

RAND CAPITAL CORP
Form 10-Q
August 07, 2018
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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, 2018

**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	16-0961359 (IRS Employer
Incorporation or Organization)	Identification No.)
2200 Rand Building, Buffalo, NY (Address of Principal executive offices)	14203 (Zip Code)
(716) 853-0802	
(Registrant's telephone number, including area code)	

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-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 (Do not check if a smaller reporting company)

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 2, 2018, there were 6,321,988 shares of the registrant's common stock outstanding.

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RAND CAPITAL CORPORATION

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	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Investments at fair value:		
Control investments (cost of \$99,500)	\$ 99,500	\$ 99,500
Affiliate investments (cost of \$21,937,593 and \$20,871,129, respectively)	17,526,818	17,016,795
Non-affiliate investments (cost of \$15,903,520 and \$15,718,690, respectively)	14,701,108	15,167,767
Total investments, at fair value (cost of \$37,940,613 and \$36,689,319, respectively)	32,327,426	32,284,062
Cash	4,720,381	6,262,039
Interest receivable (net of allowance: \$237,641 at 6/30/18; \$161,000 at 12/31/17)	127,897	231,048
Deferred tax asset	898,903	551,863
Prepaid income taxes	740,086	762,047
Other assets	55,956	42,854
Total assets	\$ 38,870,649	\$ 40,133,913
LIABILITIES AND STOCKHOLDERS EQUITY (NET ASSETS)		
Liabilities:		
Debentures guaranteed by the SBA (net of debt issuance costs)	\$ 7,868,873	\$ 7,855,173
Profit sharing and bonus payable		144,000
Accounts payable and accrued expenses	168,918	178,348
Deferred revenue	65,880	37,707
Total liabilities	8,103,671	8,215,228
Commitments and contingencies (See Note 5)		
Stockholders equity (net assets):		
Common stock, \$.10 par; shares authorized 10,000,000; shares issued 6,863,034; shares outstanding of 6,321,988	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,808,243)	(1,597,146)
Undistributed net realized gain on investments	27,215,738	27,215,738
Net unrealized depreciation on investments	(4,439,505)	(3,498,895)
Treasury stock, at cost: 541,046 shares	(1,469,105)	(1,469,105)

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Total stockholders equity (net assets) (per share \$4.87 at 6/30/18; \$5.05 at 12/31/17)	30,766,978	31,918,685
Total liabilities and stockholders equity (net assets)	\$ 38,870,649	\$ 40,133,913

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Investment income:				
Interest from portfolio companies:				
Affiliate investments	\$ 175,990	\$ 137,243	\$ 323,026	\$ 274,000
Non-Control/Non-Affiliate investments	139,710	140,397	290,022	249,731
Total interest from portfolio companies	315,700	277,640	613,048	523,731
Interest from other investments:				
Non-Control/Non-Affiliate investments	7,735	6,859	12,845	17,834
Total interest from other investments	7,735	6,859	12,845	17,834
Dividend and other investment income:				
Affiliate investments	76,266	53,024	127,049	115,397
Non-Control/Non-Affiliate investments	2,676	2,681	6,058	5,193
Total dividend and other investment income	78,942	55,705	133,107	120,590
Fee income:				
Affiliate investments	4,416	3,167	7,583	4,084
Non-Control/Non-Affiliate investments	6,725	5,768	9,744	11,537
Total fee income	11,141	8,935	17,327	15,621
Total investment income	413,518	349,139	776,327	677,776
Operating expenses:				
Salaries	169,875	165,413	339,749	330,826
Employee benefits	45,251	47,699	108,996	100,069
Directors fees	28,624	36,374	63,499	71,249
Professional fees	37,341	178,193	139,028	262,195
Stockholders and office operating	64,599	80,725	129,038	147,935
Insurance	6,900	6,258	18,888	17,560
Corporate development	10,646	11,609	26,442	33,317
Other operating	2,424	3,323	5,115	5,283

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	365,660	529,594	830,755	968,434
Interest on SBA obligations	77,269	77,569	154,838	155,138
Bad debt expense	30,741		76,641	
Total expenses	473,670	607,163	1,062,234	1,123,572
Net investment loss before income taxes	(60,152)	(258,024)	(285,907)	(445,796)
Income tax benefit	(22,384)	(99,403)	(74,810)	(171,911)
Net investment loss	(37,768)	(158,621)	(211,097)	(273,885)
Net increase in unrealized depreciation on investments:				
Affiliate investments	(306,441)	(665,675)	(556,441)	(665,675)
Non-Control/Non-Affiliate investments	(450,000)	(52,664)	(651,489)	(433,308)
Increase in unrealized depreciation before income tax benefit	(756,441)	(718,339)	(1,207,930)	(1,098,983)
Deferred income tax benefit	(162,915)	(241,623)	(267,320)	(378,050)
Net increase in unrealized depreciation on investments	(593,526)	(476,716)	(940,610)	(720,933)
Net unrealized loss on investments	(593,526)	(476,716)	(940,610)	(720,933)
Net decrease in net assets from operations	(\$ 631,294)	(\$ 635,337)	(\$ 1,151,707)	(\$ 994,818)
Weighted average shares outstanding	6,321,988	6,321,988	6,321,988	6,321,988
Basic and diluted net decrease in net assets from operations per share	(\$ 0.10)	(\$ 0.10)	(\$ 0.18)	(\$ 0.16)

See accompanying notes

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

(Unaudited)

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net assets at beginning of period	\$ 31,398,272	\$ 32,269,882	\$ 31,918,685	\$ 32,629,363
Net investment loss	(37,768)	(158,621)	(211,097)	(273,885)
Net increase in unrealized depreciation on investments	(593,526)	(476,716)	(940,610)	(720,933)
Net decrease in net assets from operations	(631,294)	(635,337)	(1,151,707)	(994,818)
Total decrease in net assets	(631,294)	(635,337)	(1,151,707)	(994,818)
Net assets at end of period	\$ 30,766,978	\$ 31,634,545	\$ 30,766,978	\$ 31,634,545
Accumulated net investment loss	(\$ 1,808,243)	(\$ 1,851,733)	(\$ 1,808,243)	(\$ 1,851,733)

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash flows from operating activities:		
Net decrease in net assets from operations	(\$ 1,151,707)	(\$ 994,818)
Adjustments to reconcile net decrease in net assets to net cash used in operating activities:		
Investments in portfolio companies	(1,225,000)	(3,800,000)
Proceeds from loan repayments	70,131	
Increase in unrealized depreciation on investments	1,207,930	1,098,983
Deferred tax benefit	(347,040)	(519,163)
Depreciation and amortization	14,800	15,700
Original issue discount amortization	(19,271)	(8,395)
Non-cash conversion of debenture interest	(77,154)	(53,294)
Change in interest receivable allowance	76,641	
Changes in operating assets and liabilities:		
Decrease (increase) in interest receivable	26,510	(49,598)
(Increase) decrease in other assets	(14,202)	537,995
Decrease (increase) in prepaid income taxes	21,961	(298,630)
Decrease in income tax payable		(320,008)
Decrease in accounts payable and accrued expenses	(21,430)	(160,244)
Decrease in profit sharing and bonus payable	(132,000)	(1,138,052)
Increase in deferred revenue	28,173	378
Total adjustments	(389,951)	(4,694,328)
Net cash used in operating activities	(1,541,658)	(5,689,146)
Net decrease in cash	(1,541,658)	(5,689,146)
Cash:		
Beginning of period	6,262,039	12,280,140
End of period	\$ 4,720,381	\$ 6,590,994

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2018

(Unaudited)

Company, Geographic Location, Business	(a)	(b)	(c)	(d)(f)	Percent
<u>Description, (Industry) and Website</u>	<u>Type of Investment</u>	<u>Date Acquired</u>	<u>Equity</u>	<u>Cost</u>	<u>Fair Value</u>
					<u>of Net Assets</u>
Non-Control/Non-Affiliate Investments					
47.8% of net assets: (j)					
ACV Auctions, Inc. (e)(g)	1,181,160 Series A Preferred	8/12/16	<1%		0.9%
Buffalo, NY. Live mobile wholesale auctions for new and used car dealers. (Software)	shares.			\$163,000	\$282,356
www.acvauctions.com					
Centivo Corporation (e)(g)	190,967 Series A-1 Preferred	7/5/17	<1%		1.0%
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)	shares.			200,000	200,000
	337,808 Series A-2 Preferred				
	shares.			<u>101,342</u>	<u>101,342</u>
	Total Centivo			<u>301,342</u>	<u>301,342</u>
www.centivo.com					
eHealth Global Technologies, Inc. (g)	\$3,500,000 Term Notes at 10% due September 2, 2019.	6/28/16	0%		11.4%
Henrietta, NY. eHealth Connect® improves health care delivery through intelligently aggregated clinical record and images for patient referrals. (Health Care)				3,500,000	3,500,000

www.ehealthtechnologies.com

Empire Genomics, LLC (h)(g)	\$1,101,489 Senior Secured	6/13/14	0%			2.2%
Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments.	Convertible Term Notes at 10%					
(Health Care)	due April 30, 2018. \$250,000 Promissory Note at 12%			1,101,489	450,000	
www.empiregenomics.com	due December 31, 2019.			<u>228,334</u>	<u>228,334</u>	
	Total Empire			<u>1,329,823</u>	<u>678,334</u>	
GoNoodle, Inc. (g)(m)	\$1,000,000 Secured Note at 12%	2/6/15	<1%			3.3%
(Formerly Health Teacher, Inc.)	due January 31, 2020, (1% Payment in Kind (PIK)).			1,034,484	1,034,484	
Nashville, TN. Student engagement education software providing core aligned physical activity breaks. (Software)	Warrant for 47,324 Series C Preferred shares.			<u>25</u>	<u>25</u>	
www.gonoodle.com	Total GoNoodle			<u>1,034,509</u>	<u>1,034,509</u>	
Mercantile Adjustment Bureau, LLC (g)	\$1,199,039 Subordinated Secured	10/22/12	4%			3.1%
Williamsville, NY. Full service accounts receivable management and collections company.	Note at 13% (3% for the calendar year 2018) due January 31, 2019.			1,199,040	949,040	
(Contact Center)	(e) \$150,000 Subordinated Debenture at 8% due June 30, 2018.			150,000	-	
www.mercantilesolutions.com	Warrant for 3.29% Membership Interests. Option for 1.5% Membership Interests.			<u>97,625</u>	<u>-</u>	
	(i) Interest receivable \$53,069.					
	Total Mercantile			<u>1,446,665</u>	<u>949,040</u>	
Outmatch Holdings, LLC (e)(g)	2,693,224 Class P1 Units.	11/18/10	4%	2,140,007	2,140,007	7.0%
(Chequed Holdings, LLC)				<u>5,489</u>	<u>5,489</u>	

109,788 Class C1
Units.

Dallas, TX. Web based predictive employee selection and reference checking. (Software)

Total
Outmatch

2,145,496 2,145,496

www.outmatch.com

PostProcess Technologies LLC (e)(g)

\$300,000

Convertible

Promissory

7/25/16

0%

1.0%

Buffalo, NY. Provides innovative solutions for the post-processing of additive manufactured 3D parts. (Manufacturing)

Note at 5% due July 28, 2018.

300,000

300,000

www.postprocess.com

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2018 (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
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 shares.	10/29/09	4%	-	11,000	9.6%
	(g) 1,839,422 Series A preferred shares.			2,099,999	2,165,999	
	(g) 50,593 Common shares.			-	59,000	
	(g) 589,420 Series B Preferred shares.			<u>702,732</u>	<u>702,732</u>	
	Total Rheonix			<u>2,802,731</u>	<u>2,938,731</u>	
SocialFlow, Inc. (e)(g) New York, NY. Provides instant analysis of social networks using a proprietary, predictive analytic algorithm to optimize advertising and publishing. (Software) www.socialflow.com	1,049,538 Series B Preferred shares.	4/5/13	4%	500,000	731,431	6.7%
	1,204,819 Series B-1 Preferred shares.			750,000	839,648	
	717,772 Series C Preferred shares.			<u>500,000</u>	<u>500,221</u>	
	Total Social Flow			<u>1,750,000</u>	<u>2,071,300</u>	
Somerset Gas Transmission Company, LLC (e) Columbus, OH. Natural gas transportation. (Oil and Gas) www.somersetgas.com	26.5337 Units.	7/10/02	3%	719,097	500,000	1.6%

Other Non-Control/Non-Affiliate Investments:

DataView, LLC (Software) (e)	Membership Interest.	-	-	310,357	-	0.0%
UStec/Wi3 (Manufacturing) (e)	Common stock.	-	-	100,500	-	0.0%
Subtotal Non-Control/Non-Affiliate Investments				\$15,903,520	\$14,701,108	

Affiliate Investments 57.0% of net assets (k)

BeetNPath, LLC (Grainful) (e)(g)	1,119,024 Series A-2 Preferred	10/20/14	9%			2.1%
Ithaca, NY. Frozen entrées and packaged dry side dishes made from 100% whole grain steel cut oats under Grainful brand name. (Consumer Product) www.grainful.com	Membership Units. 1,032,918 Series B Preferred			\$359,000	\$359,000	
	Membership Units.			<u>261,277</u>	<u>291,000</u>	
	Total BeetNPath			<u>620,277</u>	<u>650,000</u>	
Carolina Skiff LLC (g)	6.0825% Class A Common	1/30/04	7%			5.7%
Waycross, GA. Manufacturer of fresh water, ocean fishing and pleasure boats. (Manufacturing) www.carolinaskiff.com	Membership Interest.			15,000	1,750,000	
ClearView Social, Inc. (e)(g)	312,500 Series Seed Plus Preferred	1/4/16	6%			0.7%
Buffalo, NY. Social media publishing tool for law, CPA and professional firms. (Software) www.clearviewsocial.com	shares.			200,000	200,000	
First Wave Products Group, LLC (e)(g)	\$500,000 Senior Term Notes at 10% due July 31, 2017.	4/19/12	7%	661,563	-	0.0%
Batavia, NY. Sells First Crush automated pill crusher that crushes and grinds medical pills for nursing homes and medical institutions. (Health Care) www.firstwaveproducts.com	\$280,000 Junior Term Notes at 10% due July 31, 2017. Warrant for 41,619 Capital Securities.			316,469	-	
	Total First Wave			<u>22,000</u>	=	
				<u>1,000,032</u>	=	
Genicon, Inc. (g) (m)		4/10/15	6%	1,000,000	1,000,000	13.3%

Winter Park, FL. Designs, produces and distributes patented surgical instrumentation. (Health Care) www.geniconendo.com	1,586,902 Series B Preferred shares. \$3,000,000		
	Promissory Notes at 10% due May 1, 2020, (8% Payment in Kind (PIK)).	2,984,127	2,984,127
	Warrant for 250,000 Common shares.	80,000	80,000
	Warrant for 125,000 Common shares.	<u>40,000</u>	<u>40,000</u>
	Total Genicon	<u>4,104,127</u>	<u>4,104,127</u>

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2018 (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
GiveGab, Inc. (e)(g) Ithaca, NY. Online fundraising, day of giving supporter engagement software for non-profit organizations. (Software) www.givegab.com	5,084,329 Series Seed Preferred shares.	3/13/13	6%	616,221	616,221	2.0%
G-TEC Natural Gas Systems (e) Buffalo, NY. Manufactures and distributes systems that allow natural gas to be used as an alternative fuel to gases. (Manufacturing) www.gas-tec.com	16.639% Class A Membership Interest. 8% cumulative dividend.	8/31/99	17%	400,000	100,000	0.3%
Intrinsiq Materials, Inc. (e)(g) Rochester, NY. Produces printable electronics utilizing a unique process of nanomaterial based	4,161,747 Series A Preferred shares.	9/19/13	12%	1,125,673	400,000	1.3%

ink in a room-temperature environment.

(Manufacturing)

www.intrinsicmaterials.com

Knoa Software, Inc. (h)(g)	973,533 Series A-1 Convertible Preferred shares.	11/20/12	7%	750,000	750,000	4.0%
New York, NY. End user experience management and performance (EMP) solutions utilizing enterprise applications. (Software)	1,876,922 Series B Preferred shares.			<u>479,155</u>	<u>479,155</u>	
www.knoa.com	Total Knoa			<u>1,229,155</u>	<u>1,229,155</u>	

KnowledgeVision Systems, Inc. (g)	200,000 Series A-1 Preferred shares.	11/13/13	7%	250,000	-	4.3%
Lincoln, MA. Online presentation and training software. (Software)	214,285 Series A-2 Preferred shares.			300,000	300,000	
www.knowledgevision.com	129,033 Series A-3 Preferred shares.			165,001	165,001	
	Warrant for 46,743 Series A-3 shares. \$75,000 Subordinated Promissory Notes at 8% payable on demand of majority of holders after August 31, 2019.(e) \$750,000 Replacement Term Note at 11% due April 30, 2021.			35,000	35,000	
				75,000	75,000	
	Total KnowledgeVision			<u>750,000</u>	<u>750,000</u>	
				<u>1,575,001</u>	<u>1,325,001</u>	

Mezmeriz, Inc. (e)(g)	1,554,565 Series Seed Preferred shares.	1/9/08	14%	742,850	351,477	1.1%
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Ithaca, NY. Micro-electronic mechanical systems (MEMS) developer of carbon fiber MEMS mirror

modules for gesture recognition and 3D scanning. (Electronics Developer)

www.mezmeriz.com

Microcision LLC (g)(m)	\$1,500,000					
	Subordinated					
	Promissory	9/24/09	15%			6.3%
Pennsauken Township, NJ.	Note at 12% (1%					
Manufacturer of	PIK) due December					
precision machined medical implants,	31, 2024.			1,923,722	1,923,722	
components and assemblies.	15% Class A					
(Manufacturing)	Common					
www.microcision.com	Membership					
	Interest.			<u>-</u>	<u>-</u>	
	Total Microcision			<u>1,923,722</u>	<u>1,923,722</u>	

New Monarch Machine Tool, Inc. (g)	22.84 Common					
	shares.	9/24/03	15%	22,841	22,841	0.1%
Cortland, NY. Manufactures and						
services						
vertical/horizontal machining centers.						
(Manufacturing)						
www.monarchmt.com						

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2018 (Continued)

(Unaudited)

Company, Geographic Location, Business Description, (Industry) and Website	(a) <u>Type of Investment</u>	(b) <u>Date Acquired</u>	(c) <u>Equity</u>	<u>Cost</u>	(d)(f) <u>Fair Value</u>	Percent <u>of Net Assets</u>
OnCore Golf Technology, Inc. (e)(g) Buffalo, NY. Maker of patented golf balls. (Consumer Product) www.oncoregolf.com	150,000 Series AA Preferred shares. \$300,000 Subordinated Convertible Promissory Notes at 6% due January 24, 2018. (i) Interest receivable \$50,342. Total OnCore	12/31/14	9%	375,000	-	1.0%
				<u>300,000</u>	<u>300,000</u>	
				<u>675,000</u>	<u>300,000</u>	
SciAps, Inc. (e)(g) Woburn, MA. Instrumentation company producing portable analytical devices using XRF, LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements. (Manufacturing) www.sciaps.com	187,500 Series A Preferred shares. 274,299 Series A-1 Convertible Preferred shares. 117,371 Series B Convertible Preferred shares. 113,636 Series C Convertible Preferred shares. 369,698 Series C-1 Convertible Preferred shares. 147,059 Series D Convertible Preferred shares.	7/12/13	6%	1,500,000	700,000	6.6%
				504,710	250,000	
				250,000	250,000	
				175,000	175,000	
				399,274	399,274	
				<u>250,000</u>	<u>250,000</u>	

	Total SciAps			<u>3,078,984</u>	<u>2,024,274</u>	
SOMS Technologies, LLC (e)(g)	5,959,490 Series B Membership	12/2/08	9%			0.1%
Valhalla, NY. Produces and markets the microGreen Extended Performance Oil Filter. (Consumer Products)	Interests.			472,632	30,000	
www.microgreenfilter.com						
Teleservices Solutions Holdings, LLC (e)(g)(m)	250,000 Class B Preferred Units.	5/30/14	6%	250,000	-	0.0%
	1,000,000 Class C Preferred Units.			1,190,680	-	
Montvale, NJ. Customer contact center specializing in customer acquisition and retention for selected industries. (Contact Center)	80,000 Class D Preferred Units.			91,200	-	
	104,198 Class E Preferred Units.			<u>104,198</u>	=	
www.ipacesetters.com	PIK dividend for Series C and D at 12% and 14%, respectively.					
	Total Teleservices			<u>1,636,078</u>	=	
Tilson Technology Management, Inc. (g)	120,000 Series B Preferred shares.	1/20/15	11%	600,000	600,000	8.1%
Portland, ME. Cellular, fiber optic and wireless information systems, construction, and management. (Professional Services)	21,391 Series C Convertible Preferred shares.			200,000	200,000	
www.tilsonotech.com	\$200,000 Subordinated Promissory Note at 8% due September 28, 2021.			200,000	200,000	
	65,790 Series D Preferred shares.			750,000	750,000	
	\$750,000 Subordinated Promissory Note at 8% due December 1, 2022.			<u>750,000</u>	<u>750,000</u>	
	Total Tilson			<u>2,500,000</u>	<u>2,500,000</u>	
Subtotal Affiliate Investments				\$21,937,593	\$17,526,818	
Control Investments 0.3% of net assets (l)						

Advantage 24/7 LLC (e)(g)	45% Membership Interest.	12/30/10	45%	\$99,500	\$99,500	0.3%
Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company) www.advantage24-7.com						
Subtotal Control Investments				\$99,500	\$99,500	
TOTAL INVESTMENTS 105.1%				\$37,940,613	\$32,327,426	
OTHER ASSETS IN EXCESS OF LIABILITIES (5.1%)					(1,560,448)	
NET ASSETS 100%					\$30,766,978	

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2018 (Continued)

(Unaudited)

Notes to the Consolidated Schedule of Portfolio Investments

- (a) At June 30, 2018, restricted securities represented 100% of the fair value of the investment portfolio. Restricted securities are subject to one or more restrictions on resale and are not freely marketable.
- (b) The Date Acquired column indicates the date in which the Corporation first acquired an investment in the company or a predecessor company.
- (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 Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures, which defines fair value and establishes guidelines for measuring fair value. At June 30, 2018, ASC 820 designates 100% of the Corporation's investments as Level 3 assets. Under the valuation policy of the Corporation, unrestricted publicly held securities are valued at the average closing bid 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 the management of the Corporation 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.
- (f) As of June 30, 2018 the total cost of investment securities was approximately \$37.9 million. Net unrealized depreciation was approximately (\$5.6) million, which was comprised of \$1.9 million of unrealized appreciation of investment securities and (\$7.5) million of unrealized depreciation of investment securities. At June 30, 2018, the aggregate gross unrealized gain for federal income tax purposes was \$2.5 million and the aggregate gross unrealized loss for federal income tax purposes was (\$7.0) million. The net unrealized loss for federal income tax purposes was (\$4.5) million based on a tax cost of \$36.8 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 Statement of Financial Position.
- (j) Non-Control/Non-Affiliate Investments are investments that are neither Control Investments nor Affiliate Investments.
- (k) Affiliate Investments are defined by the Investment Company Act of 1940, as amended (1940 Act), as those Non-Control investments in companies in which between 5% and 25% of the voting securities are owned by the Corporation.
- (l) 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.
- (m) Payment in kind (PIK) represents earned interest that is added to the cost basis of the investment.

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2018 (Continued)

(Unaudited)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2017 Fair Value	Gross Additions (1)	Gross Reductions (2)	June 30, 2018 Fair Value	Amount of Net Realized Gains (Losses)	Interest/ Dividend/ Fee Income (3)
Control Investments:							
Advantage 24/7 LLC	45% Membership interest.	\$99,500	\$-	\$-	\$99,500	\$-	\$-
	Total Control Investments	\$99,500	\$-	\$-	\$99,500	-	\$-
Affiliate Investments:							
BeetNPath, LLC	1,119,024 Series A-2 Preferred Membership Units.	\$359,000	\$-	\$-	\$359,000	-	\$-
	1,032,918 Series B Preferred Membership Units.	<u>291,000</u>	=	=	<u>291,000</u>	=	=
	Total BeetNPath	<u>650,000</u>	=	=	<u>650,000</u>	=	=
Carolina Skiff LLC	6.0825% Class A common membership interest.	1,750,000	-	-	1,750,000	-	80,264
ClearView Social, Inc.	312,500 Series seed plus preferred shares.	200,000	-	-	200,000	-	-
First Wave Products Group, LLC	\$500,000 senior term notes at 10%.	250,000	-	(250,000)	-	-	-
	\$280,000 junior term notes at 10%.	-	-	-	-	-	-
		<u>-</u>	=	=	<u>-</u>	=	=

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Warrant for 41,619
capital securities.

Total First Wave 250,000 = (250,000) = = =

Genicon, Inc.	1,586,902 Series B preferred shares.	1,000,000	-	-	1,000,000	-	-
	\$3,000,000 promissory notes at 8%.	2,903,779	80,348	-	2,984,127	-	159,950
	Warrant for 250,000 common shares	80,000	-	-	80,000	-	-
	Warrant for 125,000 common shares	<u>40,000</u>	<u>-</u>	=	<u>40,000</u>	=	<u>-</u>
	Total Genicon	<u>4,023,779</u>	<u>80,348</u>	=	<u>4,104,127</u>	=	<u>159,950</u>
GiveGab, Inc.	5,084,329 Series Seed preferred shares.	424,314	191,907	-	616,221	-	-
G-TEC Natural Gas Systems	16.639% Class A membership interest. 8% cumulative dividend.	100,000	-	-	100,000	-	-
Intrinsiq Materials, Inc.	4,161,747 Series A preferred shares.	400,000	-	-	400,000	-	-
Knoa Software, Inc.	973,533 Series A-1 convertible preferred shares.	750,000	-	-	750,000	-	-
	1,876,922 Series B preferred shares.	479,155	-	-	479,155	-	-
	\$48,466 convertible promissory note at 8%.	<u>48,466</u>	=	<u>(48,466)</u>	<u>-</u>	=	<u>773</u>
	Total Knoa	<u>1,277,621</u>	=	<u>(48,466)</u>	<u>1,229,155</u>	=	<u>773</u>
KnowledgeVision Systems, Inc.	200,000 Series A-1 preferred shares.	-	-	-	-	-	-
	214,285 Series A-2 preferred shares.	300,000	-	-	300,000	-	-
	129,033 Series A-3 preferred shares.	165,001	-	-	165,001	-	-
	\$75,000 subordinated promissory notes at 8%	50,000	25,000	-	75,000	-	2,383
	\$750,000 replacement term note at 11%	-	750,000	-	750,000	-	12,823
	Warrant for 46,743 Series A-3 shares.	<u>35,000</u>	<u>-</u>	=	<u>35,000</u>	=	<u>-</u>
	Total Knowledge Vision	<u>550,001</u>	<u>775,000</u>	=	<u>1,325,001</u>	=	<u>15,206</u>

Mezmeriz, Inc.	1,554,565 Series seed preferred shares.	351,477	-	-	351,477	-	-
Microcision LLC	\$1,500,000 subordinated promissory note at 12% (1% PIK).	1,914,140	9,582	-	1,923,722	-	114,992
New Monarch	22.84 common shares.	22,841	-	-	22,841	-	29,409
Machine Tool, Inc.							

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2018 (Continued)

(Unaudited)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2017 Fair Value	Gross Additions (1)	Gross Reductions (2)	June 30, 2018 Fair Value	Net Realized Gains (Losses)	Amount of Interest/ Dividend/ Fee Income (3)
OnCore Golf Technology, Inc.	150,000 Series AA preferred shares.	-	-	-	-	-	-
	\$300,000 subordinated convertible promissory notes at 6%.	<u>300,000</u>	=	=	<u>300,000</u>	=	=
	Total OnCore	<u>300,000</u>	=	=	<u>300,000</u>	=	=
SciAps, Inc.	187,500 Series A convertible preferred shares.	700,000	-	-	700,000	-	-
	274,299 Series A-1 convertible preferred shares.	250,000	-	-	250,000	-	-
	117,371 Series B convertible preferred shares.	250,000	-	-	250,000	-	-
	113,636 Series C preferred shares.	175,000	-	-	175,000	-	-
	369,698 Series C-1 preferred shares.	399,274	-	-	399,274	-	-
	147,059 Series D shares	-	<u>250,000</u>	=	<u>250,000</u>	=	=
	Total SciAps	<u>1,774,274</u>	<u>250,000</u>	=	<u>2,024,274</u>	=	=
SOMS	5,959,490 Series B membership	528,348	-	(498,348)	30,000	-	-

	interests.						
Technologies, LLC							
Teleservices	250,000 Class B preferred units.	-	-	-	-	-	-
Solutions	1,000,000 Class C preferred units.	-	-	-	-	-	-
Holdings, LLC	80,000 Class D preferred units.	-	-	-	-	-	-
	104,198 Class E preferred units.	=	=	=	=	=	=
	Total Teleservices	=	=	=	=	=	=
Tilson Technology Management, Inc.	120,000 Series B preferred shares.	600,000	-	-	600,000	-	10,000
	21,391 Series C convertible preferred shares.	200,000	-	-	200,000	-	-
	\$200,000 subordinated promissory note at 8%.	200,000	-	-	200,000	-	7,934
	65,790 Series D preferred shares.	750,000	-	-	750,000	-	9,376
	\$750,000 subordinated promissory note at 8%.	<u>750,000</u>	=	=	<u>750,000</u>	=	<u>29,754</u>
	Total Tilson	<u>2,500,000</u>	=	=	<u>2,500,000</u>	=	<u>57,064</u>
	Total Affiliate Investments	\$17,016,795	\$1,306,837	(\$796,814)	\$17,526,818	\$-	\$457,658
	Total Control and Affiliate Investments	\$17,116,295	\$1,306,837	(\$796,814)	\$17,626,318	\$-	\$457,658

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

- (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 net increases in unrealized appreciation or net decreases in unrealized depreciation, and 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, net increases in unrealized depreciation, net decreases in unrealized appreciation, 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

June 30, 2018 (Continued)

(Unaudited)

Industry Classification	Percentage of Total Investments (at fair value) as of June 30, 2018
Healthcare	35.7%
Software	27.5
Manufacturing	20.2
Professional Services	7.7
Consumer Product	3.0
Contact Center	2.9
Oil and Gas	1.6
Electronics	1.1
Marketing	0.3
Total Investments	100%

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2017

Company, Geographic Location, Business	(a)	(b)	(c)	(d)(f)	Percent	
<u>Description, (Industry) and Website</u>	<u>Type of Investment</u>	<u>Acquired</u>	<u>Equity</u>	<u>Cost</u>	<u>Value</u>	
<u>Description, (Industry) and Website</u>	<u>Type of Investment</u>	<u>Acquired</u>	<u>Equity</u>	<u>Cost</u>	<u>Value</u>	<u>Assets</u>
Non-Control/Non-Affiliate Investments						
47.5% of						
net assets: (j)						
ACV Auctions, Inc. (e)(g)	1,181,160 Series A preferred shares.	8/12/16	<1%	\$163,000	\$282,356	0.9%
Buffalo, NY. Live mobile wholesale auctions for new and used car dealers. (Software)						
www.acvauctions.com						
Centivo Corporation (e)(n)	\$100,000 convertible unsecured note at 2% due February 1, 2019.	7/5/17	0%	100,000	100,000	0.3%
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)						
eHealth Global Technologies, Inc.	(g) \$1,500,000 term note at 10% due September 2, 2019.	6/28/16	0%	1,500,000	1,500,000	11.0%
Henrietta, NY. eHealth Connect® improves health care delivery through intelligently aggregated clinical record and images for patient referrals. (Health Care)	(n) \$2,000,000 term note at 10% due September 2, 2019.			2,000,000	2,000,000	
www.ehealthtechnologies.com	Total eHealth			<u>3,500,000</u>	<u>3,500,000</u>	

Empire Genomics, LLC (g)	\$1,101,489 senior secured	6/13/14	0%			4.2%
Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments.	convertible term notes at 10% due					
(Health Care)	April 30, 2018. \$250,000 promissory note at 12% due December 31, 2019.			1,101,489	1,101,489	
www.empiregenomics.com	(i) Interest receivable \$65,906.			<u>250,000</u>	<u>250,000</u>	
	Total Empire			<u>1,351,489</u>	<u>1,351,489</u>	
GoNoodle, Inc. (g)(m)	\$1,000,000 secured note at 12%	2/6/15	<1%			3.2%
(Formerly HealthTeacher, Inc.)	due January 31, 2020, (1% Payment in Kind (PIK)).					
Nashville, TN. Student engagement education software providing core aligned physical activity breaks. (Software)	Warrant for 47,324 Series C Preferred shares.			1,029,330	1,029,330	
www.gonoodle.com	Total GoNoodle			<u>25</u>	<u>25</u>	
				<u>1,029,355</u>	<u>1,029,355</u>	
Mercantile Adjustment Bureau, LLC (g)	\$1,199,039 subordinated secured	10/22/12	4%			3.0%
Williamsville, NY. Full service accounts receivable management and collections company.	note at 13% (3% for the calendar year 2017) due January 31, 2018.					
(Contact Center)	(e) \$150,000 subordinated debenture at 8% due June 30, 2018.			1,199,040	949,040	
www.mercantilesolutions.com	Warrant for 3.29% membership interests. Option for 1.5% membership interests.			150,000	-	
	(i) Interest receivable \$55,983.			<u>97,625</u>	<u>-</u>	
	Total Mercantile			<u>1,446,665</u>	<u>949,040</u>	
Outmatch Holdings, LLC (e)(g)	2,641,899 Class P1 Units.	11/18/10	4%	2,140,007	2,140,007	6.7%
(Chequed Holdings, LLC)	109,788 Class C1 Units.			<u>5,489</u>	<u>5,489</u>	

Dallas, TX. Web based predictive employee selection and reference checking. (Software)

Total Outmatch

2,145,496 2,145,496

www.outmatch.com

PostProcess Technologies LLC (e)(g)	\$300,000 convertible promissory note at 5% due July 28, 2018.	7/25/16	0%		
Buffalo, NY. Provides innovative solutions for the post-processing of additive manufactured 3D parts. (Manufacturing)				300,000	300,000

www.postprocess.com

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2017 (Continued)

Company, Geographic Location, Business	(a)	(b)	(c)		(d)(f)	Percent
<u>Description, (Industry) and Website</u>	<u>Type of Investment</u>	<u>Acquired</u>	<u>Equity</u>	<u>Cost</u>	<u>Value</u>	<u>Assets</u>
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 shares. (g) 1,839,422 Series A preferred shares. (g) 50,593 common shares. (g) 589,420 Series B preferred shares. Total Rheonix	10/29/09	4%	-	11,000	9.2%
				2,099,999	2,165,999	
				-	59,000	
				<u>702,732</u>	<u>702,732</u>	
				<u>2,802,731</u>	<u>2,938,731</u>	
SocialFlow, Inc. (e)(g) New York, NY. Provides instant analysis of social networks using a proprietary, predictive analytic algorithm to optimize advertising and publishing. (Software) www.socialflow.com	1,049,538 Series B preferred shares. 1,204,819 Series B-1 preferred shares. 717,772 Series C preferred shares. Total Social Flow	4/5/13	4%	500,000	731,431	6.5%
				750,000	839,648	
				<u>500,000</u>	<u>500,221</u>	
				<u>1,750,000</u>	<u>2,071,300</u>	
Somerset Gas Transmission Company, LLC (e) Columbus, OH. Natural gas transportation. (Oil and Gas) www.somersetgas.com	26.5337 units.	7/10/02	3%	719,097	500,000	1.6%
Other Non-Control/Non-Affiliate Investments:						
DataView, LLC (Software) (e)	Membership	-	-	310,357	-	0.0%

Interest.

UStec/Wi3 (Manufacturing) (e)	Common Stock.	-	-	100,500	-	0.0%
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Subtotal Non-Control/Non-Affiliate Investments

\$15,718,690 \$15,167,767

Affiliate Investments 53.3% of net assets (k)

BeetNPath, LLC (Grainful) (e)(g)	1,119,024 Series A-2 Preferred	10/20/14	9%			2.0%
Ithaca, NY. Frozen entrées and packaged dry side dishes made from 100% whole grain steel cut oats under Grainful brand name. (Consumer Product) www.grainful.com	Membership Units. 1,032,918 Series B Preferred			\$359,000	\$359,000	
	Membership Units.			<u>261,277</u>	<u>291,000</u>	
	Total BeetNPath			<u>620,277</u>	<u>650,000</u>	
Carolina Skiff LLC (g)	6.0825% Class A common membership interest.	1/30/04	7%			5.5%
Waycross, GA. Manufacturer of fresh water, ocean fishing and pleasure boats. (Manufacturing) www.carolinaskiff.com				15,000	1,750,000	
ClearView Social, Inc. (e)(g)	312,500 Series seed plus preferred shares.	1/4/16	6%			0.6%
Buffalo, NY. Social media publishing tool for law, CPA and professional firms. (Software) www.clearviewsocial.com				200,000	200,000	
First Wave Products Group, LLC (e)(g)	\$500,000 senior term notes at 10% due	4/19/12	7%			0.8%
Batavia, NY. Sells First Crush automated pill crusher that crushes and grinds medical pills for nursing homes and medical institutions. (Health Care) www.firstwaveproducts.com	July 31, 2017. \$280,000 junior term notes at 10% due			661,563	250,000	
	July 31, 2017. Warrant for 41,619 capital securities.			316,469	-	
	Total First Wave			<u>22,000</u>	<u>-</u>	
				<u>1,000,032</u>	<u>250,000</u>	
Genicon, Inc.		4/10/15	6%	1,000,000	1,000,000	12.6%

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	(g) 1,586,902 Series B preferred shares.		
Winter Park, FL. Designs, produces and distributes patented surgical instrumentation. (Health Care)	(g) \$2,000,000 promissory note at 8% due May 1, 2020.	1,936,002	1,936,002
www.geniconendo.com	(g) Warrant for 250,000 common shares.	80,000	80,000
	(n) \$1,000,000 promissory note at 8% due May 1, 2020.	967,777	967,777
	(n) Warrant for 125,000 common shares.	<u>40,000</u>	<u>40,000</u>
	Total Genicon	<u>4,023,779</u>	<u>4,023,779</u>

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2017 (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
GiveGab, Inc. (e)(g) Ithaca, NY. Online fundraising, day of giving supporter engagement software for non-profit organizations. (Software) www.givegab.com	5,084,329 Series Seed preferred shares.	3/13/13	6%	616,221	424,314	1.3%
G-TEC Natural Gas Systems (e) Buffalo, NY. Manufactures and distributes systems that allow natural gas to be used as an alternative fuel to gases. (Manufacturing) www.gas-tec.com	16.639% Class A membership interest. 8% cumulative dividend.	8/31/99	17%	400,000	100,000	0.3%
Intrinsiq Materials, Inc. (e)(g) Rochester, NY. Produces printable electronics utilizing a unique process of nanomaterial based ink in a room-temperature environment.	4,161,747 Series A preferred shares.	9/19/13	12%	1,125,673	400,000	1.3%

(Manufacturing)

www.intrinsicmaterials.com

Knoa Software, Inc. (g)	973,533 Series A-1 convertible preferred shares.	11/20/12	7%	750,000	750,000	4.0%
New York, NY. End user experience management and performance (EMP) solutions utilizing enterprise applications. (Software)	1,876,922 Series B preferred shares.			479,155	479,155	
www.knoa.com	\$48,466 convertible promissory note at 8% due May 9, 2018.			48,466	48,466	
	Total Knoa			1,277,621	1,277,621	

KnowledgeVision Systems, Inc. (e)(g)	200,000 Series A-1 preferred shares.	11/13/13	7%	250,000	-	1.7%
Lincoln, MA. Online presentation and training software. (Software)	214,285 Series A-2 preferred shares.			300,000	300,000	
www.knowledgevision.com	129,033 Series A-3 preferred shares.			165,001	165,001	
	Warrant for 46,743 Series A-3 shares. \$50,000 subordinated promissory note at 8% payable on demand of majority of noteholders after August 31, 2017.			35,000	35,000	
	Total KnowledgeVision			<u>800,001</u>	<u>550,001</u>	

Mezmeriz, Inc. (e)(g)	1,554,565 Series Seed preferred shares.	1/9/08	14%	742,850	351,477	1.1%
Ithaca, NY. Micro-electronic mechanical systems (MEMS) developer of carbon fiber MEMS mirror modules for gesture recognition and 3D scanning. (Electronics Developer)						
www.mezmeriz.com						

Microcision LLC (g)(m)	\$1,500,000 subordinated promissory	9/24/09	15%			6.0%
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Pennsauken Township, NJ. Manufacturer of precision machined medical implants, components and assemblies. (Manufacturing)	note at 12% (1% PIK) due December 31, 2024.				1,914,140	1,914,140
www.microcision.com	15% Class A common membership interest.				-	-
	Total Microcision				1,914,140	1,914,140

New Monarch Machine Tool, Inc. (g)	22.84 common shares.	9/24/03	15%	22,841	22,841	0.1%
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Cortland, NY. Manufactures and services vertical/horizontal machining centers.

(Manufacturing)

www.monarchmt.com

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2017 (Continued)

Company, Geographic Location, Business Description, (Industry) and Website	(a) Type of Investment	(b) Date Acquired	(c) Equity	(d)(f) Cost	(d)(f) Fair Value	Percent of Net Assets
OnCore Golf Technology, Inc. (e)(g)	150,000 Series AA preferred shares.	12/31/14	9%	375,000	-	0.9%
Buffalo, NY. Maker of patented golf balls.	\$300,000 subordinated convertible promissory notes at 6% (10% for calendar year 2017) due January 24, 2018.					
(Consumer Product)						
www.oncoregolf.com	(i) Interest receivable \$50,342.			<u>300,000</u>	<u>300,000</u>	
	Total OnCore			<u>675,000</u>	<u>300,000</u>	
SciAps, Inc. (e)(g)	187,500 Series A convertible preferred	7/12/13	8%			5.6%
Woburn, MA. Instrumentation company producing portable analytical devices using XRF, LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements.	shares.			1,500,000	700,000	
(Manufacturing)	274,299 Series A-1 convertible preferred shares.			504,710	250,000	
www.sciaps.com	117,371 Series B convertible preferred shares.			250,000	250,000	
	113,636 Series C preferred shares.			175,000	175,000	
	369,698 Series C-1 preferred shares.			<u>399,274</u>	<u>399,274</u>	
	Total SciAps			<u>2,828,984</u>	<u>1,774,274</u>	
SOMS Technologies, LLC (e)(g)		12/2/08	9%			1.7%

Valhalla, NY. Produces and markets the microGreen Extended Performance Oil Filter. (Consumer Products) www.microgreenfilter.com	5,959,490 Series B membership interests.				472,632	528,348	
Teleservices Solutions Holdings, LLC (e)(g)(m)	250,000 Class B preferred units.	5/30/14	6%	250,000	-	-	0.0%
	1,000,000 Class C preferred units.			1,190,680	-	-	
Montvale, NJ. Customer contact center specializing in customer acquisition and retention for selected industries. (Contact Center) www.ipacesetters.com	80,000 Class D preferred units.			91,200	-	-	
	104,198 Class E preferred units.			<u>104,198</u>	=	=	
	PIK dividend for Series C and D at 12% and 14%, respectively.						
	Total Teleservices			<u>1,636,078</u>	=	=	
Tilson Technology Management, Inc.	(g) 120,000 Series B preferred shares.	1/20/15	11%	600,000	600,000	600,000	7.8%
Portland, ME. Cellular, fiber optic and wireless information systems, construction, and management. (Professional Services) www.tilsontech.com	21,391 Series C convertible preferred shares.			200,000	200,000	200,000	
	(g) \$200,000 subordinated promissory note at 8% due September 28, 2021.			200,000	200,000	200,000	
	(n) 65,790 Series D preferred shares.			750,000	750,000	750,000	
	(n) \$750,000 subordinated promissory note at 8% due December 1, 2022.			<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	
	Total Tilson			<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	
Subtotal Affiliate Investments					\$20,871,129	\$17,016,795	
Control Investments 0.3% of net assets (l)							
Advantage 24/7 LLC (e)(g)		12/30/10	53%	\$99,500	\$99,500	\$99,500	0.3%

53% Membership
interest.

Williamsville, NY. Marketing
program for wine
and spirits dealers. (Marketing
Company)
www.advantage24-7.com

Subtotal Control Investments		\$99,500	\$99,500
TOTAL INVESTMENTS	101.1%	\$36,689,319	\$32,284,062
OTHER ASSETS IN EXCESS OF			
LIABILITIES	(1.1%)		(365,377)
NET ASSETS	100%		\$31,918,685

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2017 (Continued)

Notes to the Consolidated Schedule of Portfolio Investments

- (a) At December 31, 2017, restricted securities represented 100% of the fair value of the investment portfolio. Restricted securities are subject to one or more restrictions on resale and are not freely marketable.
- (b) The Date Acquired column indicates the date in which the Corporation first acquired an investment in the company or a predecessor company.
- (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 Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures, which defines fair value and establishes guidelines for measuring fair value. At December 31, 2017, ASC 820 designates 100% of the Corporation's investments as Level 3 assets. Under the valuation policy of the Corporation, unrestricted publicly held securities are valued at the average closing bid 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 the management of the Corporation 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.
- (f) As of December 31, 2017, the total cost of investment securities was approximately \$36.7 million. Net unrealized depreciation was approximately (\$4.4) million, which was comprised of \$2.4 million of unrealized appreciation of investment securities and (\$6.8) million of unrealized depreciation of investment securities. At December 31, 2017, the aggregate gross unrealized gain for federal income tax purposes was \$2.8 million and the aggregate gross unrealized loss for federal income tax purposes was (\$4.4) million. The net unrealized loss for federal income tax purposes was (\$1.6) million based on a tax cost of \$33.9 million.
- (g) Rand Capital SBIC, Inc. investment.
- (h) Reduction in cost and value from previously reported balances reflects current principal repayment. There were no principal repayments during the year ended December 31, 2017.

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- (i) Represents interest due (amounts over \$50,000) from investments included as interest receivable on the Corporation's Statement of Financial Position.
- (j) Non-Control/Non-Affiliate Investments are investments that are neither Control Investments nor Affiliate Investments.
- (k) Affiliate Investments are defined by the Investment Company Act of 1940, as amended (1940 Act), as those Non-Control investments in companies in which between 5% and 25% of the voting securities are owned by the Corporation.
- (l) 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.
- (m) Payment in kind (PIK) represents earned interest that is added to the cost basis of the investment.
- (n) Rand Capital SBIC II, L.P. investment.

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2017 (Continued)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2016 Fair Value	Gross Addition (1)	Gross Reduction (2)	December 31, 2017 Fair Value	Net Realized Gains (Losses)	Amount of Interest/ Dividend/ Fee Income (3)
Control							
Investments:							
Advantage							
24/7 LLC	53% Membership interest.	\$99,500	\$-	\$-	\$99,500	\$-	\$-