaret W. Brechtel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rand Capital Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2022

/s/ Margaret W. Brechtel

Margaret W. Brechtel, Executive Vice President, Chief Financial
Officer and Treasurer
(Chief Financial Officer)

EXHIBIT 32.1

CERTIFICATION

**Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906
Of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Rand Capital Corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (the "Form 10-Q") of the Company fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2022

/s/ Daniel P. Penberthy

Daniel P. Penberthy, Chief Executive Officer and President
(Chief Executive Officer)

Dated: November 7, 2022

/s/ Margaret W. Brechtel

Margaret W. Brechtel, Executive Vice President, Chief
Financial Officer and Treasurer
(Chief Financial Officer)