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 June 30, 2021

☐ **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	☐	Accelerated filer	☐
Non-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 August 9, 2021, there were 2,582,169 shares of the registrant's common stock outstanding.

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PART I. – FINANCIAL INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements and Supplementary Data

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Investments at fair value:		
Control investments (cost of $1,753,590 and $0, respectively)	**$ 602,569**	$ —
Affiliate investments (cost of $21,817,833 and $14,835,885, respectively)	**20,873,147**	13,891,199
Non-Control/Non-Affiliate investments (cost of $23,525,430 and $25,884,428, respectively)	**38,331,679**	26,157,302
Total investments, at fair value (cost of $47,096,853 and $40,720,313, respectively)	**59,807,395**	40,048,501
Cash and cash equivalents	**12,944,885**	20,365,415
Interest receivable (net of allowance of $15,000)	**287,702**	258,186
Prepaid income taxes	**215,883**	220,740
Other assets	**182,563**	74,100
Total assets	**$73,438,428**	$60,966,942
LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)		
Liabilities:		
Debentures guaranteed by the SBA (net of debt issuance costs)	**$10,843,425**	$10,824,587
Dividend payable	**—**	3,434,117
Accounts payable and accrued expenses	**161,093**	171,373
Due to investment adviser	**212,907**	156,999
Capital gains incentive fees	**3,660,000**	—
Deferred revenue	**332,126**	153,895
Deferred taxes	**109,056**	121,141
Total liabilities	**15,318,607**	14,862,112
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: 2,582,169	**264,892**	264,892
Capital in excess of par value	**52,003,545**	52,003,545
Treasury stock, at cost: 66,747 shares at 6/30/21 and 12/31/20	**(1,545,834)**	(1,545,834)
Total distributable earnings	**7,397,218**	(4,617,773)
Total stockholders' equity (net assets) (per share – 6/30/21: $22.51, 12/31/20: $17.86)	**58,119,821**	46,104,830
Total liabilities and stockholders' equity (net assets)	**$73,438,428**	$60,966,942

See accompanying notes

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Investment income:				
Interest from portfolio companies:				
Control investment	**$ 2,867**	$ —	**$ 2,867**	$ —
Affiliate investments	**295,085**	170,262	**614,501**	309,108
Non-Control/Non-Affiliate investments	**344,254**	400,424	**735,600**	797,279
Total interest from portfolio companies	**642,206**	570,686	**1,352,968**	1,106,387
Interest from other investments:				
Non-Control/Non-Affiliate investments	**243**	2,754	**12,870**	86,004
Total interest from other investments	**243**	2,754	**12,870**	86,004
Dividend and other investment income:				
Affiliate investments	**13,125**	13,125	**108,051**	26,250
Non-Control/Non-Affiliate investments	**123,922**	81,313	**275,665**	81,313
Total dividend and other investment income	**137,047**	94,438	**383,716**	107,563
Fee income:				
Affiliate investments	**24,562**	4,167	**63,918**	5,417
Non-Control/Non-Affiliate investments	**6,979**	2,500	**13,957**	5,000
Total fee income	**31,541**	6,667	**77,875**	10,417
Total investment income	**811,037**	674,545	**1,827,429**	1,310,371
Expenses:				
Base management fee (see Note 8)	**212,907**	141,386	**388,516**	281,763
Capital gains incentive fees (see Note 8)	**1,060,000**	—	**3,660,000**	—
Interest on SBA obligations	**104,190**	104,190	**208,380**	208,380
Professional fees	**123,991**	77,917	**284,124**	257,036
Stockholders and office operating	**69,661**	116,299	**141,083**	167,844
Directors’ fees	**38,900**	28,375	**75,400**	56,750
Insurance	**9,380**	7,400	**19,707**	18,068
Corporate development	**821**	132	**8,303**	2,006
Other operating	**108**	107	**108**	465
Total expenses	**1,619,958**	475,806	**4,785,621**	992,312
Net investment (loss) income before income taxes	**(808,921)**	198,739	**(2,958,192)**	318,059
Income tax expense (benefit)	**1,966**	—	**19,723**	(419,101)
Net investment (loss) income	**(810,887)**	198,739	**(2,977,915)**	737,160
Net realized gain on sales and dispositions of investments:				
Control investments	**—**	—	**—**	—
Affiliate investments	**—**	—	**135,430**	—
Non-Control/Non-Affiliate investments	**1,817,350**	18,595	**1,992,675**	2,412,046
Income tax benefit	**—**	—	**—**	—

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Net realized gain on sales and dispositions of investments	**1,817,350**	18,595	**2,128,105**	2,412,046
Net change in unrealized appreciation/ depreciation on investments:				
Affiliate investments	**—**	(5,613)	**—**	(515,804)
Non-Control/Non-Affiliate investments	**3,495,322**	211,850	**13,382,354**	(6,282)
Change in unrealized appreciation/ depreciation before income taxes	**3,495,322**	206,237	**13,382,354**	(522,086)
Deferred income tax expense	**951**	—	**951**	1,773,412
Net change in unrealized appreciation/ depreciation on investments	**3,494,371**	206,237	**13,381,403**	(2,295,498)
Net realized and unrealized gain on investments	**5,311,721**	224,832	**15,509,508**	116,548
Net increase in net assets from operations	**$4,500,834**	$ 423,571	**$12,531,593**	$ 853,708
Weighted average shares outstanding	**2,582,169**	2,103,093	**2,582,169**	1,950,058
Basic and diluted net increase in net assets from operations per share	**$ 1.74**	$ 0.20	**$ 4.85**	$ 0.44

See accompanying notes

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net assets at beginning of period	**$53,877,204**	$54,058,653	**$46,104,830**	$53,628,516
Net investment (loss) income	**(810,887)**	198,739	**(2,977,915)**	737,160
Net realized gain on sales and dispositions of investments	**1,817,350**	18,595	**2,128,105**	2,412,046
Net change in unrealized appreciation/ depreciation on investments	**3,494,371**	206,237	**13,381,403**	(2,295,498)
Net increase in net assets from operations	**4,500,834**	423,571	**12,531,593**	853,708
Purchase of treasury shares	—	(14,304)	—	(14,304)
Declaration of dividend	**(258,217)**	(4,756,606)	**(516,602)**	(4,756,606)
Net assets at end of period	**$58,119,821**	$49,711,314	**$58,119,821**	$49,711,314

See accompanying notes

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

	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash flows from operating activities:		
Net increase in net assets from operations	**$ 12,531,593**	$ 853,708
Adjustments to reconcile net increase in net assets to net cash (used in) provided by operating activities:		
Investments in portfolio companies	**(11,273,836)**	(4,047,503)
Proceeds from sale of portfolio investments	**3,491,060**	4,557,542
Proceeds from loan repayments	**3,750,430**	—
Net realized gain on sales and dispositions of portfolio investments	**(2,128,105)**	(2,412,046)
Change in unrealized (appreciation) depreciation on investments before income taxes	**(13,382,354)**	522,086
Deferred income tax (benefit) expense	**(12,085)**	1,427,175
Depreciation and amortization	**18,838**	18,837
Original issue discount amortization	**(99,671)**	(29,303)
Non-cash conversion of debenture interest	**(116,418)**	(175,596)
Changes in operating assets and liabilities:		
Increase in interest receivable	**(29,516)**	(228,038)
(Increase) decrease in other assets	**(108,463)**	205,965
Decrease in prepaid income taxes	**4,857**	308,025
Decrease in accounts payable and accrued expenses	**(10,280)**	(49,718)
Increase in due to investment adviser	**55,908**	91,935
Increase in capital gains incentive fees payable	**3,660,000**	—
Decrease in bonus payable	—	(80,000)
Increase in deferred revenue	**178,230**	49,585
Total adjustments	**(16,001,405)**	158,946
Net cash (used in) provided by operating activities	**(3,469,812)**	1,012,654
Cash flows from financing activities:		
Payment of cash dividend	**(3,950,718)**	(4,756,606)
Purchase of treasury shares	—	(14,304)
Net cash used in financing activities	**(3,950,718)**	(4,770,910)
Net decrease in cash and cash equivalents	**(7,420,530)**	(3,758,256)
Cash and cash equivalents:		
Beginning of period	**20,365,415**	25,815,720
End of period	**$ 12,944,885**	$22,057,464

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
June 30, 2021
(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 – 66.0% of net assets: (j)						
ACV Auctions, Inc. NASDAQ: ACVA (e)(g)(n)(o) Buffalo, NY. Live mobile wholesale auctions for new and used car dealers. (Software) www.acvauctions.com	442,935 Restricted Class B Common stock valued at $23.61 per share. Restricted until September 20, 2021.	8/12/16	<1%	$ 122,250	$ 10,457,99	24.3%
	147,645 Class A Common stock valued at $24.85.			40,750	3,669,470	
	Total ACV			163,000	14,127,461	
Advantage 24/7 LLC (g) (h) Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company) www.advantage24-7.com	$140,000 Term Note at 7% due January 1, 2022.	1/1/19	0%	40,000	40,000	0.1%
Ares Capital Corporation NASDAQ: ARCC (n) New York, NY. (BDC Investment Fund)	27,000 shares.	3/16/20	<1%	343,460	529,560	0.9%
Barings BDC, Inc. NYSE: BBDC (n) New York, NY. (BDC Investment Fund)	40,000 shares.	8/13/20	<1%	333,352	427,200	0.7%
Caitec, Inc. 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%	1,773,076	1,773,076	6.6%
	150 Class A Units.	11/6/20	2%	150,000	150,000	
	(g) $1,750,000 Subordinated Secured Promissory Note at 12% (+2% PIK) due June 1, 2026.	11/6/20		1,773,076	1,773,076	
	(g) 150 Class A Units.	11/6/20		150,000	150,000	
	Total Caitec			3,846,152	3,846,152	
Centivo Corporation (e)(g) New York, NY. Tech-enabled health solutions company that helps self-insured employers and their employees save money and have a better experience. (Health Care) www.centivo.com	190,967 Series A-1 Preferred.	3/19/18	<1%	200,000	320,042	2.4%
	337,808 Series A-2 Preferred.	3/19/18		101,342	566,132	
	298,347 Series B Preferred.	11/9/20		500,000	500,000	
	Total Centivo			801,342	1,386,174	
First Wave Technologies, Inc. (e)(g) Batavia, NY. Sells First Crush automated pill crusher that crushes and grinds pills for nursing homes and medical institutions. (Health Care) www.firstwavetechnologies.com	670,443.2 Class A Common.	4/19/12	2%	661,563	33,000	0.1%
FS KKR Capital Corp. NYSE: FSK (n) Philadelphia, PA. (BDC Investment Fund)	54,000 shares.	3/16/20	<1%	849,438	1,153,980	2.0%
Golub Capital BDC, Inc. NASDAQ: GBDC (n) New York, NY. (BDC Investment Fund)	31,250 shares.	3/16/20	<1%	403,910	484,688	0.8%
GoNoodle, Inc. (g)(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%	1,525,136	1,525,136	2.6%
	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			1,525,199	1,525,199	

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
June 30, 2021 (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
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%	1,287,995	1,287,995	2.2%
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	1.5%
Mattison Avenue Holdings LLC (l) Dallas, TX. Provider of upscale salon spaces for lease. (Professional Services) www.mattisonsalonsuites.com	$1,794,944.92 Third Amended, Restated and Consolidated Promissory Note at 14% (2% PIK) due June 9, 2022.	6/23/21	0%	1,800,906	1,800,906	3.1%
Mercantile Adjustment Bureau, LLC (g) Williamsville, NY. Full-service accounts receivable management and collections company. (Contact Center) www.mercantilesolutions.com	$1,199,039 Subordinated Secured Note at 13% (8% effective August 2020) due January 31, 2022.	10/22/12	4%	1,199,040	500,000	0.9%
	(e) $150,000 Subordinated Debenture at 8% due January 31, 2022.	6/30/14		150,000	—	
	Warrant for 3.29% Membership Interests. Option for 1.5% Membership Interests.	10/22/12		97,625	—	
	Total Mercantile			1,446,665	500,000	
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.	11/13/13	3%	1,193,697	2,785,000	9.6%
	397,899 Common.	10/22/19		208,243	2,785,000	
	Total Open Exchange			1,401,940	5,570,000	
Owl Rock Capital Corporation NYSE:ORRC (n) New York, NY. (BDC Investment Fund)	30,000 shares.	3/16/20	<1%	347,067	433,100	0.7%
PennantPark Investment Corporation NASDAQ: PNNT (n) New York, NY. (BDC Investment Fund)	195,000 shares.	8/13/20	<1%	892,212	1,300,000	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.	10/29/09	4%	—	—	1.2%
	(g) 1,839,422 Series A Preferred.	12/12/13		2,099,999	—	
	(g) 50,593 Common.	10/24/09		—	—	
	(g) 589,420 Series B Preferred.	9/29/15		702,732	702,732	
	Total Rheonix			2,802,731	702,732	
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.	4/5/13	4%	500,000	92,425	0.6%
	1,204,819 Series B-1 Preferred.	4/8/14		750,000	138,637	
	717,772 Series C Preferred.	6/26/15		500,000	92,425	
	Total Social Flow			1,750,000	323,487	

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
June 30, 2021 (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
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%
TCG BDC, Inc. NASDAQ: CGBD (n) New York, NY. (BDC Investment Fund)	86,000 shares.	8/13/20	<1%	899,749	1,150,393	2.0%
Subtotal Non-Control/Non-Affiliate Investments				**$23,525,430**	**$38,331,679**	
Affiliate Investments – 35.9% of net assets (k)						
BMP Swanson Holdco, LLC (g)(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.	3/4/21	9%	$ 1,600,000	$ 1,600,000	3.2%
	Preferred Membership Interest for 9.29%.	3/4/21		233,333	233,333	
	Total BMP Swanson			1,833,333	1,833,333	
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	1,500,000	2.6%
Filterworks Acquisition USA, LLC (l)(m) Deerfield Beach, FL. Provides spray booth equipment, frame repair machines and paint booth filter services for collision shops. (Automotive) www.filterworksusa.com	$2,283,702 Term Note at 12% (+2% PIK) due December 4, 2023.	11/8/19	9%	2,373,519	2,373,519	5.1%
	562.5 Class A Units.			562,500	562,500	
	Total Filterworks			2,936,019	2,936,019	
ITA Acquisition, LLC (m) Ormond Beach, FL. Blind and shade manufacturing. (Manufacturing) www.itainc.com	$1,900,000 Term Note at 12% (+2% PIK) due June 22, 2026.	6/22/21	24%	1,900,000	1,900,000	6.7%
	(g) $1,500,000 Term Note at 12% (+2% PIK) due June 22, 2026.	6/22/21		1,500,000	1,500,000	
	(g) 500 Class A Preferred Units and 500 Class B Common Units.	6/22/21		500,000	500,000	
	Total ITA			3,900,000	3,900,000	
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	544,860	1.7%
	1,876,922 Series B Preferred.	6/9/14		479,155	479,155	
	Total Knoa			1,229,155	1,024,015	
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	95,000	0.2%
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	22,841	0.0%

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
June 30, 2021 (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
OnCore Golf Technology, Inc. (e)(g)	300,483 Preferred AA.	11/30/18	5%	752,712	300,000	0.5%
Buffalo, NY. Patented and proprietary golf balls utilizing technology and innovation.						
(Consumer Product)						
www.oncoregolf.com						
SciAps, Inc. (e)(g)	187,500 Series A Preferred.	7/12/13	6%	1,500,000	—	2.9%
Woburn, MA. Instrumentation company producing portable analytical devices using XRF, LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements.	274,299 Series A1 Convertible Preferred.	4/4/14		504,710	—	
(Manufacturing)	117,371 Series B Convertible Preferred.	8/31/15		250,000	—	
www.sciaps.com	113,636 Series C Convertible Preferred.	4/7/16		175,000	—	
	369,698 Series C1 Convertible Preferred.	4/7/16		399,274	—	
	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 Secured Subordinated Promissory Note at 12% due April 23, 2023.	4/23/20		1,472,500	1,472,500	
	Total SciAps			4,596,484	1,722,500	
	(i) Interest receivable $213,500.					
Seybert's Billiards Corporation	$1,400,000 Term Note at 12% (+2% PIK) due January 19, 2026.	1/19/21	4%	1,389,712	1,389,712	4.9%
Coldwater, MI. Billiard supplies.	Warrant for 4%.	1/19/21		25,000	25,000	
(Consumer Product)	**(g)** $1,400,000 Term Note at 12% (+2% PIK) due January 19, 2026.	1/19/21		1,389,712	1,389,712	
www.seyberts.com	Warrant for 4%.	1/19/21		25,000	25,000	
	Total Seybert's			2,829,424	2,829,424	
Tilson Technology Management, Inc. (g)	*120,000 Series B Preferred.	1/20/15	9%	600,000	1,950,000	8.1%
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.	*21,391 Series C Preferred.	9/28/16		200,000	347,604	
	*70,176 Series D Preferred.	9/29/17		800,000	1,140,360	
	*15,385 Series E Preferred.	3/15/19		500,012	500,012	
	211,567 SQF Hold Co. Common.	3/15/19		—	22,036	
	23,077 Series F Preferred.	6/15/20		750,003	750,003	
(Professional Services)	**Total Tilson**			2,850,015	4,710,015	
www.tilsontech.com	*2.5% dividend payable quarterly.					
Subtotal Affiliate Investments				**$21,817,833**	**$ 20,873,147**	
Control Investments – 1.0% of net assets (p)						
Empire Genomics, Corp. (g)	$444,915.88 Secured Promissory Note at 8% due December 31, 2026.	5/3/21	29%	$ 444,915	$ 444,915	1.0%
Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay	1,576,499 common shares	5/3/21		1,308,675	157,654	
services for diagnosing and guiding patient	**Total Empire**			1,753,590	602,569	
therapeutic treatments. (Health Care)						
www.empiregenomics.com						
Subtotal Control Investments				**$ 1,753,590**	**$ 602,569**	
TOTAL INVESTMENTS – 102.9%				**$47,096,853**	**$ 59,807,395**	
OTHER ASSETS IN EXCESS OF LIABILITIES – (2.9%)					**($ 1,687,574)**	
NET ASSETS – 100%					**$ 58,119,821**	

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
June 30, 2021 (Continued)
(Unaudited)

Notes to the Consolidated Schedule of Portfolio Investments

(a) At June 30, 2021, restricted securities represented 85% of the fair value of the investment portfolio. This includes $10,457,991, or 18% of the portfolio, of restricted and currently non-saleable shares of ACV Auctions, Inc. (NASDAQ: ACVA) (“ACV”). 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 June 30, 2021, ASC 820 designates 67% of the Corporation’s investments as “Level 3” assets, and also identifies the restricted holdings of ACVA, 18% of investments as Level 2 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 by our external investment advisor Rand Capital Management, LLC (“RCM”) and submitted to the Board of Directors for approval. 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 June 30, 2021, the total cost of investment securities was approximately $47.1 million. Net unrealized appreciation was approximately $12.7 million, which was comprised of $23.5 million of unrealized appreciation of investment securities and ($10.8) million of unrealized depreciation of investment securities. At June 30, 2021, the aggregate gross unrealized gain for federal income tax purposes was $10.1 million and the aggregate gross unrealized loss for federal income tax purposes was ($11.3) million. The net unrealized loss for federal income tax purposes was ($1.2) million based on a tax cost of $40.9 million.

(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) 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 thoseNon-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 SBIC, Inc. for federal income tax and Regulated Investment Company (RIC) compliance.

(n) Publicly traded company.

(o) On March 24, 2021, ACV completed its initial public offering of its Class A common stock. The closing price for ACV’s Class A common stock was $25.63 per share on June 30, 2021. ACV’s Class A common stock had a trading range on Nasdaq between $22.83 to $37.04 for the period April 1 through June 30, 2021. Rand’s ACV holdings consist of 147,645 shares of Class A common stock and 442,935 shares of Class B common stock. The Class A common stock are freely tradable and are valued at $24.85 per share, which is the average closing price of the Class A common stock for the last three trading days of the quarter. The Class B restricted common stock are nonsaleable through September 20, 2021, or earlier if certain conditions are met, and are valued at the average closing price of the Class A common stock for the last three trading days of the quarter and have been discounted due to the transfer restriction and are valued at $23.61 per share.

(p) 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.

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
June 30, 2021 (Continued)
(Unaudited)

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)	June 30, 2021 Fair Value	Net Realized (Losses) Gains	Amount of Interest/ Dividend / Fee Income (3)
Control Investments:								
Empire Genomics	$444,915.88 Secured Promissory Note at 8% due December 31, 2026.	$ —	$ —	$ 444,915	$ —	$ 444,915	$ —	$ 2,867
	1,576,499 common shares.	—	—	157,654	—	157,654	—	—
	Total Empire	$ —	$ —	$ 602,569	$ —	$ 602,569	$ —	$ 2,867
	Total Control Investments	**$ —**	**$ —**	**$ 602,569**	**$ —**	**$ 602,569**	**$ —**	**$ 2,867**
Affiliate Investments:								
BMP Swanson Holdco, LLC	$1,600,000 Term Note at 12% due September 4, 2026	$ —	$ —	$1,600,000	$ —	$1,600,000	$ —	$ 65,156
	Preferred Membership Interest for 9.29%	—	—	233,333	—	233,333	—	—
	Total BMP Swanson	—	—	1,833,333	—	1,833,333	—	65,156
Carolina Skiff LLC	6.0825% Class A Common Membership interest.	1,500,000	—	—	—	1,500,000	—	81,801
ClearView Social, Inc.	312,500 Series Seed Plus Preferred.	200,000	—	—	(200,000)	—	135,430	—
Filterworks Acquisition USA, LLC	$2,283,702 Term Note at 12%.	2,349,831	—	23,688	—	2,373,519	—	165,818
	562.5 Class A Units.	562,500	—	—	—	562,500	—	—
	Total Filterworks	2,912,331	—	23,688	—	2,936,019	—	165,818
ITA Acquisition	$1,900,000 Term Note at 12% (+2% PIK) due June 22, 2026.	—	—	1,900,000	—	1,900,000	—	5,911
	(g) $1,500,000 Term Note at 12% (+2% PIK) due June 22, 2026.	—	—	1,500,000		1,500,000	—	4,667
	(g) 500 Class A Preferred Units and 500 Class B Common Units.	—	—	500,000	—	500,000	—	—
	Total ITA	—	—	3,900,000		3,900,000	—	10,578
Knoa Software, Inc.	973,533 Series A-1 Convertible Preferred.	544,860	—	—	—	544,860	—	—
	1,876,922 Series B Preferred.	479,155	—	—	—	479,155	—	—
	Total Knoa	1,024,015	—	—	—	1,024,015	—	—
Mezmeriz, Inc.	1,554,565 Series Seed Preferred.	—	—	—	—	—	—	—
Microcision	$1,500,000 Subordinated Promissory Note at 10%.	1,411,997	—	88,003	(1,500,000)	—	—	126,711
	Membership Interest Purchase Warrant for 5%.	95,000	—	—	—	95,000	—	—
	Total Microcision	1,506,997	—	88,003	(1,500,000)	95,000	—	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.	—	—	—	—	—	—	—
	274,299 Series A-1 Convertible Preferred.	—	—	—	—	—	—	—
	117,371 Series B Convertible Preferred.	—	—	—	—	—	—	—
	113,636 Series C Convertible Preferred.	—	—	—	—	—	—	—
	369,698 Series C-1 Convertible Preferred.	—	—	—	—	—	—	—
	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	—	7,500	—	1,472,500	—	107,500
	Total SciAps	1,715,000	—	7,500	—	1,722,500	—	107,500

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Company	Type of Investment	January 1, 2021, Fair Value	Net Change in Unrealized Appreciation (Depreciation)	Gross Additions (1)	Gross Reductions (2)	June 30, 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.	—	—	1,389,712	—	1,389,712	—	108,376
	Warrant for 4%.	—	—	25,000		25,000	—	—
	(g) $1,400,000 Term Note at 12% (+2% PIK) due January 19, 2026.	—	—	1,389,712	—	1,389,712	—	94,280
	Warrant for 4%.	—	—	25,000	—	25,000	—	—
	Total Seybert's	—	—	**2,829,424**		**2,829,424**	**—**	**202,656**
Tilson Technology Management, Inc.	120,000 Series B Preferred.	1,950,000	—	—	—	1,950,000	—	26,250
	21,391 Series C Preferred.	347,604	—	—	—	347,604	—	—
	70,176 Series D Preferred.	1,140,360	—	—	—	1,140,360	—	—
	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	—	—	—	22,036	—	—
	Total Tilson	4,710,015	—	—	—	4,710,015	—	26,250
	Total Affiliate Investments	**$13,891,199**	**—**	**$8,681,948**	**($1,700,000)**	**$20,873,147**	**$135,430**	**$ 786,470**
	Total Control and Affiliate Investments	**$13,891,199**	**—**	**$9,284,517**	**($1,700,000)**	**$21,475,716**	**$135,430**	**$ 789,337**

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
June 30, 2021 (Continued)
(Unaudited)

Industry Classification	Percentage of Total Investments (at fair value) as of June 30, 2021
Software	39.2%
Professional Services	14.8
Manufacturing	14.8
Consumer Product	11.7
BDC Investment Fund	9.2
Automotive	4.9
Healthcare	4.6
Oil and Gas	0.8
Total Investments	**100%**

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2020

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 – 56.8% of net assets: (j)						
ACV Auctions, Inc. (e)(g) Buffalo, NY. Live mobile wholesale auctions for new and used car dealers. (Software) www.acvauctions.com	1,181,160 Series A Preferred.	8/12/16	<1%	$ 163,000	$6,531,815	14.2%
Advantage 24/7 LLC (g)(h) Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company) www.advantage24-7.com	$140,000 Term Note at 7% due January 1, 2022.	1/1/19	0%	55,000	55,000	0.1%
Apollo Investment Corporation NASDAQ: AINV (n) Public BDC New York, NY.	35,000 shares.	3/16/20	<1%	364,084	371,700	0.8%
Ares Capital Corporation NASDAQ: ARCC (n) Public BDC New York, NY.	27,000 shares.	3/16/20	<1%	343,460	451,800	1.0%
Barings BDC, Inc. NYSE: BBDC (n) Public BDC New York, NY.	40,000 shares.	8/13/20	<1%	333,352	366,933	0.8%
Caitec, Inc. Halethorpe, MD. Pet product manufacturer. (Manufacturing) www.caitec.com	$1,750,000 Subordinated Secured Promissory Note at 12% (+2% PIK) due June 1, 2026.	11/6/20	2%	1,755,351	1,755,351	8.3%
	150 Class A Units.	11/6/20	2%	150,000	150,000	
	(g) $1,750,000 Subordinated Secured Promissory Note at 12% (+2% PIK) due June 1, 2026.	11/6/20		1,755,351	1,755,351	
	(g) 150 Class A Units.	11/6/20		150,000	150,000	
	Total Caitec			3,810,702	3,810,702	
Centivo Corporation (e)(g) New York, NY. Tech-enabled health solutions company that helps self-insured employers and their employees save money and have a better experience. (Health Care) www.centivo.com	190,967 Series A-1 Preferred.	3/19/18	<1%	200,000	320,042	3.0%
	337,808 Series A-2 Preferred.	3/19/18		101,342	566,132	
	298,347 Series B Preferred.	11/9/20		500,000	500,000	
	Total Centivo			801,342	1,386,174	
Empire Genomics, LLC (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	$1,209,014 Senior Secured Convertible Term Notes at 10% due February 28, 2021.	6/13/14	0%	1,308,675	157,654	1.3%
	$444,915 Promissory Note at 9% due February 28, 2021.	10/1/18		444,915	444,915	
	Total Empire			1,753,590	602,569	
First Wave Technologies, Inc. (e)(g) Batavia, NY. Sells First Crush automated pill crusher that crushes and grinds pills for nursing homes and medical institutions. (Health Care) www.firstwavetechnologies.com	670,443.2 Class A Common.	4/19/12	2%	661,563	33,000	0.1%
FS KKR Capital Corp. NYSE: FSK (n) Public BDC Philadelphia, PA.	25,000 shares.	3/16/20	<1%	338,980	412,417	0.9%
GiveGab, Inc. (e)(g) Ithaca, NY. Nonprofit giving platform that provides an easy and effective way for fundraising professionals to raise money online. (Software) www.givegab.com	5,084,329 Series Seed Preferred.	1/14/15	4%	616,221	616,221	1.3%

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2020 (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
Golub Capital BDC, Inc. NASDAQ: GBDC (n) Public BDC New York, NY.	31,250 shares.	3/16/20	<1%	403,910	435,520	0.9%
GoNoodle, Inc. (g)(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%	1,517,539	1,517,539	3.3%
	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			1,517,602	1,517,602	
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%	1,275,140	1,275,140	2.8%
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, 2021.	11/16/18	0%	860,777	860,777	1.9%
Mattison Avenue Holdings LLC (l) Dallas, TX. Provider of upscale salon spaces for lease. (Professional Services) www.mattisonsalonsuites.com	$1,031,406 Second Amended, Restated and Consolidated Promissory Note at 14% (2% PIK) due June 9, 2022.	11/8/19	0%	1,122,204	1,122,204	2.5%
Mercantile Adjustment Bureau, LLC (g) Williamsville, NY. Full-service accounts receivable management and collections company. (Contact Center) www.mercantilesolutions.com	$1,199,039 Subordinated Secured Note at 13% (8% effective August 2020) due January 31, 2022.	10/22/12	4%	1,199,040	500,000	1.1%
	(e) $150,000 Subordinated Debenture at 8% due January 31, 2022.	6/30/14		150,000	—	
	Warrant for 3.29% Membership Interests. Option for 1.5% Membership Interests.	10/22/12		97,625	—	
	Total Mercantile			1,446,665	500,000	
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.	11/13/13	4%	1,193,697	543,283	1.4%
	397,899 Common.	10/22/19		208,243	108,656	
	Total Open Exchange			1,401,940	651,939	
Owl Rock Capital Corporation NYSE: ORRC (n) Public BDC New York, NY.	30,000 shares.	3/16/20	<1%	347,067	380,900	0.8%
PennantPark Investment Corporation NASDAQ: PNNT (n) Public BDC New York, NY.	100,000 shares.	8/13/20	<1%	370,130	458,667	1.0%
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	471,603	1.0%
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.	10/29/09	4%	—	—	1.5%
	(g) 1,839,422 Series A Preferred.	12/12/13		2,099,999	—	
	(g) 50,593 Common.	10/24/09		—	—	
	(g) 589,420 Series B Preferred.	9/29/15		702,732	702,732	
	Total Rheonix			2,802,731	702,732	

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2020 (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
Science and Medicine Group, Inc. (SMG) (g) Arlington, VA. Research and advisory firm serving the life science, analytical instrument, diagnostic, healthcare, radiology, and dental industries. (Health Care) www.scienceandmedicinegroup.com	$1,900,000 Participation Agreement of $5,000,000 Promissory Note at 12% due March 5, 2023.	7/31/20	0%	1,900,000	1,900,000	4.1%
SocialFlow, Inc. (e)(g) New York, NY. Provides instant analysis of social networks using a proprietary,	1,049,538 Series B Preferred.	4/5/13	4%	500,000	92,425	0.7%
	1,204,819 Series B-1 Preferred.	4/8/14		750,000	138,637	
	717,772 Series C Preferred.	6/26/15		500,000	92,425	
predictive analytic algorithm to optimize advertising and publishing. (Software) www.socialflow.com	**Total Social Flow**			1,750,000	323,487	
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	1.1%
TCG BDC, Inc. NASDAQ: CGBD (n) Public BDC New York, NY.	40,000 shares.	8/13/20	<1%	376,996	418,400	0.9%
Subtotal Non-Control/Non-Affiliate Investments				$25,884,428	$26,157,302	
Affiliate Investments – 30.1% of net assets (k)						
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	$ 1,500,000	3.2%
ClearView Social, Inc. (e)(g) Buffalo, NY. Social media publishing tool for law, CPA and professional firms. (Software) www.clearviewsocial.com	312,500 Series Seed Plus Preferred.	1/4/16	6%	200,000	200,000	0.4%
Filterworks Acquisition USA, LLC (l)(m) Deerfield Beach, FL. Provides spray booth equipment, frame repair machines and paint booth	$2,283,702 Term Note at 12% (+2% PIK) due December 4, 2023.	11/8/19	9%	2,349,831	2,349,831	6.3%
	562.5 Class A Units.			562,500	562,500	
filter services for collision shops. (Automotive) www.filterworksusa.com	**Total Filterworks**			2,912,331	2,912,331	
Knoa Software, Inc. (e)(g) New York, NY. End user experience management and performance (EMP)	973,533 Series A-1 Convertible Preferred.	11/20/12	7%	750,000	544,860	2.2%
	1,876,922 Series B Preferred.	6/9/14		479,155	479,155	
solutions utilizing enterprise applications. (Software) www.knoa.com	**Total Knoa**			1,229,155	1,024,015	
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%

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2020 (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
Microcision LLC (g)	$1,500,000 Subordinated Promissory	1/10/20	5%			3.3%
Pennsauken Township, NJ. Manufacturer of	Note at 11% due January 10, 2025.			1,411,997	1,411,997	
precision machined medical implants,	Membership Interest Purchase	1/10/20				
components and assemblies.	Warrant for 5%.			110,000	95,000	
(Manufacturing)	**Total Microcision**			1,521,997	1,506,997	
www.microcision.com						
New Monarch Machine Tool, Inc. (e)(g)	22.84 Common.	1/17/08	15%	22,841	22,841	0.1%
Cortland, NY. Manufactures and services vertical/horizontal machining centers.						
(Manufacturing)						
www.monarchmt.com						
OnCore Golf Technology, Inc. (e)(g)	300,483 Preferred AA.	11/30/18	5%	752,712	300,000	0.7%
Buffalo, NY. Patented and proprietary golf balls utilizing technology and innovation.						
(Consumer Product)						
www.oncoregolf.com						
SciAps, Inc. (e)(g)	187,500 Series A Preferred.	7/12/13	6%	1,500,000	—	3.7%
Woburn, MA. Instrumentation company	274,299 Series A1 Convertible	4/4/14				
producing portable analytical devices using XRF,	Preferred.			504,710	—	
LIBS and RAMAN spectroscopy to identify	117,371 Series B Convertible	8/31/15				
compounds, minerals, and elements.	Preferred.			250,000	—	
(Manufacturing)	113,636 Series C Convertible	4/7/16				
www.sciaps.com	Preferred.			175,000	—	
	369,698 Series C1 Convertible	4/7/16				
	Preferred.			399,274	—	
	147,059 Series D Convertible	5/9/17				
	Preferred.			250,000	250,000	
	Warrant to purchase Series D-1	5/9/17				
	Preferred.			45,000	—	
	$1,500,000 Secured Subordinated Promissory Note at 12% due April 23, 2023.	4/23/20		1,465,000	1,465,000	
	Total SciAps			4,588,984	1,715,000	
	(i) Interest receivable $123,500.					
Tilson Technology Management, Inc. (g)	*120,000 Series B Preferred.	1/20/15	9%	600,000	1,950,000	10.2%
Portland, ME. Provides network deployment	*21,391 Series C Preferred.	9/28/16		200,000	347,604	
construction and information system services	*70,176 Series D Preferred.	9/29/17		800,000	1,140,360	
management for cellular, fiber optic and wireless	*15,385 Series E Preferred.	3/15/19		500,012	500,012	
systems providers. Its affiliated entity, SQF, LLC	211,567 SQF Hold Co. Common.	3/15/19		—	22,036	
is a CLEC supporting small cell 5G deployment.	23,077 Series F Preferred.	6/15/20		750,003	750,003	
(Professional Services)	**Total Tilson**			2,850,015	4,710,015	
www.tilsontech.com	*2.5% dividend payable quarterly.					
Subtotal Affiliate Investments				$14,835,885	$13,891,199	
TOTAL INVESTMENTS – 86.9%				$40,720,313	$40,048,501	
OTHER ASSETS IN EXCESS OF LIABILITIES – 13.1%					$ 6,056,329	
NET ASSETS – 100%					**$46,104,830**	

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2020 (Continued)

Notes to the Consolidated Schedule of Portfolio Investments

(a) At December 31, 2020, restricted securities represented 92% 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, 2020, ASC 820 designates 92% 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 by our external investment advisor Rand Capital Management, LLC ("RCM") and submitted to the Board of Directors for approval. 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. However, 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, 2020, the total cost of investment securities was approximately $40.7 million. Net unrealized depreciation was approximately ($672) thousand, which was comprised of $10.6 million of unrealized appreciation of investment securities and ($11.3) million of unrealized depreciation of investment securities. At December 31, 2020, the aggregate gross unrealized gain for federal income tax purposes was $10.1 million and the aggregate gross unrealized loss for federal income tax purposes was ($11.3) million. The net unrealized loss for federal income tax purposes was ($1.2) million based on a tax cost of $40.9 million.

(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) 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 thoseNon-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 SBIC, Inc. for federal income tax and Regulated Investment Company (RIC) compliance.

(n) Publicly traded company.

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2020 (Continued)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2019 Fair Value	Net Change in Unrealized Appreciation (Depreciation)	Gross Additions (1)	Gross Reductions (2)	December 31, 2020 Fair Value	Net Realized (Losses) Gains	Amount of Interest/ Dividend/ Fee Income (3)
Control Investments:								
	Total Control Investments	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Affiliate Investments:								
BeetNPath, LLC	1,119,024 Series A-2 Preferred Membership Units.	$ —	$ —	$ —	$ —	$ —	($ 359,000)	$ —
	1,032,918 Series B Preferred Membership Units.	—	—	—	—	—	(261,277)	—
	$262,626.64 Convertible Secured Notes at 8%.	—	—	—	—	—	(262,627)	—
	Total BeetNPath	—	—	—	—	—	(882,904)	—
Carolina Skiff LLC	6.0825% Class A Common Membership interest.	1,750,000	(250,000)	—	—	1,500,000	—	66,230
ClearView Social, Inc.	312,500 Series Seed Plus Preferred.	200,000	—	—	—	200,000	—	—
Filterworks	$2,283,702 Term Note at 12%.	2,302,653	—	47,178	—	2,349,831	—	330,251
Acquisition USA, LLC	562.5 Class A Units.	562,500	—	—	—	562,500	—	—
	Total Filterworks	2,865,153	—	47,178	—	2,912,331	—	330,251
Genicon, Inc.	1,586,902 Series B Preferred.	—	—	—	—	—	(1,000,000)	—
	$3,250,000 Promissory Notes at 10%.	500,000	(500,000)	—	—	—	(3,743,377)	17,054
	$250,000 Promissory Note at 10%	250,000	(250,000)	—	—	—	(262,184)	—
	Warrant for Common.	—	—	—	—	—	(120,000)	—
	Total Genicon	750,000	(750,000)	—	—	—	(5,125,561)	17,054
G-TEC Natural Gas Systems	16.639% Class A Membership Interest. 8% cumulative dividend.	—	—	—	—	—	(400,000)	—
Knoa Software, Inc.	973,533 Series A-1 Convertible Preferred.	750,000	(205,140)	—	—	544,860	—	—
	1,876,922 Series B Preferred.	479,155	—	—	—	479,155	—	—
	Total Knoa	1,229,155	(205,140)	—	—	1,024,015	—	—
Mezmeriz, Inc.	1,554,565 Series Seed Preferred.	—	—	—	—	—	—	—
Microcision	$1,500,000 Subordinated Promissory Note at 10%.	—	—	1,500,000	(88,003)	1,411,997	—	187,414
	Membership Interest Purchase Warrant for 5%	—	(15,000)	110,000	—	95,000	116,991	—
	Total Microcision	—	(15,000)	1,610,000	(88,003)	1,506,997	116,991	187,414
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.	—	—	—	—	—	—	—
	274,299 Series A-1 Convertible Preferred.	—	—	—	—	—	—	—
	117,371 Series B Convertible Preferred.	250,000	(250,000)	—	—	—	—	—
	113,636 Series C Convertible Preferred.	175,000	(175,000)	—	—	—	—	—
	369,698 Series C-1 Convertible Preferred.	399,274	(399,274)	—	—	—	—	—
	147,059 Series D Convertible Preferred.	250,000	—	—	—	250,000	—	—
	Warrant to Purchase Series D-1 Preferred.	—	(45,000)	45,000		—		
	$1,500,000 Subordinated Promissory Note at 12%.	—	—	1,500,000	(35,000)	1,465,000	—	147,667
	Total SciAps	1,074,274	(869,274)	1,545,000	(35,000)	1,715,000	—	147,667
Teleservices Solutions Holdings, LLC	250,000 Class B Preferred Units.	—	—	—	—	—	(250,000)	—
	1,000,000 Class C Preferred Units.	—	—	—	—	—	(1,190,680)	—
	80,000 Class D Preferred Units.	—	—	—	—	—	(91,200)	—
	PIK Dividend for Series C and D at 12% and 14%, respectively.	—	—	—	—	—	(104,198)	—
	Total Teleservices	—	—	—	—	—	(1,636,078)	—

RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2020 (Continued)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2019 Fair Value	Net Change in Unrealized Appreciation (Depreciation)	Gross Additions (1)	Gross Reductions (2)	December 31, 2020 Fair Value	Net Realized (Losses) Gains	Amount of Interest/ Dividend/ Fee Income (3)
Tilson Technology Management, Inc.	120,000 Series B Preferred.	1,950,000	—	—	—	1,950,000	—	52,500
	21,391 Series C Preferred.	347,604	—	—	—	347,604	—	—
	70,176 Series D Preferred.	1,140,360	—	—	—	1,140,360	—	—
	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	—	—	—	22,036	—	—
	Total Tilson	3,960,012	—	750,003	—	4,710,015	—	52,500
	Total Affiliate Investments	**$ 12,151,435**	**($ 2,089,414)**	**$3,952,181**	**($ 123,003)**	**$13,891,199**	**($7,927,552)**	**$ 801,116**
	Total Control and Affiliate Investments	**$ 12,151,435**	**($ 2,089,414)**	**$3,952,181**	**($ 123,003)**	**$13,891,199**	**($7,927,552)**	**$ 801,116**

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.

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS
December 31, 2020 (Continued)

Industry Classification	Percentage of Total Investments (at fair value) as of December 31, 2020
Software	29.3%
Manufacturing	16.2
Professional Services	14.6
Healthcare	11.6
Consumer Product	10.3
BDC Investment Funds	8.2
Automotive	7.3
Oil and Gas	1.2
Contact Center	1.2
Marketing	0.1
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 as an internally managed, closed-end, diversified, investment management company. We have elected to be treated 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. 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, 2020.

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 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 SBIC were continued by the newly formed corporation under the name of Rand Capital SBIC, Inc. ("Rand SBIC"). In 2012, the SEC (as defined herein) granted an Order of Exemption for Rand with respect to the operations of Rand SBIC. At that time, although Rand SBIC was operated as if it were a BDC, it was registered as an investment company under the 1940 Act. Upon Rand's receipt of the order granting the exemptions, Rand SBIC filed an election to be regulated as a BDC under the 1940 Act.

In November 2019, Rand completed (the "Closing") a stock sale transaction with East Asset Management ("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. The consideration paid by East for the shares of Rand common stock was comprised of approximately $15.5 million of cash and a contribution of $9.5 million of portfolio assets (the "Contributed Assets"). 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. In connection with retaining RCM as our investment adviser 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 pursuant to which RCM serves as Rand's 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, 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 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 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.

In connection with the completion of the Transaction, Rand has shifted to an investment strategy focused on higher yielding debt investments and intends to elect U.S. Federal tax treatment as a regulated investment company ("RIC") as of January 1, 2020 on its timely filed U.S. Federal tax return for the 2020 tax year. As required for the RIC election, Rand paid a special dividend to shareholders to distribute all of its accumulated earnings and profits since inception to 2019. Rand's Board of Directors declared a special dividend of $23.7 million, or approximately $1.62 per share, on March 3, 2020. The cash and shares of Rand's common stock comprising the special dividend were distributed on May 11, 2020 to shareholders. In addition, Rand's Board of Directors declared a 2020 cash dividend of $1.33 per share on December 21, 2020. This 2020 cash dividend was paid on January 19, 2021 to shareholders of record as of December 31, 2020. This 2020 cash dividend is expected to represent over 90% of estimated taxable income of Rand for 2020.

The Board of Directors declared a quarterly cash dividend of $0.10 per share on February 26, 2021 to shareholders of record as of March 15, 2021. This quarterly cash dividend was paid on March 29, 2021. The Board of Directors declared a second quarter cash dividend of $0.10 per share on April 29, 2021 to shareholders of record as of June 2, 2021 which was paid on June 16, 2021.

In order to qualify to make the RIC election, Rand placed several of its investments in newly formed holding companies that facilitate a tax structure that is advantageous to the RIC election. The following investments are held in blocker companies: Rand Somerset Holdings Corp., Rand Carolina Skiff Holdings Corp., Rand Filterworks Holdings Corp., Rand ITA Holdings Corp., and Rand BMP Swanson Hold Co., LLC (the "Blocker Corps") as wholly owned subsidiaries of Rand to hold certain equity investments. These subsidiaries are consolidated using United States generally accepted accounting principles ("GAAP") for financial reporting purposes.

In addition, Rand effected a 1-for-9 reverse stock split of its common stock effective May 21, 2020. The reverse stock split affected all issued and outstanding shares of Rand's common stock, including shares held in treasury. The reverse stock split reduced the number of issued and outstanding shares of Rand's common stock from 23,845,470 shares and 23,304,424 shares, respectively, to 2,648,916 shares and 2,588,800 shares, respectively. The reverse stock split affected all shareholders uniformly and did not alter any shareholder's percentage interest in Rand's outstanding common stock, except for adjustments for fractional shares.

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") under RCM's current ownership structure after the completion of the Adviser Change of Control (as defined below).

The accompanying financial statements describe the operations of Rand and its wholly-owned subsidiaries Rand SBIC, Rand Somerset Holdings Corp., Rand Carolina Skiff Holdings Corp., Rand ITA Holdings Corp., Rand Filterworks Holdings Corp., and Rand BMP Swanson Hold Co., LLC, (collectively, the "Corporation").

Our corporate office is located in Buffalo, NY and our website address is www.randcapital.com. We make available free of charge on our website our annual and periodic 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 three and six months ended June 30, 2021 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, 2020. 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.

Reclassification - Certain balance sheet accounts have been reclassified to comply with regulatory rules.

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.

Fair Value of SBA Debentures - In March 2021, the SBIC Funding Corporation completed a pooling of SBA debentures that have a coupon rate of 1.667%, excluding a mandatory SBA annual charge estimated to be 0.271%, resulting in a total estimated ten-year fixed rate of 1.938%. The carrying value of Rand's SBA debentures is a reasonable estimate of fair value because their stated interest rates approximate current interest rates that are available for debt with similar terms.

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 of Directors. 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. 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 debt security 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 securities have 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 RCM's assumptions and judgments differ from results of actual liquidation events. 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.

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.

Cash and Cash Equivalents - Temporary cash investments having a maturity of less than a year when purchased are considered to be cash equivalents.

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.

Rand SBIC's 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 a loan is in default for 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.

The following investment is on non-accrual status: a portion of the Mercantile Adjustment Bureau, LLC (Mercantile) outstanding loan balance.

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 SBIC 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.

Deferred Debenture Costs - SBA debenture origination and commitment costs, which are netted against the debenture obligation (See Note 6 “SBA Debentures”), will be amortized ratably over the terms of the SBA debentures.

SBA Debentures - The Corporation had $11,000,000 in outstanding SBA debentures at June 30, 2021 and December 31, 2020, respectively, with a weighted average interest rate, including the SBA annual fee, of 3.45% at June 30, 2021. The debentures are presented net of deferred debenture costs (See Note 6 “SBA Debentures”). The $11,000,000 in outstanding SBA leverage matures from 2022 through 2029.

In the event of a future default of such SBA obligations, the Corporation has consented to the exercise, by the SBA, of all rights of the SBA under 13 C.F.R. 107.1810(i) “SBA remedies for automatic events of default” and has agreed to take all actions that the SBA may so require. These actions may include the Corporation’s automatic consent to the appointment of the SBA, or its designee, as receiver under Section 311(c) of the Small Business Investment Act of 1958.

Net Assets per Share - Net assets per share are based on the number of shares of common stock outstanding, adjusted retroactively for the reverse stock split that occurred in May 2020. The Corporation does not have any common stock equivalents outstanding.

Supplemental Cash Flow Information - Income taxes paid (refunded) during the six months ended June 30, 2021 and 2020 were $27,902 and ($380,890), respectively. Interest paid during each of the six months ended June 30, 2021 and 2020 was $187,985 and $189,023, respectively. The Corporation converted $116,418 and $175,596 of interest receivable into investments during the six months ended June 30, 2021 and 2020, 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 June 30, 2021 and December 31, 2020, there were 500,000 shares of $10.00 par value preferred stock authorized and unissued.

On April 22, 2021, 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 no greater than the then current net asset value. This new share repurchase authorization lasts for a period of 12 months from the authorization date until April 22, 2022. This new share repurchase plan replaces the share repurchase authorization that was previously approved by the Board of Directors in April 2020. No shares of common stock were repurchased during the six months ended June 30, 2021 and 1,300 shares were repurchased for a total cost of $14,304 during the six months ended June 30, 2020.

In May 2020, the Corporation effected a 1-for-9 reverse stock split of its common stock (the “Reverse Stock Split”). The Reverse Stock Split affected all issued and outstanding shares of its common stock, including shares held in treasury. The Reverse Stock Split reduced the number of issued and outstanding shares of the Corporation’s common stock from 23,845,470 shares and

23,304,424 shares, respectively, to 2,648,916 shares and 2,588,800 shares, respectively. The Reverse Stock Split did not change the authorized number of shares or the par value of the Corporation's common stock. Share and per share data included herein has been retroactively restated to reflect the effect of the Reverse Stock Split, as applicable. The Reverse Stock Split affected all shareholders uniformly and did not alter any shareholder's percentage interest in the Corporation's outstanding common stock, except for minor adjustments resulting from the cash payment received for any fractional shares that would have been received as a result of the Reverse Stock Split.

Income Taxes – The Corporation intends to elect U.S. federal tax treatment as a RIC as of January 1, 2020 on its timely filed U.S. Federal tax return for the 2020 tax year. In order to qualify as a RIC, among other things, the Corporation is required to meet certain source of income and asset diversification requirements and timely distribute to its shareholders at least 90% of its investment company taxable income, as defined by the Code (as defined below), for each tax year. If the Corporation makes the requisite distributions to its shareholders, this will generally relieve the Corporation from any requirement to pay corporate-level U.S. federal income taxes with respect to all income distributed to its shareholders.

In anticipation of the RIC election and in accordance with GAAP, a net deferred tax asset of $1,451,658 was eliminated during the first quarter of 2020. This asset related to book/tax differences that are no longer applicable now that the Corporation intends to elect RIC status for income tax purposes.

Certain investments that generate non-qualifying income for RIC purposes, and the deferred tax liability related to these investments of $247,460, were contributed to the Corporation's blocker corporations in December 2019. These blocker corporations will be subject to federal and state income taxes.

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 June 30, 2021 or December 31, 2020.

Under the provisions of Section 382 the Internal Revenue Code of 1986, as amended, (the "Code"), net operating loss and credit carryforwards and other tax attributes may be subject to limitations if there has been a significant change in ownership in the Corporation, as defined by the Code. Prior to the completion of the Transaction, the Corporation was able to utilize its remaining federal net operating losses ("NOL"). The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), made changes to the NOL carryback rules for businesses, and the Corporation was able to carryback a portion of its NOL under the CARES Act receiving a tax benefit of $90,141 during the six months ended June 30, 2020.

The Corporation is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2017 through 2020. In general, the Corporation's state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2017 through 2020.

It is the Corporation's policy to include interest and penalties related to income tax liabilities in income tax expense. There was $2,627 recognized for the six months ended June 30, 2021 and no amounts recognized for the six months ended June 30, 2020.

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:

	June 30, 2021
ACV Auctions, Inc. (ACV)	24%
Open Exchange, Inc. (Open Exchange)	9%
Tilson Technology Management, Inc. (Tilson)	8%
ITA Acquisition, LLC (ITA)	7%
Caitec, Inc. (Caitec)	6%

	December 31, 2020
ACV Auctions, Inc. (ACV)	16%
Tilson Technology Management, Inc. (Tilson)	12%
Caitec, Inc. (Caitec)	10%
Filterworks Acquisition USA, LLC (Filterworks)	7%
Science and Medicine Group, Inc. (SMG Group)	5%

Note 3. INVESTMENTS

The Corporation's investments are carried at fair value 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 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 portfolio company.

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

- Loan and debt securities are valued at cost when it is 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. However, they may be valued at an amount other than cost given 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 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. 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 June 30, 2021, 15% of the Corporation's investments are Level 1, 18% are in Level 2 and 67% of the are in Level 3. At December 31, 2020, 8% of the Corporation's investments were Level 1 investments and 92% were Level 3 investments. There were no Level 2 investments at December 31, 2020.

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.

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 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 June 30, 2021:

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	$1,026,219	$ 7,638,112	$ 9,164,331
Non-Control/Non-Affiliate Loan and Debt	3,588,901	2,385,913	—	3,586,152	9,560,966
Total Non-Control/Non-Affiliate	**$3,588,901**	**$2,885,913**	**$1,026,219**	**$11,224,264**	**$18,725,297**
Affiliate Equity	$2,062,500	$ 22,841	$1,274,015	$ 5,888,348	$ 9,247,704
Affiliate Loan and Debt	2,373,519	—	—	9,251,924	11,625,443
Total Affiliate	**$4,436,019**	**$ 22,841**	**$1,274,015**	**$15,140,272**	**$20,873,147**

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Control Equity	$ —	$ —	$ —	$ 157,654	$ 157,654
Control Debt	—	—	—	444,915	444,915
Total Control	**$ —**	**$ —**	**$ —**	**$ 602,569**	**$ 602,569**
Total Level 3 Investments	**$8,024,920**	**$2,908,754**	**$2,300,234**	**$26,967,105**	**$40,201,013**
Range	5-6X	1X	2X-4X	Not Applicable	
Unobservable Input	EBITDA Multiple	Asset Value	Revenue Multiple	Transaction Price	
Weighted Average	5.5X	1X	2.9X	Not Applicable	

The following table provides a summary of the components of Level 1, 2 and 3 Assets Measured at Fair Value at June 30, 2021:

		Fair Value Measurements at Reported Date Using		
Description	**June 30, 2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Other Significant Unobservable Inputs (Level 3)**
Loan investments	$11,692,750	$ —	$ —	$ 11,692,750
Debt investments	9,938,574	—	—	9,938,574
Equity investments	38,176,071	9,148,391	10,457,991	18,569,689
Total	$59,807,395	$ 9,148,391	$10,457,991	$ 40,201,013

The following table provides a summary of the components of Level 1, 2 and 3 Assets Measured at Fair Value at December 31, 2020:

		Fair Value Measurements at Reported Date Using		
Description	**December 31, 2020**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Other Significant Unobservable Inputs (Level 3)**
Loan investments	$ 6,771,394	$ —	$ —	$ 6,771,394
Debt investments	9,799,365	—	—	9,799,365
Equity investments	23,477,742	3,296,337	—	20,181,405
Total	$40,048,501	$ 3,296,337	$ —	$ 36,752,164

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

Description	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Loan Investments	Debt Investments	Equity Investments	Total
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:				
ClearView Social, Inc. (Clearview Social)	—	—	135,430	135,430
GiveGab, Inc. (Givegab)	—	—	1,817,350	1,817,350
Total realized gains	—	—	1,952,780	1,952,780
Unrealized gains/(losses) included in net change in net assets from operations:				
Open Exchange, Inc. (Open Exchange)	—	—	4,918,061	4,918,061
Post Process technologies, Inc. (Post Process)	—	—	(122,728)	(122,728)
Total unrealized gains (losses)	—	—	4,795,333	4,795,333
Purchases of securities/changes to securities/non-cash conversions:				
Caitec, Inc. (Caitec)	35,450	—	—	35,450
Filterworks Acquisition USA, LLC (Filterworks)	—	23,688	—	23,688
GoNoodle, Inc. (GoNoodle)	—	7,597	—	7,597
HDI Acquisition LLC (Hilton Displays)	—	12,855	—	12,855
ITA Acquisition, LLC (ITA)	3,400,000	—	500,000	3,900,000
Mattison Avenue Holdings LLC (Mattison)	673,091	5,611	—	678,702
Microcision, LLC (Microcision)	—	88,003	—	88,003
Seybert's Billiards Corporation (Seybert's)	—	2,779,424	50,000	2,829,424
SciAps, Inc. (Sciaps)	—	7,500	—	7,500
BMP Swanson Holdco, LLC (Swanson)	1,600,000	—	233,333	1,833,333
Total purchases of securities/changes to securities/non-cash conversions	5,708,541	2,924,678	783,333	9,416,552
Repayments and sale of securities:				
Advantage 24/7, LLC (Advantage 24/7)	(15,000)	—	—	(15,000)
Clearview Social	—	—	(335,430)	(335,430)
Givegab	—	—	(2,433,571)	(2,433,571)
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	(1,915,000)	(1,500,000)	(2,769,001)	(6,184,001)
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 June 30, 2021, of Level 3 Assets	$11,692,750	$ 9,938,574	$18,569,689	$40,201,013

Change in unrealized appreciation/depreciation on investments for the period included in changes in net assets	$13,382,354
Net realized gain on investments for the period included in changes in net assets	$ 2,128,105

The following table provides a summary of changes in Assets Measured at Fair Value Using Significant Unobservable Inputs (Level 3) for the six months ended June 30, 2020:

Description	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Loan Investments	Debt Investments	Equity Investments	Total
Ending Balance, December 31, 2019, of Level 3 Assets	$1,570,692	$13,647,107	$21,802,993	$37,020,792
Realized gain included in net change in net assets from operations:				
Advantage 24/7 LLC (Advantage 24/7)	36,877	—	—	36,877
Microcision LLC (Microcision)	—	56,916	—	56,916
Outmatch Holdings, LLC (Outmatch)	—	—	2,318,253	2,318,253

Total Realized Gains	36,877	56,916	2,318,253	2,412,046
Unrealized Losses included in net change in net assets from operations:				
Genicon, Inc. (Genicon)	—	(515,804)	—	(515,804)
Total Unrealized Losses	—	(515,804)	—	(515,804)
Purchases of Securities/Changes to Securities/Non-cash conversions:				
AIKG LLC (Andretti)	—	89,389	—	89,389
Filterworks Acquisition USA, LLC (Filterworks)	—	23,341	—	23,341
Genicon	—	15,804	—	15,804
GoNoodle, Inc. (GoNoodle)	—	7,522	—	7,522
HDI Acquisition LLC (Hilton Displays)	—	12,666	—	12,666
Mattison Avenue Holdings LLC (Mattison)	—	42,678	—	42,678
Microcision	—	(99,001)	110,000	10,999
SciAps, Inc. (Sciaps)	—	1,457,500	45,000	1,502,500
Tilson Technology Management, Inc. (Tilson)	—	—	750,003	750,003
Total Purchases of Securities/Changes to Securities/Non-cash conversions	—	1,549,899	905,003	2,454,902
Repayments and Sale of Securities:				
Advantage 24/7	(36,877)	—	—	(36,877)
Microcision LLC (Microcision)	—	(56,916)	—	(56,916)
Outmatch Holdings, LLC (Outmatch)	—	—	(4,463,749)	(4,463,749)
Total Repayments and Sale of Securities	(36,877)	(56,916)	(4,463,749)	(4,557,542)
Transfers within Level 3	250,000	(250,000)	—	—
Ending Balance June 30, 2020, of Level 3 Assets	$1,820,692	$14,431,202	$20,562,500	$36,814,394

Change in unrealized depreciation on investments for the period included in changes in net assets	($ 522,086)
Net realized gain on investments for the period included in changes in net assets	$ 2,412,046

Note 4. OTHER ASSETS

At June 30, 2021 and December 31, 2020, other assets was comprised of the following:

	June 30, 2021	December 31, 2020
Dividend receivable	**$ 96,060**	$ 65,700
Prepaid expenses	**50,737**	8,400
Escrow receivable	**35,766**	—
Total other assets	**$182,563**	$ 74,100

Note 5. COMMITMENTS AND CONTINGENCIES

The Corporation had no commitments at June 30, 2021 or December 31, 2020.

Note 6. SBA DEBENTURES

Pursuant to FASB Accounting Standard Update (ASU) 2015-03, the debt origination costs associated with the SBA debt obligations are presented as a direct deduction of the related debt obligation.

	June 30, 2021	December 31, 2020
Debentures guaranteed by the SBA	**$11,000,000**	$ 11,000,000
Less unamortized issue costs	**(156,575)**	(175,413)
Debentures guaranteed by the SBA, net	**$10,843,425**	$ 10,824,587

The weighted average interest rate, including the SBA annual fee, at June 30, 2021, was 3.45%.

The debenture terms require semiannual payments of interest at annual interest rates ranging from 2.245% to 3.644%, plus an annual charge ranging from 0.804% to 0.94%. The debentures have fixed interest rates and a 10-year maturity date. As of June 30, 2021, the Corporation had $3,000,000 in additional leverage available from the SBA.

The debentures outstanding at June 30, 2021 will mature as follows:

Maturity Date	Leverage
2022	$ 3,000,000
2023	2,500,000
2024	1,500,000
2025	1,000,000
2029	3,000,000
Total Outstanding	**$11,000,000**

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 six months ended June 30, 2021 and 2020, respectively:

	Common Stock	Capital in excess of par value	Treasury Stock, at cost	Total distributable earnings (losses)	Total Stockholders' Equity (Net Assets)
April 1, 2021	$264,892	$52,003,545	($1,545,834)	$3,154,601	$ 53,877,204
Payment of Dividend	—	—	—	(258,217)	(258,217)
Net increase in net assets from operations	—	—	—	4,500,834	4,500,834
June 30, 2021	$264,892	$52,003,545	($1,545,834)	$7,397,218	$ 58,119,821

	Common Stock	Capital in excess of par value	Treasury Stock, at cost	Total distributable earnings (losses)	Total Stockholders' Equity (Net Assets)
April 1, 2020	$1,519,637	$34,142,455	($1,469,105)	$19,865,666	$ 54,058,653
Payment of Dividend	864,910	—	—	(5,621,516)	(4,756,606)
Purchase of treasury shares	—	—	(14,304)	—	(14,304)
Net increase in net assets from operations	—	—	—	423,571	423,571
June 30, 2020	$2,384,547	$34,142,455	($1,483,409)	$14,667,721	$ 49,711,314

	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	—	—	—	(516,602)	(516,602)
Net increase in net assets from operations	—	—	—	12,531,593	12,531,593
June 30, 2021	$264,892	$52,003,545	($1,545,834)	$ 7,397,218	$ 58,119,821

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	Common Stock	Capital in excess of par value	Treasury Stock, at cost	Total distributable earnings (losses)	Total Stockholders' Equity (Net Assets)
January 1, 2020	$1,519,637	$34,142,455	($1,469,105)	$19,435,529	$ 53,628,516
Payment of Dividend	864,910	—	—	(5,621,516)	(4,756,606)
Purchase of treasury shares	—	—	(14,304)	—	(14,304)
Net increase in net assets from operations	—	—	—	853,708	853,708
June 30, 2020	$2,384,547	$34,142,455	($1,483,409)	$14,667,721	$ 49,711,314

Note 8. RELATED PARTY TRANSACTIONS

Investment Management Agreement

Effective with the Closing, RCM, a registered investment adviser, has been 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 or cash equivalents but including assets purchased with borrowed funds). For the three and six months ended June 30, 2021, the Base Management Fee was $212,907 and $388,516, respectively. For the three and six months ended June 30, 2020, the Base Management Fee was $141,386 and $281,763, respectively. At June 30, 2021 and December 31, 2020, the Corporation had $212,907 and $155,318 payable, respectively, for the Base Management Fees on its Consolidated Statement of Financial Position.

In addition, the Corporation had $1,681 payable at December 31, 2020 to RCM for the expenses associated with the Administration Agreement. There were no amounts payable to RCM for expenses associated with the Administration Agreement at June 30, 2021.

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 Income Based 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 that begins more than two years and three months after November 8, 2019 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, we will pay 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 for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, we will pay 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 will 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 minus (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 both the six months ended June 30, 2021 and the six months ended June 30, 2020, 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 will be 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.

No capital gains incentive fees were earned by the Corporation's investment adviser, RCM, as calculated under the Investment Management Agreement, for the year ended December 31, 2020. Realized gains during the quarter ending June 30, 2021, resulted in approximately $32,000 of eligible fees accrued under the formula for the six-month period ended June 30, 2021. As of June 30, 2021, there was no capital gains fee actually payable under the Investment Management Agreement to RCM, as such amounts remain unaudited at June 30, 2021, and the final calculations are determined annually, and is subject to change based on subsequent realized gains, losses or unrealized losses during the remainder of the 2021. In accordance with U.S. generally accepted accounting principles (GAAP), the Corporation is required to cumulatively accrue a capital gains incentive fee in the amount of $3,660,000 as of June 30, 2021, which represents both the interim earned fee, and the fee due based on net portfolio appreciation.

In determining whether a capital gains incentive fee accrual is necessary, GAAP requires a company to consider the amount of cumulative aggregate unrealized 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 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. The Corporation has not paid any capital gains incentive fees to date. There can be no guarantee that the Corporation will realize the unrealized capital appreciation, upon which this accrual has been calculated, in the future.

Investment Adviser Change in Control

In late 2020, Rand's Board of Directors was advised by RCM that Callodine Group, LLC ("Callodine"), an entity controlled by James Morrow, intended to acquire a controlling interest in RCM, which was then-currently majority owned by East. Section 15(a) of the 1940 Act provides that any investment management contract, such as the Prior Investment Management Agreement, terminates automatically upon its "assignment." Section 2(a)(4) of the 1940 Act provides that the transfer of a controlling interest of an investment adviser, such as was to be caused by East's transfer of its controlling interest in RCM to Callodine (the "Adviser Change in Control"), constitutes an "assignment." The Special Meeting of Rand's shareholders was held on December 16, 2020 and the shareholders approved the new Investment Management Agreement with RCM. 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 the new 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. As described in greater detail above, 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.

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 Corporation's Board of Directors, 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 our 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 us in determining and publishing the Corporation's net asset value (NAV), overseeing the preparation and filing of our tax returns, and the printing and dissemination of reports to shareholders, and generally overseeing the payment of our 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 six months ended June 30, 2021 and 2020. Share and per share data included in this schedule has been retroactively restated to reflect the effect of the Reverse Stock Split that occurred during May 2020.

	Six months ended June 30, 2021 (Unaudited) (2)	Six months ended June 30, 2020 (Unaudited) (2)
Income (loss) from investment operations (1):		
Investment income	$ 0.71	$ 0.50
Expenses	1.85	0.38
Investment (loss) income before income taxes	(1.14)	0.12
Income tax expense (benefit)	0.01	(0.16)
Net investment (loss) income	(1.15)	0.28
Net realized and unrealized gain on investments	6.00	0.05
Increase in net assets from operations	4.85	0.33
Purchase of treasury shares	—	(0.01)
Payment of cash dividend	(0.20)	(1.83)
Effect of the Reverse Stock Split	—	(5.93)
Increase (decrease) in net assets	4.65	(7.44)
Net asset value, beginning of period	17.86	32.93

Net asset value, end of period	$ 22.51	$ 25.49
Per share market price, end of period	$ 16.75	$ 10.97
Total return based on market price	(4.83%)	(54.5%)
Total shareholder return (includes dividends paid)	3.86%	(45.4%)
Total return based on net asset value	26.06%	(7.3%)
Supplemental data:		
Ratio of operating expenses before income taxes to average net assets	9.18%	1.92%
Ratio of operating expenses including income taxes to average net assets	9.22%	4.54%
Ratio of net investment (loss) income to average net assets	(5.71%)	1.43%
Debt/Equity ratio	18.7%	21.7%
Portfolio turnover	22.6%	10.7%
Net assets, end of period	$58,119,821	$49,711,314
Weighted shares outstanding, end of period	2,582,169	1,950,058

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

(2) *Share and per share data included herein has been retroactively restated to reflect the effect of the Reverse Stock Split.*

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.

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, the impact of COVID-19 on our portfolio companies, our intention to elect U.S. federal tax treatment as a RIC for the 2020 tax year and the associated impact of such election on payment of corporate level 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 statements regarding 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, 2020.

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. Historically, we made the majority of our investments through our wholly owned subsidiary, Rand Capital SBIC, Inc. ("Rand SBIC"), which operates as a small business investment company ("SBIC") and has been licensed by the U.S. Small Business Administration ("SBA") since 2002. With the capital raised in 2019 through our stock sale to East Asset Management ("East") we now also have liquidity at Rand Capital Corporation, the parent company, with which to make investments.

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. The consideration paid by East for the shares of Rand common stock was comprised of $15.5 million of cash and $9.5 million of portfolio assets. Concurrent with the closing of the Transaction with East 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.

On December 16, 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"), an entity controlled by James Morrow, planned to acquire a controlling interest in RCM, which was, at that time, majority owned by East. Section 15(a)(4) of the 1940 Act provides that any investment management contract, such as the Prior Investment Management Agreement, terminates automatically upon its "assignment." Section 2(a)(4) of the 1940 Act provides that the transfer of a controlling interest of an investment adviser, such as East's transfer of its controlling interest in RCM to Callodine (the "Adviser Change in Control"), constitutes an "assignment." 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. In connection with retaining RCM as our investment adviser and administrator, Rand's management and staff became employees of RCM.

We intend to elect 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 June 30, 2021, we are 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 the preparation for 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 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.

The Board of Directors declared a 2020 cash dividend of $1.33 per share on December 21, 2020 that was paid on January 19, 2021 to shareholders of record as of December 31, 2020. The 2020 cash dividend is expected to represent over 90% of our estimated taxable income for 2020.

To maintain our RIC status, we are required to meet specified source-of-income and asset diversification requirements and 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 regular quarterly cash dividend.

The Board of Directors declared a quarterly cash dividend of $0.10 per share on February 26, 2021 to shareholders of record as of March 15, 2021. This quarterly cash dividend was paid on March 29, 2021. The Board of Directors declared a second quarter cash dividend of $0.10 per share on April 29, 2021 to shareholders of record as of June 2, 2021 which was paid on June 16, 2021.

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 the Adviser and its affiliates under the Adviser'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, continues to engage in active discussions with the management teams of the companies within our portfolio regarding actions taken by them for the safety and welfare of their employees and their processes for phasing back to pre-COVID-19 work environments. We also have been informed by RCM about the impact of the COVID-19 induced recession on the businesses of our portfolio companies and the actions the 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 impact of the COVID -19 pandemic and the economic downturn 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, 2020 under Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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Financial Condition

Overview:

	June 30, 2021	December 31, 2020	Increase	% Increase
Total assets	$73,438,428	$60,966,942	$12,471,486	20.5%
Total liabilities	15,318,607	14,862,112	456,495	3.1%
Net assets	$58,119,821	$46,104,830	$12,014,991	26.1%

Net asset value per share (NAV) was $22.51 at June 30, 2021 and $17.86 at December 31, 2020.

Our gross outstanding SBA debentures at June 30, 2021 were $11,000,000 and they mature from 2022 through 2029. Cash and cash equivalents approximated 22% of net assets at June 30, 2021, as compared to 44% at December 31, 2020.

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.

	June 30, 2021	December 31, 2020	Increase	% Increase
Investments, at cost	$47,096,853	$40,720,313	$ 6,376,540	15.7%
Unrealized appreciation (depreciation), net	12,710,542	(671,812)	13,382,354	NA
Investments, at fair value	$59,807,395	$40,048,501	$19,758,894	49.3%

Our total investments at fair value, as determined by RCM and approved by our Board of Directors, approximated 103% of net assets at June 30, 2021 versus 87% of net assets at December 31, 2020.

With the completion of the Transaction, we have changed our investment objectives and strategy. Our new investment objective is to generate current income and, when possible, complement this current income with capital appreciation. As a result, the investments made by Rand since the closing of the Transaction and the investments to be made by Rand in the future are expected to be primarily in higher yielding debt investments and may include public equity in other business development companies that provide income through dividends and relatively more liquidity than our private company investments.

The change in investments during the six months ended June 30, 2021, at cost, is comprised of the following:

New investments:	Cost Increase (Decrease)
ITA Acquisition, LLC (ITA)	$ 3,900,000
Seybert's Billiards Corporation (Seybert's)	2,800,000
BMP Swanson Holdco, LLC (Swanson)	1,833,333
Mattison Avenue Holdings, LLC (Mattison)	667,130

TCG BDC, Inc. (TCG)	522,753
PennantPark Investment Corporation (PennantPark)	522,082
Apollo Investment Corporation (Apollo)	518,080
FS KKR Capital Corp. (FS KKR)	510,458
Total of new investments	11,273,836
Other changes to investments:	
Microcision LLC (Microcision) OID amortization	88,003
Caitec, Inc. (Caitec) interest conversion	35,450
Seybert's interest conversion and OID amortization	29,424
Filterworks Acquisition USA, LLC (Filterworks) interest conversion	23,688
HDI Acquisition LLC (Hilton Displays) interest conversion	12,855
Mattison interest conversion	11,572
GoNoodle, Inc. (GoNoodle) interest conversion	7,597
SciAps, Inc. (Sciaps) OID amortization	7,500
Total of other changes to investments	216,089
Investments repaid, sold, liquidated or converted:	
Science and Medicine Group, Inc. (SMG) repayment	(1,900,000)
Microcision repayment	(1,500,000)
Apollo sale	(882,164)
GiveGab, Inc. (Givegab) sale	(616,221)
ClearView Social Inc. (ClearView) sale	(200,000)
Advantage 24/7 LLC (Advantage) repayment	(15,000)
Total of investments repaid, sold, liquidated or converted	(5,113,385)
Net change in investments, at cost	**$ 6,376,540**

Results of Operations

Comparison of the three months ended June 30, 2021 to the three months ended June 30, 2020

Investment Income

	Three months ended June 30, 2021	Three months ended June 30, 2020	Increase (Decrease)	% Increase (Decrease)
Interest from portfolio companies	$ 642,206	$ 570,686	$ 71,520	12.5%
Interest from other investments	243	2,754	(2,511)	(91.2%)
Dividend and other investment income	137,047	94,438	42,609	45.1%
Fee income	31,541	6,667	24,874	373.1%
Total investment income	$ 811,037	$ 674,545	$136,492	20.2%

The total investment income that was received on a current basis during the three months ended June 30, 2021 was received from 23 portfolio companies. This contrasts with 13 portfolio companies generating current income during the three months ended June 30, 2020. The number of companies contributing to investment income increased due to the addition of more income generating portfolio companies in the last year.

Interest from portfolio companies - Interest from portfolio companies was approximately 13% higher during the three months ended June 30, 2021 versus the same period in 2020 due to the fact that we originated more income-producing debt investments during the last twelve months. The new debt instruments were originated from BMP Swanson Holdco, LLC (Swanson), Caitec, Inc. (Caitec), ITA Acquisition, LLC (ITA), and Seybert's Billiards Corporation (Seybert's).

The following investment is on non-accrual status: a portion of the Mercantile Adjustment Bureau, LLC (Mercantile) outstanding loan balances.

Interest from other investments - The decrease in interest from other investments is due to lower interest rates received on our cash and cash equivalents, and lower cash balances during the three months ended June 30, 2021 versus the same period in 2020.

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 June 30, 2021	Three months ended June 30, 2020
FS KKR	$ 32,400	$ 34,000
TCG	30,960	—
PennantPark	23,400	—
Tilson Technology Management, Inc. (Tilson)	13,125	13,125
Ares Capital Corporation (Ares)	10,800	10,800
Owl Rock Capital Corporation (Owl Rock)	9,300	11,700
Golub Capital BDC, Inc. (Golub)	9,062	9,063
Barings BDC, Inc. (Barings)	8,000	—
Apollo	—	15,750
Total dividend and other investment income	$ 137,047	$ 94,438

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 SBIC 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 $17,445 and $6,667 for the three months ended June 30, 2021 and 2020, respectively. There were $14,096 in board fees for the three months ended June 30, 2021 and there were no board fees for the three months ended June 30, 2020.

Expenses

	Three months ended June 30, 2021	Three months ended June 30, 2020	Increase	% Increase
Total expenses	$ 1,619,958	$ 475,806	$1,144,152	240.5%

Expenses increased approximately $1,144,000 during the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The increase in operating expenses was primarily due to a $1,060,000 increase in the capital gains incentive fee accrual and an approximately $72,000 increase in the base management fee payable to RCM. The increase in capital gains incentive fees is due to our accrual during the three months ended June 30, 2021 of a capital gains incentive fee. The Investment Management Agreement does not allow the use of 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 on the basis of unrealized gains. Our capital gains incentive fee accrual 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 a capital gains incentive fee with respect to unrealized gains unless and until such gains are actually realized. There were no incentive fees accrued for the three months ended June 30, 2020.

The base management fee is calculated on total assets less cash, and, as we deploy more capital into investments, the base management fee will increase accordingly.

In November 2019, we completed a stock sale transaction with East and concurrently externalized the management of our portfolio to Rand Capital Management, LLC (RCM) as our external investment adviser and administrator. Our primary operating expenses now include the payment of fees to RCM under the Investment Management Agreement, and our allocable portion of overhead expenses and other administrative expenses under the Administration Agreement with RCM. Under the terms of the Investment Management Agreement, the compensation of the investment professionals of RCM and its staff, and the general office and overhead expenses incurred by RCM in maintaining its place of business, will be provided, and paid for by RCM and not by us. We will be responsible for all other operating expenses, including those relating to:

(i) organization;

(ii) costs of calculating our net asset value (including the cost and expenses of any independent valuation firm);

(iii) expenses incurred by RCM payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs and in monitoring our investments and performing due diligence on its prospective portfolio companies;

(iv) interest payable on debt, if any, incurred to finance our investments;

(v) offerings of our Common Stock and other securities;

(vi) investment advisory and management fees payable under the Investment Management Agreement, but excluding any fees payable to any Sub-Adviser;

(vii) administration fees payable under the Administration Agreement;

(viii) transfer agent and custodial fees;

(ix) federal and state registration fees;

(x) all costs of registration and listing our shares on any securities exchange;

(xi) federal, state and local taxes;

(xii) independent directors' fees and expenses;

(xiii) costs of preparing and filing reports or other documents required by governmental bodies (including the SEC);

(xiv) costs of any reports, proxy statements or other notices to shareholders, including printing costs;

(xv) our allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;

(xvi) direct costs and expenses of administration, including independent auditors and outside legal costs; and

(xvii) all other expenses incurred by us or RCM in connection with administering our business (including payments under the Administration Agreement based upon our allocable portion of the RCM's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs (including travel expenses)).

Net Investment Income

The excess of investment income over total expenses represents net investment income (or loss). The net investment (loss) income for the three months ended June 30, 2021 and 2020 was ($810,887) and $198,739, respectively.

Realized Gain on Investments

	Three months ended June 30, 2021	Three months ended June 30, 2020	Change
Realized gain on investments before income taxes	$ 1,817,350	$ 18,595	$1,798,755

During the three months ended June 30, 2021, we sold our investment in Givegab and recognized a gain of $1,817,350.

During the three months ended June 30, 2020, we received escrow proceeds of approximately $21,000 from our investment in Outmatch, an investment we exited during the first quarter of 2020 and adjusted our realized gain from Advantage 24/7.

Change in Unrealized Depreciation of Investments

	Three months ended June 30, 2021	Three months ended June 30, 2020	Change
Change in unrealized depreciation of investments before income taxes	$ 3,495,322	$ 206,237	$3,289,085

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

	Three months ended June 30, 2021
Open Exchange, Inc. (Open Exchange)	$ 4,918,061
PennantPark Investment Corporation (Pennantpark)	215,800
FS KKR Capital Corp. (FS KKR)	89,100
Barings BDC, Inc. (Barings)	27,733
Ares Capital Corporation (Ares)	22,860
Golub Capital BDC, Inc. (Golub)	22,605
Owl Rock Capital Corporation (Owl Rock)	14,100
PostProcess Technologies, Inc. (Post Process)	(122,728)
ACV Auctions, Inc. (ACV)	(1,692,209)
Total change in net unrealized appreciation (depreciation) of investments before income taxes	$ 3,495,322

Ares, Barings, 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, and trades on the NASDAQ Global Select market under the symbol “ACVA”. At June 30, 2021, we held 442,935 shares of restricted Class B common stock and 147,645 shares of unrestricted Class A common stock. The Class A stock was valued using the three-day average closing price of $24.85. The Class B common stock was also valued using the three-day average closing price and was discounted due to trading restrictions on the Corporation’s Class B common stock, which expire no later than September 20, 2021. The Corporation valued its 442,935 restricted ACV shares at $23.61 at June 30, 2021.

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

The valuation of our investment in Post Process, during the three months ended June 30, 2021, was decreased after a review of their operations and financial condition.

The change in unrealized depreciation, before income taxes, for the three months ended June 30, 2020 was comprised of the following:

	Three months ended June 30, 2020
Ares Capital Corporation (Ares)	88,920
Apollo Investment Corporation (Apollo)	76,534
FS KKR Capital Corp. (FS KKR)	35,584
Owl Rock Capital Corporation (Owl Rock)	26,000
Genicon, Inc. (Genicon)	(5,613)
Golub Capital BDC, Inc. (Golub)	($ 15,188)
Total change in net unrealized depreciation of investments before income taxes during the three months ended June 30, 2020	$ 206,237

The valuation of our investment in Genicon was decreased after a review of their operations and financial condition.

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

All of these valuation adjustments resulted from a review by RCM management 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 June 30, 2021 and 2020 was $4,500,834 and $423,571, respectively.

Comparison of the six months ended June 30, 2021 to the six months ended June 30, 2020

Investment Income

	Six months ended June 30, 2021	Six months ended June 30, 2020	Increase (Decrease)	% Increase (Decrease)
Interest from portfolio companies	$ 1,352,968	$ 1,106,387	$246,581	22.3%
Interest from other investments	12,870	86,004	(73,134)	(85.0%)
Dividend and other investment income	383,716	107,563	276,153	256.7%
Fee income	77,875	10,417	67,458	647.6%
Total investment income	$ 1,827,429	$ 1,310,371	$517,058	39.5%

The total investment income that was received on a current basis during the six months ended June 30, 2021 was received from 26 portfolio companies. This contrasts with 18 portfolio companies generating current income during the six months ended June 30, 2020. The number of companies contributing to investment income increased due to the addition of more income generating portfolio company investments in the last year.

Interest from portfolio companies – Interest from portfolio companies was approximately 22% higher during the six months ended June 30, 2021 versus the same period in 2020 due to the fact that we originated more income-producing debt investments during the last twelve months. The new debt instruments were originated from Science and Medicine Group Inc. (SMG), Caitec, Inc. (Caitec), and Seybert's Billiards Corporation (Seybert's). In addition, interest income is higher due to an approximately $88,000 increase in OID income during the six months ended June 30, 2021 due to a first quarter 2021 loan payoff.

The following investment is on non-accrual status: a portion of the Mercantile Adjustment Bureau, LLC (Mercantile) outstanding loan balances.

Interest from other investments - The decrease in interest from other investments is due to lower interest rates received on our cash and cash equivalents, and lower cash balances during the six months ended June 30, 2021 versus the same period in 2020.

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 held 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:

	Six months ended June 30, 2021	Six months ended June 30, 2020
Carolina Skiff LLC (Carolina Skiff)	$ 81,801	$ —
FS KKR	64,800	34,000
TCG	62,780	—
Pennantpark	46,800	—
Apollo	27,360	15,750
Tilson	26,250	26,250
Ares	21,600	10,800
Owl Rock	18,600	11,700
Golub	18,125	9,063
Barings	15,600	—
Total dividend and other investment income	$ 383,716	$ 107,563

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 SBIC 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 $33,778 and $10,417 for the six months ended June 30, 2021 and 2020, respectively. During the six months ended June 30, 2021, the Corporation recognized a one-time fee of $30,000 in conjunction with the repayment of the Microcision loan instrument. There were $14,096 in board fees for the six months ended June 30, 2021 and there were no board fees for the six months ended June 30, 2020.

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Expenses

	Six months ended June 30, 2021	Six months ended June 30, 2020	Increase	% Increase
Total expenses	$ 4,785,621	$ 992,312	$3,793,309	382.3%

Expenses increased approximately $3,800,000 during the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The increase in expenses was primarily due to a $3,660,000 increase in the capital gains incentive fee accrual and an approximately $107,000 increase in the base management fee payable to RCM. The increase in the capital gains incentive fee accrual is due to our accrual during the six months ended June 30, 2021 of a capital gains incentive fee, which accrual results from a requirement of GAAP. The Investment Management Agreement does not allow the use of unrealized gains in calculating the amount of the capital gains incentive fee payable under that agreement to RCM. However, as required by GAAP, the Corporation must accrue capital gains incentive fees on the basis of unrealized gains. Our capital gains incentive fee accrual 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 a capital gains incentive fee with respect to unrealized gains unless and until such gains are actually realized. There were no incentive fees accrued for the six months ended June 30, 2020.

The base management fee is calculated on total assets less cash, and, as we deploy more capital into investments, the base management fee will increase accordingly.

Net Investment Income

The excess of investment income over total expenses represents net investment income (or loss). The net investment (loss) income for the six months ended June 30, 2021 and 2020 was ($2,977,915) and $737,160, respectively.

Realized Gain on Investments

	Six months ended June 30, 2021	Six months ended June 30, 2020	Change
Realized gain on investments before income taxes	$ 2,128,105	$ 2,412,046	($283,941)

During the six months ended June 30, 2021, we sold our investment in Givegab and recognized a gain of $1,817,350 and sold our shares in Apollo Investment Corporation and recognized a gain of approximately $175,000. In addition, we sold our investment in ClearView Social, Inc. and realized an approximately $135,000 gain. The realized gain from the sale of Clearview included $35,766 that will be held in escrow and is expected to be received in 2022. The escrow holdback is recorded in “Other Assets” on the Corporation’s Balance Sheet.

During the six months ended June 30, 2020, we realized a $2.3 million gain when we exited our investment in Outmatch as part of a strategic majority investment from Rubicon Technology Partners. We also received additional proceeds of $56,916 from Microcision LLC (Microcision) related to the 2019 sale of our equity interest in Microcision and approximately $37,000 in additional gain from Advantage 24/7.

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Change in Unrealized Appreciation/Depreciation of Investments

	Six months ended June 30, 2021	Six months ended June 30, 2020	Change
Change in unrealized appreciation/ depreciation of investments before income taxes	$13,382,354	($ 522,086)	$13,904,440

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

	Six months ended June 30, 2021
ACV	$ 7,595,646
Open Exchange	4,918,061
Pennantpark	319,251
FS KKR	231,105
TCG	209,240
Ares	77,760
Barings	60,267
Owl Rock	52,200
Golub	49,168
Apollo	(7,616)
Post Process	(122,728)
Total change in net unrealized appreciation of investments before income taxes	$13,382,354

Ares, Barings, 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 six months ended June 30, 2021.

ACV completed an Initial Public Offering (IPO) at a price of $25.00 per share on March 23, 2021, and trades on the NASDAQ Global Select market under the symbol "ACVA". At June 20, 2021, we held 442,935 shares of restricted Class B common stock and 147,645 shares of unrestricted Class A common stock. The Class A common stock was valued using a three-day average trading price. The Class B common shares were valued using athree-day average trading price that was discounted due to trading restrictions on the Corporation's Class B common stock, which expire no later than September 20, 2021. The Corporation valued its 442,935 restricted common shares at $23.61 per share at June 30, 2021.

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

The valuation of our investment in Post Process was decreased after a review of their operations and financial condition.

The change in unrealized depreciation, before income taxes, for the six months ended June 30, 2020 was comprised of the following:

	Six months ended June 30, 2020
Genicon, Inc. (Genicon)	($515,804)
Golub Capital BDC, Inc. (Golub)	(45,785)
Apollo Investment Corporation (Apollo)	(33,917)
FS KKR Capital Corp. (FS KKR)	8,937

Owl Rock Capital Corporation (Owl Rock)	24,633
Ares Capital Corporation (Ares)	39,850
Total change in net unrealized depreciation of investments before income taxes during the six months ended June 30, 2020	($522,086)

The valuation of our investment in Genicon was decreased after a review of their operations and financial condition.

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

All of these valuation adjustments resulted from a review by RCM management using the guidance set forth by ASC 820 and our established valuation policy.

Net Increase in Net Assets from Operations

We account for our operations under GAAP for investment companies. The principal measure of our financial performance is "net increase in net assets from operations" on our consolidated statements of operations. For the six months ended June 30, 2021 and 2020, the net increase in net assets from operations was $12,531,593 and $853,708, respectively.

Liquidity and Capital Resources

With the completion of the Transaction with East, we changed our investment objectives and strategy. Previously, our principal investment objective was to achieve long-term capital appreciation on our equity investments while maintaining a current cash flow from debenture and pass-through equity instruments to fund expenses. With our plan to elect U.S. federal tax treatment as a RIC, our new investment objective is to generate current income and, when possible, complement this current income with capital appreciation. As a result, our recent and future investments are expected to be made primarily in yield generating investments and may include related equity options, such as warrants or preferred equity.

As of June 30, 2021, our total liquidity consisted of approximately $12,900,000 in cash and cash equivalents. In addition, we had an outstanding SBA leverage commitment of $3,000,000.

Net cash used by operating activities has averaged approximately $340,000 per year over the last three years. The cash used for investments in portfolio companies has averaged approximately $8,700,000 per year over the last three years. We will generally use cash to fund our operating expenses, invest in portfolio companies, pay dividends and repurchase shares. We anticipate that we will continue to exit investments and shift our portfolio to income producing investments. However, the timing of liquidation events within the portfolio is difficult to project. Starting in 2022 (See Note 6 in the Notes to the Consolidated Financial Statements), our outstanding SBA debt begins to mature, and this will require us to identify sources of future funding if liquidation of investments is not sufficient to fund operations and repay the SBA debt obligation.

We believe that the cash on hand at June 30, 2021, the undrawn SBA leverage commitment and the scheduled interest payments on our portfolio investments will be sufficient to meet our cash needs for the next year. We continue to pursue current income and distributions from portfolio companies to increase the liquidity available for new investments, operating expenses, dividends and future SBA debenture obligations.

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, a portion of 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.

As of June 30, 2021, 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 June 30, 2021. 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 June 30, 2021.

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.

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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, 2020.

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)
4/1/2021 – 4/30/2021	—	—	—	$ 1,500,000
5/1/2021 – 5/31/2021	—	—	—	$ 1,500,000
6/1/2021 – 6/30/2021	—	—	—	$ 1,500,000
Total	—	—	—	

(1) No shares were repurchased, in open market transactions, during the second quarter of 2021.
(2) The average price paid per share is calculated on a settlement basis and includes commission.
(3) On April 22, 2021, 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 22, 2022.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

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).
(3.2)(i)	Certificate of Incorporation of Rand Merger Corporation as filed with the New York Department of State on December 18, 2008, 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 February 6, 2009. (File No. 811-22276).
(3.2)(ii)	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 February 6, 2009. (File No. 811-22276).
(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: August 9, 2021

RAND CAPITAL CORPORATION

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

/s/ Daniel P. Penberthy
Daniel P. Penberthy, 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, Allen F. Grum, 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 Rules13a-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: August 9, 2021

/s/ Allen F. Grum

Allen F. Grum, President
(Chief Executive Officer of Rand Capital Corporation)

EXHIBIT 31.2

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 Rules13a-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: August 9, 2021

/s/ Daniel P. Penberthy

Daniel P. Penberthy, Treasurer
(Chief Financial Officer of Rand Capital Corporation)

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 Form10-Q for the quarter ended June 30, 2021 (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: August 9, 2021

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

Dated: August 9, 2021

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