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 quarter ended September 30, 2011

☐ **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	**16-0961359**
(State or Other Jurisdiction of Incorporation or organization)	(IRS Employer Identification No.)
2200 Rand Building, Buffalo, NY	**14203**
(Address of Principal executive offices)	(Zip Code)

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

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑ (Do not check if a smaller reporting company) Smaller reporting company ☐

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 4, 2011 there were 6,818,934 shares of the registrant's common stock outstanding.

RAND CAPITAL CORPORATION
TABLE OF CONTENTS FOR FORM 10-Q

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements and Supplementary Data

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2011 and December 31, 2010

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Investments at fair value (identified cost: 9/30/11 - $12,208,977; 12/31/10 - $13,573,041)	**$ 21,696,992**	$ 19,364,625
Cash and cash equivalents	**4,504,418**	11,698,653
Interest receivable (net of allowance: 9/30/11 - $122,000; 12/31/10 - $158,245)	**1,319,424**	1,051,848
Prepaid income taxes	**637,290**	414,745
Other assets	**2,048,144**	2,561,389
Total assets	**$ 30,206,268**	$ 35,091,260
LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)		
Liabilities:		
Debentures guaranteed by the SBA	**$ 4,000,000**	$ 10,000,000
Deferred tax liability	**2,146,611**	1,044,315
Accounts payable and accrued expenses	**224,910**	990,477
Deferred revenue	**—**	5,650
Total liabilities	**6,371,521**	12,040,442
Stockholders' equity (net assets):		
Common stock, $.10 par; shares authorized 10,000,000; shares issued 6,863,034	**686,304**	686,304
Capital in excess of par value	**10,581,789**	10,581,789
Accumulated net investment loss	**(1,913,879)**	(1,648,118)
Undistributed net realized gain on investments	**8,510,719**	9,833,282
Net unrealized appreciation on investments	**6,017,020**	3,644,767
Treasury stock, at cost, 44,100 shares	**(47,206)**	(47,206)
Net assets (per share 9/30/11 - $3.50 , 12/31/10 - $3.38)	**23,834,747**	23,050,818
Total liabilities and stockholders' equity (net assets)	**$ 30,206,268**	$ 35,091,260

See accompanying notes

Table of Contents

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months and Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Investment income:				
Interest from portfolio companies	$ 170,209	$ 189,915	$ 549,845	$ 523,921
Interest from other investments	8,828	6,770	26,909	15,959
Dividend and other investment income	254,300	26,220	324,856	62,511
Other income	7,100	4,525	14,680	11,853
	440,437	227,430	916,290	614,244
Operating expenses:				
Salaries	118,750	495,050	356,250	725,150
Employee benefits	22,700	26,802	88,384	110,939
Directors' fees	12,750	15,750	65,250	73,500
Professional fees	45,519	27,573	122,323	118,264
Stockholders and office operating	27,104	24,701	101,703	96,625
Insurance	7,800	9,656	27,646	29,476
Corporate development	15,773	15,584	48,510	39,351
Other operating	2,070	2,977	12,264	11,005
	252,466	618,093	822,330	1,204,310
Interest on SBA obligations	184,080	143,151	479,199	427,155
Bad debt recovery	—	—	—	(5,983)
Total expenses	436,546	761,244	1,301,529	1,625,482
Investment gain (loss) before income taxes	3,891	(533,814)	(385,239)	(1,011,238)
Income tax expense (benefit)	18,809	(219,963)	(119,478)	(387,747)
Net investment loss	(14,918)	(313,851)	(265,761)	(623,491)
Realized and unrealized gain (loss) on investments:				
Realized gain (loss) on sales and dispositions	(1)	4,311,499	(2,074,131)	4,311,499
Income tax expense (benefit)	—	1,536,869	(751,568)	1,536,869
Net realized gain (loss) on investments	(1)	2,774,630	(1,322,563)	2,774,630
Unrealized appreciation on investments:				
Beginning of period	7,956,016	8,785,064	5,791,584	9,528,226
End of period	9,488,015	4,535,718	9,488,015	4,535,718
Change in unrealized appreciation before income taxes	1,531,999	(4,249,346)	3,696,431	(4,992,508)
Deferred income tax expense (benefit)	544,840	(1,571,940)	1,324,178	(1,801,737)
Net increase (decrease) in unrealized appreciation	987,159	(2,677,406)	2,372,253	(3,190,771)
Net realized and unrealized gain (loss) on investments	987,158	97,224	1,049,690	(416,141)
Net increase (decrease) in net assets from operations	$ 972,240	($216,627)	$ 783,929	($1,039,632)
Weighted average shares outstanding	6,818,934	6,818,934	6,818,934	6,818,934
Basic and diluted net increase (decrease) in net assets from operations per share	$ 0.14	($0.03)	$ 0.11	($0.15)

See accompanying notes

Table of Contents

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Cash flows from operating activities:		
Net increase (decrease) in net assets from operations	$ 783,929	$ (1,039,632)
Adjustments to reconcile net increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	94,744	31,168
Original issue discount accretion	(37,000)	—
Change in interest receivable allowance	(36,245)	—
(Increase) decrease in unrealized appreciation of investments	(3,696,431)	4,992,508
Deferred tax expense (benefit)	1,102,296	(1,432,154)
Net realized loss (gain) on portfolio investments	2,074,131	(4,311,499)
Non-cash conversion of debenture interest	(72,285)	(342,897)
Changes in operating assets and liabilities:		
(Increase) decrease in interest receivable	(231,331)	184,636
Decrease (increase) in other assets	418,500	(14,206)
Increase in prepaid income taxes	(222,545)	—
Decrease in income taxes payable	—	(240,994)
(Decrease) increase in accounts payable and accrued expenses	(765,567)	89,240
Decrease in deferred revenue	(5,650)	(1,353)
Total adjustments	(1,377,383)	(1,045,551)
Net cash used in operating activities	(593,454)	(2,085,183)
Cash flows from investing activities:		
Investments originated	(1,171,944)	(2,830,000)
Proceeds from sale of portfolio investments	—	4,655,379
Proceeds from loan repayments	571,163	90,606
Capital expenditures	—	(846)
Net cash (used) provided by investing activities	(600,781)	1,915,139
Cash flows from financing activities:		
Repayment of SBA debentures	(6,000,000)	—
Proceeds from SBA debentures	—	900,000
Origination costs to SBA	—	(21,825)
Net cash (used) provided by financing activities	(6,000,000)	878,175
Net (decrease) increase in cash and cash equivalents	(7,194,235)	708,131
Cash and cash equivalents:		
Beginning of period	11,698,653	9,417,236
End of period	$ 4,504,418	$ 10,125,367

See accompanying notes

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the Three Months and the Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net assets at beginning of period	$ 22,862,507	$ 22,382,876	$ 23,050,818	$ 23,205,881
Net investment loss	(14,918)	(313,851)	(265,761)	(623,491)
Net realized (loss) gain on dispositions of investments	(1)	2,774,630	(1,322,563)	2,774,630
Net increase(decrease) in unrealized appreciation	987,159	(2,677,406)	2,372,253	(3,190,771)
Net increase (decrease) in net assets from operations	972,240	(216,627)	783,929	(1,039,632)
Net assets at end of period	**$ 23,834,747**	**$ 22,166,249**	**$ 23,834,747**	**$ 22,166,249**

See accompanying notes

Table of Contents

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2011
(Unaudited)

(a) Company, Geographic Location, Business Description, (Industry) and Website	Type of Investment	(b) Date Acquired	(c) Equity	Cost	(d)(f) Value	Per Share of Rand
Non-Control/Non-Affiliate Investments: (j)						
Chequed.com, Inc. (g) Saratoga Springs, NY. Predictive employee selection and development software. (Software) www.chequed.com	$500,000 convertible promissory notes at 8% due December 31, 2012.	11/18/10	0%	$ 500,000	$ 500,000	$ .07
Liazon Corporation (e)(g) Buffalo, NY. Employee benefits solution company. (Health Benefits Provider) www.liazon.com	120,000 Series C-1 preferred shares. 546,667 Series C-2 preferred shares.	11/9/10	4%	858,199	1,000,000	.15
Mezmeriz, Inc. (g) Ithaca, NY. Developer of micro mirror technology that replaces silicon with carbon fibers in micro-electronic mechanical systems (MEMS) enabling efficient, wide-angle, Pico projectors to be embedded in mobile devices. (Electronics Developer) www.mezmeriz.com	141,125 Series A preferred shares.	1/9/08	4%	121,509	121,509	.02
Rheonix, Inc. Ithaca, NY. Developer of microfluidic testing devices including channels, pumps, reaction vessels, & diagnostic chambers, for testing of small volumes of chemicals and biological fluids. (Manufacturing) www.rheonix.com	9,676 common shares. **(g)** 694,015 Series A preferred shares. 50,593 common shares.	10/29/09	4%	753,000	889,000	.12
Somerset Gas Transmission Company, LLC (e) Columbus, OH. Natural gas transportation company. (Oil and Gas) www.somersetgas.com	26.5337 units.	7/10/02	3%	719,097	786,748	.12
Synacor Inc. (g) Buffalo, NY. Develops provisioning platforms for aggregation and delivery of content and services across multiple digital devices. (Software) www.synacor.com	234,558 Series A preferred shares. 600,000 Series B preferred shares. 240,378 Series C preferred shares. 897,438 common shares.	11/18/02	4%	1,349,479	5,700,000	.84
Subtotal Non-Control/Non-Affiliate Investments				$ 4,301,284	$ 8,997,257	$ 1.32
Affiliate Investments: (k)						
Carolina Skiff LLC (e)(g) Waycross, GA. Manufacturer of fresh water, ocean fishing and pleasure boats. (Manufacturing) www.carolinaskiff.com	$985,000 Class A preferred membership interest at 14%. Redeemable December 23, 2012. $500,000 subordinated promissory note at 14% due December 31, 2016. 6.0825% class A common membership interest. (i) Interest receivable $1,263,369	1/30/04	7%	$ 1,500,000	$ 1,500,000	$ .22
EmergingMed.com, Inc. (e)(g) New York, NY. Cancer clinical trial matching and referral service. (Software) www.emergingmed.com	$675,045 senior subordinated note at 8% due January 19, 2013. Warrants for 8% of common stock.	12/19/05	8%	675,046	675,046	.10

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2011 (Continued)
(Unaudited)

(a) Company, Geographic Location, Business Description, (Industry) and Website	Type of Investment	(b) Date Acquired	(c) Equity	Cost	(d)(f) Value	Per Share of Rand
Microcision LLC (e)(g) Philadelphia, PA. Custom manufacturer of medical and dental implants. (Manufacturing). www.microcision.com	$1,500,000 subordinated promissory note at 5%, 6% deferred interest due December 31, 2013. 15% class A common membership interest.	9/24/09	15%	1,654,565	1,654,565	.24
Mid America Brick & Structural Clay Products, LLC(g) Mexico, MO. Manufacturer of face brick for residential and commercial construction. (Manufacturing). www.midamericabrick.com	19.524 membership units.	6/1/10	19%	800,000	800,000	.12
SOMS Technologies, LLC (g) Valhalla, NY. Produces and markets the microGreen Extended Performance Oil Filter. (Auto Parts Developer) www.microgreenfilter.com	5,959,490 Series B membership units.	12/2/08	10%	472,632	528,348	.08
Ultra — Scan Corporation Amherst, NY. Biometrics application developer of ultrasonic fingerprint technology. (Electronics Hardware/Software) www.ultra-scan.com	536,596 common shares. 107,104 Series A-1 preferred shares. (g) 95,284 Series A-1 preferred shares.	12/11/92	2%	938,164	1,203,000	.18
Subtotal Affiliate Investments				$ 6,040,407	$ 6,360,959	$ .94
Control Investments (l)						
Advantage 24/7 LLC (g) Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company)	50% Membership interest.	12/30/10	50%	$ 100,000	$ 100,000	$ .02
Gemcor II, LLC (e)(g)(h) West Seneca, NY. Designs and sells automatic riveting machines used in the assembly of aircraft components. (Manufacturing) www.gemcor.com	$500,000 subordinated promissory note at 15% due December 1, 2014. 25 membership units. Warrant to purchase 6.25 membership units.	6/28/04	31%	842,435	6,042,435	.89
G-TEC Natural Gas Systems Buffalo, NY. Manufactures and distributes systems that allow natural gas to be used as an alternative fuel to gases. (Manufacturing) www.gas-tec.com	21.6% Class A membership interest. 8% cumulative dividend.	8/31/99	22%	400,000	100,000	.01
Subtotal Control Investments				$ 1,342,435	$ 6,242,435	$ .92
Other Investments	Various			$ 524,851	$ 96,341	$ 0
	Total portfolio investments			$ 12,208,977	$ 21,696,992	$ 3.18

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
September 30, 2011 (Continued)
(Unaudited)

Notes to Consolidated Schedule of Portfolio Investments

(a) At September 30, 2011 restricted securities represented 100% of the value of the investment portfolio. Restricted securities are subject to one or more restrictions on resale and are not freely marketable. Freed Maxick & Battaglia, CPAs PC has not examined the business descriptions of the portfolio companies. Individual securities with values less than $100,000 are included in “Other Investments.”

(b) The Date Acquired column indicates the year in which the Corporation acquired its first investment in the company or a predecessor company. Freed Maxick & Battaglia, CPAs, PC has not audited the date acquired of the portfolio companies.

(c) The equity percentages estimate the Corporation’s ownership interest in the 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. Freed Maxick & Battaglia, CPAs, PC has not audited the equity percentages of the portfolio companies. The symbol “<1%” indicates that the Corporation holds an equity interest of less than one percent.

(d) The Corporation uses Accounting Standards Codification (ASC) 820 “Fair Value Measurements” which defines fair value and establishes guidelines for measuring fair value. At September 30, 2011, ASC 820 designates all of the Corporation’s investments as “Level 3” assets due to their privately held restricted nature. Under the valuation policy of the Corporation, unrestricted securities are valued at the closing price for publicly held securities for the last three days of the month. Restricted securities are subject to restrictions on resale, and are valued at fair value as determined by the management of the Corporation and submitted to the Board of Directors for approval. Fair value is considered to be the amount which 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.

(e) These investments are income producing. All other investments are non-income producing. Income producing investments have generated cash payments of interest or dividends within the last twelve months.

(f) As of September 30, 2011, the total cost of investment securities approximated $12.2 million. Net unrealized appreciation was approximately $9.5 million, which was comprised of $10.2 million of unrealized appreciation of investment securities and $0.7 million related to unrealized depreciation of investment securities.

(g) Rand Capital SBIC, Inc. investment.

(h) Reduction in cost and value from previously reported balances reflects current principal repayment.

(i) Represents interest due (amounts over $50,000 net of reserves) from investment included as interest receivable on the Corporation’s Balance Sheet.

(j) Non-Control/Non-Affiliate investments are investments that are neither Control Investments nor Affiliated 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 or Rand holds a Board seat.

(l) Control investments are defined by the 1940 Act as investments in companies in which more than 25% of the voting securities are owned or where greater than 50% of the board representation is maintained.

Rand Capital Corporation and Subsidiary
Notes to the Consolidated Financial Statements
For the Nine Months Ended September 30, 2011 and 2010
(Unaudited)

Note 1. ORGANIZATION

Rand Capital Corporation ("Rand") was incorporated under the laws of New York in 1969. Beginning in 1971, Rand operated as a publicly traded, closed-end, diversified management company that was registered under Section 8 of the Investment Company Act of 1940 (the "1940 Act"). In 2001 Rand elected to be treated as a business development company ("BDC") under the 1940 Act. In 2002, Rand formed a wholly-owned subsidiary for the purpose of operating it as a small business investment company ("SBIC") licensed by the U.S. Small Business Administration ("SBA"). The subsidiary received an SBA license to operate as an SBIC in August 2002. The subsidiary, which had been organized as a Delaware limited partnership, was converted into a New York corporation on December 31, 2008, at which time its operations as a licensed small business investment company were continued by the newly formed corporation under the name of Rand Capital SBIC, Inc. ("Rand SBIC"). The following discussion describes the operations of Rand and its wholly-owned subsidiary Rand SBIC (collectively, the "Corporation").

The Corporation is listed on the NASDAQ Capital Market under the symbol "Rand".

SBIC Subsidiary

Since 2002, Rand has operated a wholly-owned SBIC subsidiary in order to have access to the various forms of leverage provided by the SBA to SBICs. Rand operates Rand SBIC, and Rand formerly operated the limited partnership SBIC predecessor of Rand SBIC, for the same investment purposes and with investments in the same kinds of securities as Rand. The operations of the SBIC predecessor were, and the operations of Rand SBIC are, consolidated with those of Rand for both financial reporting and tax purposes.

In 2002 Rand and the predecessor SBIC subsidiary filed an initial Exemption Application with the Security and Exchange Commission (SEC) seeking an order for a number of operating exemptions that the SEC has commonly granted from certain restrictions under the 1940 Act that would otherwise limit the operations of the wholly-owned subsidiary. After the filing of the Exemption Application, the Corporation had extensive discussions with the staff of the Division of Investment Management of the SEC concerning the application. The principal substantive issue in these discussions was the structure of the predecessor of Rand SBIC as a limited partnership.

Rand formed the predecessor SBIC in 2002 as a limited partnership because that was the organizational form that the SBA strongly encouraged for all new entities seeking licenses as SBICs. Rand organized the SBIC subsidiary in a manner that was consistent with the SBA's model limited partnership forms for licensed SBICs. In that structure, the general partner of Rand SBIC was a limited liability company whose managers were the principal executive officers of Rand.

Under the rules and interpretations of the SEC applicable to BDCs (which the subsidiary SBIC intended to become), if a BDC is structured in limited partnership form, then it must have general partners who serve as a board of directors, or a general partner with very limited authority and a separate board of directors, all of the persons who serve on the board of directors must be natural persons, and a majority of the directors must not be "interested persons" of the BDC. Since the managers of the limited liability company general partner of the SBIC subsidiary were the principal executive officers of Rand, and since both the limited liability company general partner and the subsidiary SBIC were wholly-owned by Rand, Rand believed that the board of directors of Rand was the functional equivalent of a board of directors for both the general partner limited liability company and for the SBIC limited partnership. Nevertheless, the staff of the Division of Investment Management of the SEC maintained the view that if the limited partnership subsidiary was to be operated as a limited partnership BDC in compliance with the 1940 Act, then the organizational documents of the limited partnership would have to specifically provide that it would have a board of directors consisting of natural persons, a majority of whom would not be "interested persons."

With the approval of the SBA, effective December 31, 2008 Rand merged the Rand SBIC limited partnership into a corporation whose board of directors is the same as that of Rand. The SBA formally approved the re-licensing of the new corporation as an SBIC in February 2009. As a result of the merger, Rand SBIC is a wholly-owned corporate subsidiary of Rand, and its board of directors is comprised of the directors of Rand, a majority of whom are not “interested persons” of Rand or Rand SBIC.

Following this merger, in February 2009 the Corporation filed a new Exemption Application with the SEC, which was amended in August 2009 and again in September 2011, in response to comments from the Staff of the SEC. As amended, the Exemption Application seeks an order under Sections 6(c), 12(d)(1)(J) and 57(c) of the 1940 Act for exemptions from the application of Sections 12(d)(1)(A) and (C), 18(a), 21(b), 57(a)(1) through (3), and 61(a) of the 1940 Act, and under Section 57(i) of the 1940 Act and Rule 17d-1 under the 1940 Act to permit certain transactions that would otherwise be prohibited, but which would not be prohibited if Rand and Rand SBIC were a single entity. The application also seeks an order under Section 12(h) of the Securities Exchange Act of 1934 Act (the “Exchange Act”) for an exemption from separate reporting requirements for Rand SBIC under Section 13(a) of the Exchange Act. In general, the Corporation’s application seeks exemptions that would permit:

- Rand and Rand SBIC to engage in certain related party transactions that the Corporation would otherwise be permitted to engage in as a BDC if its component parts were organized as a single corporation;

- Rand, as a BDC, and Rand SBIC, as its BDC/SBIC subsidiary, to meet asset coverage requirements for senior securities on a consolidated basis; and

- Rand SBIC, as a BDC/SBIC subsidiary of Rand as a BDC, to file Exchange Act reports on a consolidated basis as part of Rand’s Exchange Act reports.

The SEC has recently granted exemptions in response to other companies’ applications that reflected similar issues and factual circumstances, and Rand believes that it will receive the exemptions it has requested for the operation of Rand SBIC as a BDC subsidiary of Rand.

Although Rand SBIC is operated as if it were a BDC, it is currently registered as an investment company under the 1940 Act. If the Corporation receives the exemptions described above, Rand SBIC intends to promptly file an election to be regulated as a BDC under the 1940 Act.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation* —** In Management’s opinion, the accompanying consolidated financial statements include all adjustments necessary for a fair presentation of the consolidated financial position, results of operations, and cash flows for the interim periods presented. Certain information and note disclosures normally included in audited annual financial statements prepared in accordance with United States generally accepted accounting principles (“GAAP”) have been omitted; however, the Corporation believes that the disclosures made are adequate to make the information presented not misleading. The interim results for the three and nine months ending September 30, 2011 are not necessarily indicative of the results for the full year.

These statements should be read in conjunction with the consolidated financial statements and the notes included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010. Information contained in this filing should also be reviewed in conjunction with the Corporation's related filings with the SEC prior to the date of this report. Those filings include, but are not limited to, the following:

N-54A	Election to Adopt Business Development Company status
DEF-14A	Definitive Proxy Statement submitted to shareholders
Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2010
Form 10-Q	Quarterly Report on Form 10-Q for the quarters ended June 30, 2011, March 31, 2011, and September 30, 2010
Form N-23C-1	Reports by closed-end investment companies of purchases of their own securities

The Corporation's website is www.randcapital.com. The Corporation's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, charters for the Corporation's Board committees and other reports filed with the Securities and Exchange Commission ("SEC") are available through the Corporation's website.

Principles of Consolidation — The consolidated financial statements include the accounts of Rand and its wholly-owned subsidiary Rand SBIC, (collectively, the "Corporation"). All intercompany accounts and transactions have been eliminated in consolidation.

Reclassification — Certain prior year amounts in the stockholders' equity section of the "Statement of Financial Position" have been reclassified to reflect the income tax effect which is consistent with the presentation on the "Statement of Operations."

Cash and Cash Equivalents — Temporary cash investments having a maturity of three months or less when purchased are considered to be cash equivalents.

Revenue Recognition — Interest Income — Interest income generally 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 Rand SBIC interest accrual is also regulated by the SBA's "Accounting Standards and Financial Reporting Requirements for Small Business Investment Companies." Under these rules interest income cannot be recognized if collection is doubtful, and a 100% reserve must be established. The collection of interest is presumed to be in doubt when there is substantial doubt about a portfolio company's ability to continue as a going concern or the loan is in default more than 120 days. Management also uses other qualitative and quantitative measures to determine the value of a portfolio investment and the collectability of any accrued interest.

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

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. The note is reported net of the OID and the OID is accreted into interest income over the life of the loan. The Corporation recognized $37,000 in OID income for the nine months ended September 30, 2011. The Corporation recorded no OID income for the nine months ended September 30, 2010.

Deferred Debenture Costs — SBA debenture origination and commitment costs, which are included in other assets, are amortized ratably over the terms of the SBA debentures and are expensed when the debt is repaid. Amortization expense for the nine months ended September 30, 2011 and 2010 was $91,135 and $25,867, respectively.

SBA Leverage — The Corporation has $4,000,000 in outstanding SBA leverage at September 30, 2011 and $10,000,000 at December 31, 2010 with maturities commencing in 2015.

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.

Supplemental Cash Flow Information — Income taxes (refunded) paid, during the nine months ended September 30, 2011 and 2010 amounted to ($426,619) and $1,020,533, respectively. Interest paid during the nine months ended September 30, 2011 and 2010 amounted to $555,748 and $513,953 respectively. The Corporation converted $72,285 and $342,897 of interest receivable into investments during the nine months ended September 30, 2011 and 2010, respectively.

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, 2011 and December 31, 2010, there were 500,000 shares of $10.00 par value preferred stock authorized and unissued.

The Board of Directors has authorized the repurchase of up to 340,946 shares of the Corporation's outstanding common stock on the open market through October 28, 2012 at prices that are no greater than current net asset value. During 2003 and 2002 the Corporation purchased 44,100 shares of its stock for $47,206. No additional shares have been repurchased since 2003.

Profit Sharing and Stock Option Plan — In 2001 the stockholders of the Corporation authorized the establishment of an Employee Stock Option Plan (the "Option Plan"). The Option Plan provides for the award of options to purchase up to 200,000 common shares to eligible employees. In 2002 the Corporation placed the Option Plan on inactive status as it developed a new profit sharing plan for the Corporation's employees in connection with the formation of its SBIC subsidiary. As of September 30, 2011, no stock options had been awarded under the Option Plan. Because Section 57(n) of the 1940 Act prohibits maintenance of a profit sharing plan for the officers and employees of a BDC where any option, warrant or right is outstanding under an executive compensation plan, no options will be granted under the Option Plan while any profit sharing plan is in effect with respect to the Corporation.

In 2002 the Corporation established a Profit Sharing Plan (the "Plan") for its executive officers in accordance with Section 57(n) of the 1940 Act. Under the Plan, the Corporation will pay its executive officers aggregate profit sharing payments equal to 12% of the net realized capital gains of its SBIC subsidiary, net of all realized capital losses and unrealized depreciation of the SBIC subsidiary, for the fiscal year, computed in accordance with the Plan and the Corporation's interpretation of the Plan. Any profit sharing paid or accrued cannot exceed 20% of the Corporation's net income, as defined. The profit sharing payments will be split equally between the Corporation's two executive officers, who are fully vested in the Plan. There were no contributions to the Plan for the nine months ended September 30, 2011. The Corporation accrued $380,000 for estimated contributions to, or payments made under the Plan for the nine months ended September 30, 2010. During the year ended December 31, 2010 the Corporation approved and accrued $584,634 under the profit sharing plan, of which $568,694 was paid during the nine months ended September 30, 2011. The remaining $15,940 is related to an escrow receivable and will be paid when the escrow is collected. During the year ended December 31, 2009, the Corporation approved and accrued $133,013 under the Plan, which was paid during the nine months ended September 30, 2010. The amounts approved do not exceed the defined limits.

Income Taxes — The Corporation reviews the tax positions taken to determine if they meet a "more likely than not threshold" for the benefit of the tax position to be recognized in the financial statements. A tax position that fails to meet the more likely than not recognition threshold will result in the recording of either a reduction of an income tax receivable or a deferred tax asset, or an income tax payable or a deferred tax liability.

There have been no changes in liabilities recorded for uncertain tax positions in the first nine months of 2011 and the Corporation does not expect that the amounts of uncertain tax positions will change significantly within the next 12 months.

It is the Corporation's policy to include interest and penalties related to income tax liabilities in income tax expense. There were no amounts recognized for interest or penalties related to unrecognized tax expense for the nine months ended September 30, 2011 and 2010.

The Corporation is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 2008 through 2010. In general, the Corporation's state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2007 through 2010.

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. Management does not anticipate non-performance by the banks.

At September 30, 2011 Gemcor II, LLC (Gemcor), Synacor Inc. (Synacor), Microcision, LLC (Microcision) and Carolina Skiff LLC (Carolina Skiff) represent 28%, 26%, 8% and 7%, respectively, of the fair value of the Corporation's investment portfolio.

At September 30, 2011 the Carolina Skiff interest receivable balance represents 88% of the Corporation's gross interest receivable balance.

Recent Accounting Pronouncements— In May, 2011 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRSs). This update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRS. ASU 2011-04 is required to be applied prospectively in interim and annual periods beginning after December 15, 2011. Early application is not permitted. Management is currently evaluating the impact that the adoption of ASU 2011-04 will have and does not believe the adoption will have a material impact on the consolidated financial statements.

Subsequent Events — Subsequent to September 30, 2011 the Corporation contributed $1,000,000 of regulatory capital to the Rand SBIC subsidiary and Rand SBIC received approval from the SBA for $8,000,000 in new leverage. Additionally, the Corporation made one investment totaling $700,000.

Note 3. INVESTMENTS

Investments are valued at fair value as determined in good faith by the management of the Corporation and submitted to the Board of Directors for approval. The Corporation invests in loan instruments, debt instruments, and equity instruments. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistent valuation process for each investment. The Corporation analyzes and values each investment quarterly, and records unrealized depreciation for an investment that it believes 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 it believes that an underlying portfolio company has appreciated in value and, therefore, its equity security has also appreciated in value. These estimated fair values may differ from the values that would have been used had a ready market for the investments existed and these differences could be material if our assumptions and judgments differ from results of actual liquidation events.

On January 1, 2008 the Corporation adopted Accounting Standards Codification (ASC) 820, "fair value measurements and disclosures", which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements.

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

- Loan and debt securities are generally valued at the price the security would command in order to provide a yield to maturity equivalent to the current yield of similar debt securities. A loan or debt instrument may be reduced in value if it is judged to be of poor quality and collection is in doubt. A loan or debt security may also be valued based on the estimated proceeds from the sale of a portfolio company at its estimated fair value.

- Equity securities may be valued using the "market approach" or "income approach." The market approach uses observable prices and other relevant information generated by similar market transactions. It may include 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 a cash flow and discounting methodology to value an investment.

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.

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 and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, which is not necessarily an indication of risks associated with the investment.

Any changes in estimated fair value are recorded in our statement of operations as "Net increase (decrease) in unrealized appreciation."

In the valuation process, the Corporation uses financial information from its portfolio companies, which includes both audited and unaudited financial statements, annual projections and budgets prepared by the portfolio company and other financial and non-financial business information supplied by the portfolio companies' management. This information is used to determine financial condition, performance, and valuation of the portfolio companies. The valuation may be reduced if a company's performance and potential have deteriorated significantly. If the factors which led to the reduction in valuation are overcome, the valuation may be restored.

Another key factor used in valuing equity investments is recent arms-length equity transactions with unrelated new investors entered into by the portfolio company. Many times 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 discrepancy in transaction terms on the market value of the portfolio company may be difficult or impossible to quantify.

At September 30, 2011 all of the Corporation's investments are classified in Level 3 due to their privately held restricted nature.

Loan investments are defined as traditional loan financings with no equity features. 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. A financing may also be categorized as a debt financing if it is accompanied by the direct purchase of an equity interest in the company.

Assets Measured at Fair Value on a Recurring Basis

Description	September 30, 2011	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	$ 342,435	—	—	$ 342,435
Debt investments	3,403,111	—	—	3,403,111
Equity investments	17,951,446	—	—	17,951,446
Total Venture Capital Investments	$ 21,696,992	$ 0	$ 0	$ 21,696,992

Description	December 31, 2010	Fair Value Measurements at Reported Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Loan investments	$ 413,597	—	—	$ 413,597
Debt investments	3,595,326	—	—	3,595,326
Equity investments	15,355,702	—	—	15,355,702
Total Venture Capital Investments	$ 19,364,625	$ 0	$ 0	$ 19,364,625

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Description	Loan Investments	Debt Investments	Equity Investments	Total
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Venture Capital Investments			
Beginning Balance, December 31, 2010, of Level 3 Assets	$ 413,597	$ 3,595,326	$ 15,355,702	$ 19,364,625
Realized Gains or Losses included in net change in net assets from operations				
Associates Interactive (Associates)	—	—	(293,518)	(293,518)
Niagara Dispensing Technologies, Inc. (Niagara Dispensing)	—	(498,828)	(1,281,785)	(1,780,613)
Total Realized Losses	—	(498,828)	(1,575,303)	(2,074,131)
Unrealized gains or losses included in net change in net assets from operations				
Associates	—	—	293,518	293,518
Liazon Corporation (Liazon)	—	—	141,801	141,801
Niagara Dispensing	—	447,328	1,281,785	1,729,113
Synacor, Inc. (Synacor)	—	—	1,531,999	1,531,999
Total Unrealized Gains and Losses	—	447,328	3,249,103	3,696,431
Purchases of Securities/Changes to Securities/Non-cash conversions				
Chequed.com, Inc. (Chequed)	—	250,000	—	250,000
Microcision LLC (Microcision)	—	72,285	—	72,285
Liazon	—	37,000	819,999	856,999
SOMS Technologies, LLC	—	—	101,945	101,945
Total Purchases/Changes to Securities and Non-Cash conversions	—	359,285	921,944	1,281,229
Repayments of Securities				
Gemcor II, LLC (Gemcor)	(71,162)	—	—	(71,162)
Liazon	—	(500,000)	—	(500,000)
Total Repayments of Securities	(71,162)	(500,000)	—	(571,162)
Transfers within Level 3	—	—	—	—
Transfers in or out of Level 3	—	—	—	—
Ending Balance, September 30, 2011, of Level 3 Assets	$ 342,435	$ 3,403,111	$ 17,951,446	$ 21,696,992

Amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date and reported within the net realized and unrealized gains or losses on investments in the Condensed Consolidated Statement of Operations	$ 3,696,431
Amount of realized losses included in changes in net assets from operations for the period reported above within the net realized and unrealized gains or losses on investments in the Condensed Consolidated Statement of Operations	(2,074,131)
Change in unrealized gains or losses relating to assets still held at reporting date	$ 1,622,300

Description	Loan Investments	Debt Investments	Equity Investments	Total
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Venture Capital Investments			
Beginning Balance, December 31, 2009, of Level 3 Assets	$ 488,104	$ 3,487,120	$ 20,290,423	$ 24,265,647
Realized Gains or Losses included in net change in net assets from operations				
Bioworks Inc. (Bioworks)	—	—	(49,830)	(49,830)
Innov-X Systems Inc (Innovex)	—	—	4,361,329	4,361,329
Total Realized Gains	—	—	4,311,499	4,311,499
Unrealized gains or losses included in net change in net assets from operations				
Bioworks	—	—	56,000	56,000
GridApp Systems Inc. (GridApp)	—	—	295,935	295,935
Innovex	—	—	(5,050,000)	(5,050,000)
Niagara Dispensing Technologies, Inc. (Niagara Dispensing)	—	—	(350,162)	(350,162)
Photonics Products Group, Inc. (Photonics)	—	—	2	2
SOMS Technologies, LLC (SOMS)	—	—	55,717	55,717
Total Unrealized Gains and Losses	—	—	(4,992,508)	(4,992,508)
Purchases of Securities/Changes to Securities/Non-cash conversions				
EmergingMed.com, Inc. (Emerging Med)	—	216,712	—	216,712
GridApp	—	—	481,772	481,772
Mezmeriz, Inc. (Mezmeriz)	—	—	21,509	21,509
Microcision LLC (Microcision)	—	900,087	—	900,087
Mid America Brick (Mid America)	—	—	800,000	800,000
Niagara Dispensing	—	236,919	—	236,919
Rheonix, Inc. (Rheonix)	—	—	500,000	500,000
SOMS	—	15,897	—	15,897
Total Purchases/Changes to Securities and Non-Cash conversions	—	1,369,615	1,803,281	3,172,896
Repayments of Securities				
Bioworks	—	—	(6,170)	(6,170)
Gemcor II, LLC (Gemcor)	(54,827)	(35,779)	—	(90,606)
Innovex	—	(250,000)	(5,361,329)	(5,611,329)
Total Repayments of Securities	(54,827)	(285,779)	(5,367,499)	(5,708,105)
Transfers within Level 3	—	(1,270,687)	1,270,687	—
Transfers in or out of Level 3	—	—	—	—
Ending Balance, September 30, 2010, of Level 3 Assets	$ 433,277	$ 3,300,269	$ 17,315,883	$ 21,049,429

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	$ (4,992,508)
Gains and losses (realized and unrealized) included in net decrease in net assets from operations for the period above are reported as follows:	
Net Gain (Loss) on sales and dispositions	4,311,499
Change in unrealized gains or losses relating to assets still held at reporting date	$ (681,009)

Table of Contents

Note 4. FINANCIAL HIGHLIGHTS

The following schedule provides the financial highlights, calculated based on weighted average shares outstanding, for the nine months ended September 30, 2011 and the year ended December 31, 2010:

	Nine months ended September 30, 2011 (Unaudited)	Year ended December 31, 2010
Income from investment operations (1):		
Investment income	$ 0.13	$ 0.12
Expenses	0.19	0.34
Investment loss before income taxes	(0.06)	(0.22)
Income tax benefit	(0.02)	(0.08)
Net investment loss	(0.04)	(0.14)
Net realized and unrealized gain on investments	0.16	0.12
Increase (decrease) in net asset value	0.12	(0.02)
Net asset value, beginning of period, based on weighted average shares	3.38	3.40
Net asset value, end of period, based on weighted average shares	$ 3.50	$ 3.38
Per share market price, end of period	$ 2.80	$ 3.23
Total return based on market value	(13.31)%	(18.84%)
Total return based on net asset value	3.40%	(0.67)%
Supplemental data:		
Ratio of expenses before income taxes to average net assets	5.55%	10.24%
Ratio of expenses including taxes to average net assets	5.04%	7.87%
Ratio of net investment loss to average net assets	(1.13)%	(4.21)%
Portfolio turnover	6.2%	16.5%
Net assets, end of period	$ 23,834,747	$ 23,050,818
Weighted average shares outstanding, end of period	6,818,934	6,818,934

(1) Per share data are based on weighted average shares outstanding and the results are rounded

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

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 our consolidated financial statements and related notes included elsewhere in this report.

FORWARD LOOKING STATEMENTS

Statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this document 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, and in Section 21F of the Securities Exchange Act of 1934. Additional oral or written forward-looking statements may be made by the Corporation from time to time and those statements may be included in documents that are filed with the Securities and Exchange Commission. Such forward-looking statements involve risks and uncertainties that could cause results or outcomes to differ materially from those expressed in the forward-looking statements. Forward-looking statements may include, without limitation, statements relating to the Corporation's plans, strategies, objectives, expectations and intentions 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 state of the national economy and the local markets in which the Corporation's portfolio companies operate, the state of the securities markets in which the securities of the Corporation's portfolio companies trade or could be traded, liquidity within the national financial markets, and inflation. Forward-looking statements are also subject to the risks and uncertainties described in Part II, Item 1A of this report, the text of which is incorporated herein by reference.

There may be other factors that we have not identified that affect the likelihood that the forward-looking statements may prove to be accurate. Further, any forward-looking statement speaks only as of the date 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

The following discussion will describe the financial position and operations of Rand Capital Corporation (Rand) and its wholly-owned subsidiary Rand SBIC, Inc. (Rand SBIC) (collectively, the "Corporation").

Rand is incorporated in New York and has elected to operate as a business development company("BDC") under the 1940 Act. Its wholly-owned subsidiary, Rand SBIC, operates as a small business investment company ("SBIC") regulated by the Small Business Administration ("SBA"). Rand SBIC has filed an exemption application with the SEC which, if approved, will permit it to elect BDC status and engage in certain transactions which would be permitted if Rand and Rand SBIC were operated as a single entity, but which are not permitted between a parent BDC and a wholly-owned subsidiary BDC without specific exemption.

The Corporation anticipates that most, if not all, of its investments in the next year will be originated through the SBIC subsidiary.

Business Developments

During the first nine months of 2011 the economy continued to improve following the recession that ended in late 2009. Despite an improvement in the economy over the last two years, the recovery may take longer than expected due to the persistently weak labor market and continued tight credit market, particularly for small businesses. To the extent financial market conditions continue to improve, the Corporation believes its financial condition and the financial condition of the portfolio companies should continue to improve as well. It remains difficult to forecast when future exits will happen.

The Corporation finalized its discussions with the SBA regarding the continuation of its participation in the SBIC program during the third quarter of 2011. The Corporation repaid $6,000,000 in outstanding leverage to the SBA during the third quarter of 2011 and the total outstanding SBA leverage at September 30, 2011 was $4,000,000. In addition, subsequent to quarter end, the Corporation contributed an additional $1,000,000 in regulatory capital to its Rand SBIC subsidiary and received approval from the SBA that Rand SBIC was approved for $8,000,000 in new SBA leverage.

Critical Accounting Policies

The Corporation prepares its consolidated financial statements in accordance with U.S. 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 the Corporation’s December 31, 2010 Form 10-K under Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Financial Condition

Overview:

	9/30/11	12/31/10	(Decrease) Increase	% (Decrease) Increase
Total assets	$ 30,206,268	$ 35,091,260	$ (4,884,992)	(13.9%)
Total liabilities	6,371,521	12,040,442	(5,668,921)	(47.1%)
Net assets	$ 23,834,747	$ 23,050,818	$ 783,929	3.4%

The Corporation's financial condition is dependent on the success of its portfolio holdings. The following summarizes the Corporation's investment portfolio at the period-ends indicated.

	9/30/11	12/31/10	(Decrease) Increase	% (Decrease) Increase
Investments, at cost	$ 12,208,977	$ 13,573,041	$ (1,364,064)	(10.0%)
Unrealized appreciation, net	9,488,015	5,791,584	3,696,431	63.8%
Investments at fair value	$ 21,696,992	$ 19,364,625	$ 2,332,367	12.0%

The change in investments, at cost, is comprised of the following:

	Amount
New Investments	
Liazon Corporation (Liazon)	$ 819,999
Chequed.com, Inc (Chequed)	250,000
SOMS Technologies, LLC (SOMS)	101,945
Total of new investments during the nine months ended September 30, 2011	$ 1,171,944
Changes to Investments:	
Microcision LLC (Microcision) interest conversion	$ 72,285
Liazon note accretion	37,000
Total of changes to investments during the nine months ended September 30, 2011	$ 109,285
Investment Repaid/Sold or Liquidated:	
Niagara Dispensing Technologies, Inc. (Niagara Dispensing)	$ (1,780,613)
Liazon	(500,000)
Associates Interactive (Associates)	(293,518)
Gemcor II, LLC (Gemcor)	(71,162)
Total of investments repaid, sold or liquidated during the nine months ended September 30, 2011	$ (2,645,293)
Total change in investments, at cost, during the nine months ended September 30, 2011	$ (1,364,064)

Net asset value (NAV) was $3.50/share at September 30, 2011 versus $3.38/share at December 31, 2010.

The Corporation paid off $6,000,000 in SBA outstanding leverage during the third quarter of 2011 and the outstanding SBA leverage at September 30, 2011 is $4,000,000.

The Corporation's total investments at fair value, as estimated by management and approved by the Board of Directors, approximated 91% of net assets at September 30, 2011 compared to 84% of net assets at December 31, 2010.

Cash and cash equivalents approximated 19% of net assets at September 30, 2011 compared to 51% at December 31, 2010.

Results of Operations

Investment Income

The Corporation's investment objective is to achieve long-term capital appreciation on its equity investments while maintaining a current cash flow from its debenture and pass through equity instruments. Therefore, the Corporation invests in a mixture of debenture and equity instruments, which will provide a current return on a portion of the investment portfolio. The equity features contained in the Corporation's investment portfolio are structured to realize capital appreciation over the long-term and may not generate current income in the form of dividends or interest. In addition, the Corporation earns interest income from investing its idle funds in money market instruments held at high grade financial institutions.

Comparison of the nine months ended September 30, 2011 to the nine months ended September 30, 2010

	September 30, 2011	September 30, 2010	Increase	% Increase
Interest from portfolio companies	$ 549,845	$ 523,921	$ 25,924	4.9%
Interest from other investments	26,909	15,959	10,950	68.6%
Dividend and other investment income	324,856	62,511	262,345	419.7%
Other income	14,680	11,853	2,827	23.9%
Total investment income	$ 916,290	$ 614,244	$ 302,046	49.2%

Interest from portfolio companies — The portfolio interest income increase is due to the accretion of $37,000 of Original Issue Discount (OID) income on the Liazon investment. OID income is created when the Corporation invests in a debenture instrument that has a warrant attached to the instrument. This transaction requires an allocation of a portion of the investment cost to the warrant and reduces the debt instrument by an equal amount in the form of a note discount or OID. The note is then reported net of the discount and the discount is accreted into income over the life of the debenture instrument. The debt instrument associated with this OID was paid in full during the second quarter of 2011 and therefore all of the remaining OID was recognized as income.

After reviewing the portfolio companies' performance and the circumstances surrounding the investments, the Corporation has ceased accruing interest income on the following investment instrument:

Company	Interest Rate	Investment Cost	Year that Interest Accrual Ceased
G-Tec Natural Gas Systems (G-Tec)	8%	$ 400,000	2004

Interest from other investments — The increase in interest from other investments is primarily due to higher cash balances and higher interest yields throughout the first nine months of the current year. The cash balance at September 30, 2011 and 2010 was $4,504,418 and $10,125,367, respectively. The Corporation paid off $6,000,000 in outstanding SBA leverage in early September 2011 therefore reducing the cash balance at September 30, 2011.

Dividend and other investment income — Dividend income is comprised of distributions from Limited Liability Companies (LLCs) in which the Corporation has invested. The Corporation's investment agreements with certain LLCs require the LLCs to distribute funds to the Corporation for payment of income taxes on its allocable share of the LLCs profits. These dividends will fluctuate based upon the profitability of the LLCs and the timing of the distributions. In addition, in the current year the Corporation has begun to receive dividends from a non-LLC portfolio company.

Dividend income for the nine months ended September 30, 2011 consisted of a distribution from New Monarch Machine Tool, Inc. (Monarch) for $146,182, Gemcor II, LLC (Gemcor) for $174,357 and Carolina Skiff LLC (Carolina Skiff) for $4,317. The Corporation exited its debt investment in Monarch in 2008 and still retains a small ownership in the company. Monarch started distributing its profits to its investors during 2011. Dividend income for the nine months ended September 30, 2010 consisted of a distribution from Somerset Gas Transmission Company (Somerset) for $32,191 and Gemcor for $30,320.

Other income — Other income consists of the revenue associated with the amortization of financing fees charged to the portfolio companies upon successful closing of Rand SBIC financings. SBA regulations limit the amount of fees that can be charged to a portfolio company, and the Corporation typically charges 1% to 3% to the portfolio companies. These fees are amortized ratably over the life of the instrument associated with the fees and recognized in full when the debt is repaid. The unamortized fees are carried on the balance sheet under "Deferred revenue". In addition, other income includes fees charged by the Corporation to its portfolio companies for attendance at the portfolio companies' board meetings.

The income associated with the amortization of financing fees was $5,650 and $1,853 for the nine months ended September 30, 2011 and 2010, respectively. There is no income expected from the annualized financing fees for the remainder of 2011.

The income associated with board attendance fees was $9,000 for the nine months ended September 30, 2011 and $10,000 for the nine months ended September 30, 2010.

Operating Expenses

Comparison of the nine months ended September 30, 2011 to the nine months ended September 30, 2010

	September 30, 2011	September 30, 2010	Decrease	% Decrease
Total Expenses	$ 1,301,529	$ 1,625,482	$ (323,953)	(19.9%)

Operating expenses predominately consist of interest expense on outstanding SBA borrowings, compensation expense, and general and administrative expenses including shareholder and office expenses and professional fees.

The decrease in operating expenses during the nine months ended September 30, 2011 is comprised primarily of a 51% or $368,900 decrease in salary expense. Salary expense decreased due to the fact that the Corporation accrued $380,000 in profit sharing obligations during the nine months ended September 30, 2010 and there was no amount accrued for profit sharing for the nine months ended September 30, 2011. This expense decrease is offset by the 12% or $52,044 increase in SBA interest expense due to the fact that the Corporation expensed the remaining unamortized SBA commitment and draw fees on the $6,000,000 debentures repaid during the third quarter of 2011.

Table of Contents

Net Realized Gains and Losses on Investments

During the nine months ended September 30, 2011, the Corporation recognized a realized loss of ($1,780,612) on Niagara Dispensing and a loss of ($293,519) on Associates Interactive LLC (Associates).

The Corporation recognized a realized loss of ($1,780,612) on its investment in Niagara Dispensing Technologies, Inc. after the company was sold during the second quarter of 2011. As part of the sale proceeds, the Corporation was given a multi-year royalty on future product sales. The Corporation evaluated the new entity's business projections and determined that its investment has a value of $73,500 at September 30, 2011. Associates ceased doing business in the first quarter of 2011.

During the nine months ended September 30, 2010 the Corporation sold its investment in Innov-X Systems, Inc. to Olympus NDT Corporation and recognized a realized gain from the sale of $4,361,329. In addition, the Corporation sold its investment in Bioworks, Inc. and recognized a $49,830 realized loss.

Net Change in Unrealized Appreciation of Investments

The Corporation recorded a net increase in unrealized appreciation on investments of $3,696,431 during the nine months ended September 30, 2011 and a decrease of ($4,992,508) during the nine months ended September 30, 2010.

The increase in unrealized appreciation for the nine months ended September 30, 2011 was comprised of the following items:

	September 30, 2011
Reclass Niagara Dispensing to realized loss	$ 1,729,112
Synacor, Inc. (Synacor)	1,531,999
Reclass Associates to a realized loss	293,519
Liazon	141,801
Total change in net unrealized appreciation during the nine months ended September 30, 2011	$ 3,696,431

The Corporation increased its value in Synacor based on an analysis of the financial and operational growth of the portfolio company.

In accordance with its valuation policy, the Corporation increased the value of its holdings in Liazon based on a significant equity financing during the second quarter of 2011 by a new non-strategic outside investor that had a higher valuation for this portfolio company.

The decrease in unrealized appreciation of ($4,992,508) for the nine months ended September 30, 2010 was comprised of the following items:

	September 30, 2010
GridApp Systems, Inc.	$ 295,935
Bioworks, Inc.	56,000
SOMS	55,717
Photonics Products Group, Inc (Photonics)	2
Niagara Dispensing	(350,162)
Innov-X Systems, Inc. (Innovex)	(5,050,000)
Total change in net unrealized appreciation during the nine months ended September 30, 2010	$ (4,992,508)

The Corporation's removed the unrealized depreciation on the GridApp investment and the security was valued at cost. The increase in value was based on a review of GridApp's financial and sales performance, its net distribution model and recent fundraising that took place in 2010.

In accordance with its valuation policy, the Corporation increased the value of its holdings in SOMS based on a significant equity financing in June 2010 by a new non-strategic outside investor that resulted in a higher valuation for this portfolio company.

The Corporation removed the unrealized appreciation on Innovex and its unrealized depreciation on Bioworks due to the sale of the securities.

The Niagara Dispensing investment was written down $350,162 during the nine months ended September 30, 2010 after a review by the Corporation's management of the company's financials and an analysis of the liquidation preferences of senior securities.

Photonic is a publicly traded stock (NASDAQ symbol: PHPG.OB) and is marked to market at the end of each quarter.

All of these value adjustments resulted from a review by management using the guidance set forth by ASC 820 and the Corporation's established valuation policy.

Net Increase (Decrease) in Net Assets from Operations

The Corporation accounts for its operations under GAAP for investment companies. The principal measure of its financial performance is "net increase (decrease) in net assets from operations" on its consolidated statements of operations. For the nine months ended September 30, 2011, the net increase in net assets from operations was $783,929 as compared to a net decrease in net assets from operations of ($1,039,632) for the same nine month period in 2010. The increase for the nine months ending September 30, 2011 is a result of a ($265,761) net investment loss and a net realized and unrealized gain, net of tax, of $1,049,690. The decrease for the nine months ending September 30, 2010 is a result of a ($623,491) net investment loss and a net realized and unrealized loss, net of tax, of ($416,141).

Liquidity and Capital Resources

The Corporation's principal objective is to achieve capital appreciation. Therefore, a significant portion of the investment portfolio is structured to maximize the potential for capital appreciation and certain portfolio investments may be structured to provide little or no current yield in the form of dividends or interest payments.

As of September 30, 2011 the Corporation's total liquidity, consisting of cash and cash equivalents, was $4,504,418.

During the third quarter of 2011, the Corporation finalized its discussions with the SBA regarding receiving an additional leverage commitment from the SBA. During September 2011 the Corporation repaid $6,000,000 in existing SBA leverage and subsequent to quarter end, contributed $1,000,000 of additional regulatory capital into the Rand SBIC, Inc. subsidiary. In addition, subsequent to quarter end, the SBA approved $8,000,000 in new SBA leverage.

Management expects that cash and cash equivalents at September 30, 2011, coupled with the scheduled interest and dividend payments on its portfolio investments and the additional SBIC leverage draw downs, will be sufficient to meet the Corporation's cash needs throughout the next twelve months. The Corporation is anticipating potential exits from portfolio companies to increase the amount of liquidity available, however these events are difficult to predict with any certainty and are subject to inherent market risks and volatility.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Corporation's investment activities contain elements of risk. The portion of the Corporation's investment portfolio consisting of equity and debt securities in private companies is subject to valuation risk. Because there is typically no public market for the equity and equity-linked debt securities in which it invests, the valuation of the equity interests in the portfolio is stated at "fair value" as determined in good faith by the management of the Corporation and submitted to the Board of Directors for approval. This is in accordance with the Corporation's investment valuation policy. (The discussion of valuation policy contained in "Note 3. — Investments" in the consolidated financial statements contained in Item 1 of this report is hereby incorporated herein by reference.) In the absence of readily ascertainable market values, the estimated value of the Corporation's portfolio may differ significantly from the values that would be placed on the portfolio if a ready market for the investments existed. Any changes in valuation are recorded in the Corporation's consolidated statement of operations as "Net unrealized appreciation on investments."

At times the Corporation's portfolio may include marketable securities traded in the over-the-counter market. In addition, there may be securities in the Corporation's 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, the Corporation may not be able to realize the fair value of its marketable investments or other investments in a timely manner.

As of September 30, 2011 the Corporation did not have any off-balance sheet investments or hedging investments.

Item 4. Controls and Procedures

Evaluation of 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 the end of the period covered by this report. 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 the end of the period covered by this report. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Control over Financial Reporting.

During the quarter ended September 30, 2011, no significant changes occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II.
OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

See Part I, Item 1A, “Risk Factors,” of the 2010 Annual Report on Form 10-K for the year ended December 31, 2010. The Risk Factors from our 2010 report on Form 10-K remains applicable with the exception of the following additions:

Fluctuations of Quarterly Results

The Corporation’s quarterly operating results could fluctuate as a result of a number of factors. These factors include, among others, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which portfolio companies encounter competition in their markets and general economic conditions. As a result of these factors, results for any one quarter should not be relied upon as being indicative of performance in future quarters.

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

None

Item 3. Defaults upon Senior Securities

None

Item 4. (Removed and Reserved)

Item 5. Other Information

None

Table of Contents

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)(i)	Certificate of Incorporation of the Corporation, incorporated by reference to Exhibit (a) (1) of Form N-2 filed with the Securities Exchange Commission on April 22, 1997.
(3)(ii)	By-laws of the Corporation incorporated by reference to Exhibit (b) of Form N-2 filed with the Securities Exchange Commission on April 22, 1997.
(4)	Specimen certificate of common stock certificate, incorporated by reference to Exhibit (b) of Form N-2 filed with the Securities Exchange Commission on April 22, 1997.
(10.1)	Employee Stock Option Plan — incorporated by reference to Appendix B to the Corporation's definitive Proxy Statement filed on June 1, 2002.*
(10.2)	Certificate of Incorporation of Rand Merger Corporation as filed by the NY Department of State on 12/18/08 — incorporated by reference to Exhibit 1(a) to Registration Statement No. 811-22276 on Form N-5 of Rand Capital SBIC, Inc. filed with the SEC on 2/6/09.
(10.3)	By-laws of Rand Capital SBIC, Inc. — incorporated by reference to Exhibit 2 to Registration Statement No. 811-22276 on Form N-5 of Rand Capital SBIC, Inc. filed with the SEC on 2/6/09.
(10.4)	Certificate of Merger of Rand Capital SBIC, L.P. and Rand Capital Management, LLC into Rand Merger Corporation, as filed by the NY Department of State on 12/18/08 — incorporated by reference to Exhibit 1(b) to Registration Statement No. 811-22276 on Form N-5 of Rand Capital SBIC, Inc. filed with the SEC on 2/6/09.
(10.5)	Rand Capital Corporation Amended and Restated Profit Sharing Plan applicable to Rand Capital SBIC, Inc. — incorporated by reference to Exhibit 7 to Registration Statement No. 811-22276 on Form N-5 of Rand Capital SBIC, Inc. filed with the SEC on 2/6/09.*
(31.1)	Certification of the Chief 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 Chief 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 — furnished herewith
(32.2)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 — Rand Capital SBIC, Inc. — furnished herewith

* Management contract or compensatory plan.

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, 2011

RAND CAPITAL CORPORATION

By: /s/ Allen F. Grum
Allen F. Grum, President

By: /s/ Daniel P. Penberthy
Daniel P. Penberthy, Treasurer

RAND CAPITAL SBIC, INC.

By: /s/ Allen F. Grum
Allen F. Grum, President

By: /s/ Daniel P. Penberthy
Daniel P. Penberthy, Treasurer

EXHIBIT 31.1

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

I, Allen F. Grum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rand Capital Corporation and subsidiaries:

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 report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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 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 controls 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, 2011

/s/ Allen F. Grum
Allen F. Grum, President
(Chief Executive Officer of Rand Capital Corporation and
Chief Executive Officer of Rand Capital SBIC, Inc.)

EXHIBIT 31.2

CERTIFICATION
Chief Financial Officer 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 and subsidiaries:

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 report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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 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 controls 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, 2011

/s/ Daniel P. Penberthy
Daniel P. Penberthy, Treasurer
(Chief Financial Officer of Rand Capital Corporation and
Chief Financial Officer of Rand Capital SBIC, Inc.)

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, 2011 (the Form10-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, 2011

/s/ Allen F. Grum
Allen F. Grum, President
(Chief Executive Officer)

Dated: November 7, 2011

/s/ Daniel P. Penberthy
Daniel P. Penberthy, Treasurer
(Chief Financial Officer)

EXHIBIT 32.2

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 SBIC, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 (the Form10-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, 2011

/s/ Allen F. Grum
Allen F. Grum, President of Rand Capital SBIC, Inc.
Chief Executive Officer of Rand Capital SBIC, Inc.

Dated: November 7, 2011

/s/ Daniel P. Penberthy
Daniel P. Penberthy, Treasurer of Rand Capital SBIC, Inc.
Chief Financial Officer of Rand Capital SBIC, Inc.