

RAND CAPITAL CORP
Form 10-Q
November 06, 2017
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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 September 30, 2017

**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.

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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 November 6, 2017, there were 6,321,988 shares of the registrant's common stock outstanding.

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RAND CAPITAL CORPORATION

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	September 30, 2017 (Unaudited)	December 31, 2016
<u>ASSETS</u>		
Investments at fair value:		
Control investments (cost of \$99,500)	\$ 99,500	\$ 99,500
Affiliate investments (cost of \$19,356,165 and \$17,589,623, respectively)	14,706,841	13,605,974
Non-Control/Non-Affiliate investments (cost of \$16,358,555 and \$13,941,907, respectively)	15,889,347	13,795,007
Total investments, at fair value (cost of \$35,814,220 and \$31,631,030, respectively)	30,695,688	27,500,481
Cash	6,373,128	12,280,140
Interest receivable (net of allowance: \$161,000)	202,562	324,237
Deferred tax asset	1,708,081	1,165,164
Prepaid income taxes	266,935	
Other assets	584,010	1,148,508
Total assets	\$ 39,830,404	\$ 42,418,530
<u>LIABILITIES AND STOCKHOLDERS EQUITY (NET ASSETS)</u>		
Liabilities:		
Debentures guaranteed by the SBA, net	\$ 7,848,323	\$ 7,827,773
Profit sharing and bonus payable	132,000	1,270,052
Accounts payable and accrued expenses	114,365	324,537
Deferred revenue	43,240	46,797
Income tax payable		320,008
Total liabilities	8,137,928	9,789,167
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 at 9/30/17 and 12/31/16	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,876,712)	(1,577,848)

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Undistributed net realized gain on investments	27,127,054	27,127,054
Net unrealized depreciation on investments	(3,356,854)	(2,718,831)
Treasury stock, at cost: 541,046 shares	(1,469,105)	(1,469,105)
Total stockholders equity (net assets) (per share \$5.01 at 9/30/17; \$5.16 at 12/31/16)	31,692,476	32,629,363
Total liabilities and stockholders equity (net assets)	\$ 39,830,404	\$ 42,418,530

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Investment income:				
Interest from portfolio companies:				
Control investments	\$	\$	\$	\$ 11,828
Affiliate investments	142,247	113,643	416,247	273,218
Non-Control/Non-Affiliate investments	167,675	110,395	417,406	240,027
Total interest from portfolio companies	309,922	224,038	833,653	525,073
Interest from other investments:				
Non-Control/Non-Affiliate investments	6,348	11,974	24,182	33,683
Total interest from other investments	6,348	11,974	24,182	33,683
Dividend and other investment income:				
Affiliate investments	74,408	69,010	189,805	149,807
Non-Control/Non-Affiliate investments	2,405	3,011	7,598	3,011
Total dividend and other investment income	76,813	72,021	197,403	152,818
Fee income:				
Control investments				2,000
Affiliate investments	2,166	2,083	6,250	3,945
Non-Control/Non-Affiliate investments	1,770	5,770	13,307	13,004
Total fee income	3,936	7,853	19,557	18,949
Total investment income	397,019	315,886	1,074,795	730,523
Expenses:				
Salaries	165,413	155,437	496,239	466,312
Bonus and profit sharing				1,411,659
Employee benefits	38,454	38,730	138,523	164,952
Directors fees	36,374	47,380	107,623	142,135
Professional fees	48,433	86,938	310,628	237,986
Stockholders and office operating	45,355	50,846	193,290	174,882
Insurance	8,058	8,358	25,618	25,876

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Corporate development	16,621	17,794	49,938	49,319
Other operating	2,772	3,495	8,055	9,470
	361,480	408,978	1,329,914	2,682,591
Interest on SBA obligations	77,568	77,570	232,706	232,709
Total expenses	439,048	486,548	1,562,620	2,915,300
Net investment loss before income taxes	(42,029)	(170,662)	(487,825)	(2,184,777)
Income tax benefit	(17,050)	(55,934)	(188,961)	(833,525)
Net investment loss	(24,979)	(114,728)	(298,864)	(1,351,252)
Net realized gain on sales and dispositions of investments:				
Control investments		1,412,500		14,588,813
Non-Control/Non-Affiliate investments				168,140
Net realized gain before income tax expense		1,412,500		14,756,953
Income tax expense		526,862		5,504,343
Net realized gain on investments		885,638		9,252,610
Net change in unrealized (depreciation) or appreciation on investments:				
Control investments		(1,412,500)		(12,775,000)
Affiliate investments		(666,011)	(665,675)	(1,413,811)
Non-Control/Non-Affiliate investments	111,000		(322,308)	69,444
Change in unrealized depreciation or appreciation before income tax expense (benefit)	111,000	(2,078,511)	(987,983)	(14,119,367)
Deferred income tax expense (benefit)	28,090	(736,301)	(349,960)	(5,231,097)
Net change in unrealized depreciation or appreciation on investments	82,910	(1,342,210)	(638,023)	(8,888,270)
Net realized and unrealized gain (loss) on investments	82,910	(456,572)	(638,023)	364,340
Net increase (decrease) in net assets from operations	\$ 57,931	(\$ 571,300)	(\$ 936,887)	(\$ 986,912)
Weighted average shares outstanding	6,321,988	6,325,299	6,321,988	6,327,074
Basic and diluted net increase (decrease) in net assets from operations per share	\$ 0.01	(\$ 0.09)	(\$ 0.15)	(\$ 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 September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Net assets at beginning of period	\$ 31,634,545	\$ 33,438,048	\$ 32,629,363	\$ 33,853,660
Net investment loss	(24,979)	(114,728)	(298,864)	(1,351,252)
Net realized gain on investments		885,638		9,252,610
Net change in unrealized depreciation or appreciation on investments	82,910	(1,342,210)	(638,023)	(8,888,270)
Net increase (decrease) in net assets from operations	57,931	(571,300)	(936,887)	(986,912)
Purchase of treasury shares		(21,614)		(21,614)
Total increase (decrease) in net assets	57,931	(592,914)	(936,887)	(1,008,526)
Net assets at end of period	\$ 31,692,476	\$ 32,845,134	\$ 31,692,476	\$ 32,845,134
Accumulated net investment loss	(\$ 1,876,712)	(\$ 1,375,832)	(\$ 1,876,712)	(\$ 1,375,832)

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash flows from operating activities:		
Net decrease in net assets from operations	(\$ 936,887)	(\$ 986,912)
Adjustments to reconcile net decrease in net assets to net cash (used in) provided by operating activities:		
Investments in portfolio companies	(3,900,000)	(5,883,012)
Proceeds from sale of investments		14,313,203
Proceeds from loan repayments		416,972
Change in unrealized depreciation or appreciation on investments	987,983	14,119,367
Change in deferred tax benefit	(542,917)	(3,448,438)
Realized gain on portfolio investments		(14,756,953)
Depreciation and amortization	23,550	25,034
Original issue discount accretion	(21,085)	(7,497)
Non-cash conversion of debenture interest	(262,105)	(16,711)
Changes in operating assets and liabilities:		
Decrease (increase) in interest receivable	121,675	(97,299)
Decrease in other assets	561,499	61,484
(Increase) decrease in prepaid income taxes	(266,935)	65,228
(Decrease) increase in income tax payable	(320,008)	826,983
Decrease in accounts payable and accrued expenses	(210,173)	(85,678)
(Decrease) increase in profit sharing and bonus payable	(1,138,052)	1,311,659
(Decrease) increase in deferred revenue	(3,557)	27,553
Total adjustments	(4,970,125)	6,871,895
Net cash (used in) provided by operating activities	(5,907,012)	5,884,983
Cash flows from financing activities:		
Purchase of treasury shares		(21,614)
Net cash used in financing activities		(21,614)
Net (decrease) increase in cash	(5,907,012)	5,863,369
Cash:		
Beginning of period	12,280,140	5,844,795
End of period	\$ 6,373,128	\$ 11,708,164

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

September 30, 2017

(Unaudited)

(a)	(b)	(c)	(d)(f)			
Company, Geographic Location, Business Description, (Industry) and Website	Type of Investment	Date Acquired	Equity	<u>Cost</u>	Fair Value	Percent of Net Assets
Non-Control/Non-Affiliate Investments						
50.1% of net assets: (j)						
ACV Auctions, Inc. (e)(g)	1,181,160 Series A preferred shares.	8/12/16	1%			0.9%
Buffalo, NY. Live mobile auctions for new and used car dealers. (Software)				\$163,000	\$282,356	
www.acvauctions.com						
Athenex, Inc. NASDAQ: ATNX (e)(g)(o)(p)	46,296 restricted common shares valued at \$15.66 per share.	9/8/14	<1%	143,285	725,000	2.3%
(Formerly Kinex Pharmaceuticals, Inc.)						
Buffalo, NY. Specialty pharmaceutical and drug development. (Health Care)						
www.athenex.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)						
City Dining Cards, Inc. (Loupe) (e)(g)	9,525.25 Series B preferred shares.	9/1/15	4%	500,000	0	0.0%
Buffalo, NY. Customer loyalty technology						

company for restaurants. (Software)

eHealth Global Technologies, Inc.	(g) \$1,500,000 term note at 10% due September 2, 2019.	6/28/16	0%		11.0%
Henrietta, NY. eHealth Connect® improves health care delivery through intelligently aggregated clinical record and images for patient referrals.				1,500,000	1,500,000
(Health Care)	(n) \$2,000,000 term note at 10% due September 28, 2019.			<u>2,000,000</u>	<u>2,000,000</u>
	Total eHealth			<u>3,500,000</u>	<u>3,500,000</u>
www.ehealthtechnologies.com					

Empire Genomics, LLC (g)	\$1,101,489 senior secured convertible term notes at 10% due April 30, 2018.	6/13/14	0%		4.3%
Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments. (Health Care)				1,101,489	1,101,489
www.empiregenomics.com	\$250,000 promissory note at 12% due December 31, 2019.			<u>250,000</u>	<u>250,000</u>
	(i) Interest receivable \$51,359.			<u>1,351,489</u>	<u>1,351,489</u>
	Total Empire				

GoNoodle, Inc. (g)(m)	\$1,000,000 secured note at 12% due January 31, 2020, (1% Payment in Kind (PIK)).	2/6/15	<1%		3.2%
(Formerly HealthTeacher, Inc.)				1,026,763	1,026,763
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>1,026,788</u>	<u>1,026,788</u>

Mercantile Adjustment Bureau, LLC (g)	\$1,199,039 subordinated secured note at 13% (3% for the calendar year 2017) due January 31, 2018.	10/22/12	4%		3.0%
Williamsville, NY. Full service accounts receivable management and collections company.				1,198,187	948,187
(Contact Center)					
www.mercantilesolutions.com	(e) \$150,000 subordinated debenture at 8% due June 30, 2018.			150,000	-

	Warrant for 3.29% membership interests. Option for 1.5% membership interests.	<u>97,625</u>	<u> -</u>
	(i) Interest receivable \$57,490.	<u>1,445,812</u>	<u>948,187</u>
	Total Mercantile		

Outmatch Holdings, LLC (e)(g)	2,542,167 Class P1 Units.	11/18/10	4%	2,140,007	2,140,007	6.8%
(Chequed Holdings, LLC)				<u>5,489</u>	<u>5,489</u>	
	109,788 Class C1 Units.			<u>2,145,496</u>	<u>2,145,496</u>	
Dallas, TX. Web based predictive employee selection and reference checking. (Software)						
	Total Outmatch					
www.outmatch.com						

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

September 30, 2017 (Continued)

(Unaudited)

(a)	(b)	(c)	(d)(f)		
Geographic Location, Business Description, (Industry) and Website	Type of Investment	Date Acquired	Equity	<u>Cost</u>	Fair Value
3D Technologies LLC (e)(g) Provides innovative solutions in the processing of additive manufactured 3D parts. (Manufacturing) www.3dprocess.com	\$300,000 convertible promissory note at 5% due July 28, 2018.	7/25/16	0%	300,000	300,000
3D Systems, Inc. (e)	9,676 common shares.	10/29/09	4%	-	11,000
Developer of fully automated microfluidic based molecular assay and diagnostic testing devices. (Health Care) www.3dix.com	(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>
3D Systems, Inc. (e)(g)	1,049,538 Series B preferred shares.	4/5/13	4%	500,000	731,430
3D Systems, Inc. (e)(g) Provides instant analysis of microfluidic networks using a proprietary, analytic algorithm to optimize diagnostic testing and publishing. (Software) www.3dflow.com	1,204,819 Series B-1 preferred shares.			750,000	839,640
	717,772 Series C preferred shares.			<u>500,000</u>	<u>500,220</u>
	Total Social Flow			<u>1,750,000</u>	<u>2,071,300</u>
3D Systems, Inc. (e)(g) Natural gas transportation. www.3dflow.com	26.5337 units.	7/10/02	3%	719,097	500,000

(s)

rsetgas.com

**Control/Non-Affiliate
s:**

LLC (Software) (e)	Membership Interest.	-	-	310,357	
(Manufacturing) (e)	Common Stock.	-	-	100,500	

**on-Control/Non-Affiliate
s**

\$16,358,555 \$15,889,347

Investments 46.5% of net assets

LLC (Grainful) (e)(g)	1,119,024 Series A-2 Preferred Membership Units.	10/20/14	9%		
Frozen entrées and packaged shes made from 100% whole cut oats under Grainful brand sumer Product)				\$359,000	\$359,000
	1,032,918 Series B Preferred Membership Units.				
	Total BeetNPath			<u>261,277</u>	<u>291,000</u>
				<u>620,277</u>	<u>650,000</u>

ful.com

kiff LLC (g)	6.0825% Class A common membership interest.	1/30/04	7%		
GA. Manufacturer of fresh water, g and pleasure boats.				15,000	1,100,000

ring)

naskiff.com

Social, Inc. (e)(g)	312,500 Series seed plus preferred shares.	1/4/16	6%		
. Social media publishing tool A and professional firms.				200,000	200,000

viewsocial.com

Products Group, LLC (e)(g)	\$500,000 senior term notes at 10% due July 31, 2017.	4/19/12	7%		
. Sells First Crush automated that crushes and grinds medical sing homes and medical (Health Care)	\$280,000 junior term notes at 10% due July 31, 2017.			661,563	250,000
	Warrant for 41,619 capital securities.			316,469	

aveproducts.com

Total First Wave

22,000

1,000,032

250,000

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

September 30, 2017 (Continued)

(Unaudited)

(a)	(b)	(c)	(d)(f)		(g)	
Company, Geographic Location, Business Description, (Industry) and Website	Date	Equity	Cost	Fair Value	Percentage of Assets	
Genicon, Inc.	(g) 1,586,902 Series B preferred shares.	4/10/15	6%	1,000,000	1,000,000	1
10000 Park, FL. Designs, produces and distributes patented surgical instrumentation. (Health Care)	(g) \$2,000,000 promissory note at 8% due May 1, 2020.			1,929,144	1,929,144	
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.			964,444	964,444	
	(n) Warrant for 125,000 common shares.			<u>40,000</u>	<u>40,000</u>	
	Total Genicon			<u>4,013,588</u>	<u>4,013,588</u>	
GiveGab, Inc. (e)(g)	5,084,329 Series Seed preferred shares.	3/13/13	7%	616,221	424,314	1
10000, NY. Online fundraising, day of supporter engagement software for nonprofit organizations. (Software)						
givegab.com						
C Natural Gas Systems (e)	16.930% Class A membership interest. 8% cumulative dividend.	8/31/99	17%	400,000	100,000	0
10000, NY. Manufactures and distributes products that allow natural gas to be used as						

Alternative fuel to gases. (Manufacturing)

gas-tec.com

Intrinsic Materials, Inc. (e)(g)

4,161,747 Series A preferred shares.

9/19/13

12%

1,125,673

780,000

Yonkers, NY. Produces printable electronics utilizing a unique process of material based ink in a high temperature environment. (Manufacturing)

intrinsicmaterials.com

Knoa Software, Inc. (g)

973,533 Series A-1 convertible preferred shares.

11/20/12

7%

750,000

-

Yonkers, NY. End user experience measurement and performance (EMP) solutions utilizing enterprise applications. (Software)

knoa.com

1,876,922 Series B preferred shares.

479,155

449,455

\$48,466 convertible promissory note at 8% due May 9, 2018.

Total Knoa48,46648,4661,277,621497,921**KnowledgeVision Systems, Inc. (e)(g)**

200,000 Series A-1 preferred shares.

11/13/13

7%

250,000

-

Waltham, MA. Online presentation and design software. (Software)

knowledgevision.com

214,285 Series A-2 preferred shares.

300,000

300,000

129,033 Series A-3 preferred shares.

165,001

165,001

Warrant for 46,743 Series A-3 shares.

35,000

35,000

\$50,000 subordinated promissory note at 8% payable on demand of majority of noteholders after August 31, 2017.

50,00050,000**Total KnowledgeVision**800,001550,001**Meriz, Inc. (e)(g)**

1,554,565 Series Seed preferred shares.

1/9/08

14%

742,850

351,477

Yonkers, NY. Micro-electronic mechanical systems (MEMS) developer of carbon fiber MEMS mirror modules for gesture recognition and 3D scanning. (Electronics Manufacturer)

meriz.com

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<p>Microcision LLC (g)(m) Hauken Township, NJ. Manufacturer of precision machined medical implants, components and assemblies. (Manufacturing) microcision.com</p>	<p>\$1,500,000 subordinated promissory note at 12% (1% PIK) due December 31, 2024. 15% Class A common membership interest.</p>	<p>9/24/09</p>	<p>15%</p>	<p>1,909,367</p>	<p>1,909,367</p>
Total Microcision				<p><u>1,909,367</u></p>	<p><u>1,909,367</u></p>

<p>Monarch Machine Tool, Inc. (g) ...nd, NY. Manufactures and services vertical/horizontal machining centers. (Manufacturing) monarchmt.com</p>	<p>22.84 common shares.</p>	<p>9/24/03</p>	<p>15%</p>	<p>22,841</p>	<p>22,841</p>
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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

September 30, 2017 (Continued)

(Unaudited)

(a)	(b)	(c)	(d)(f)	Percent		
Company, Geographic Location, Business	Date	Equity	Fair Value	of Net Assets		
Description, (Industry) and Website	Type of Investment	Acquired	Cost	Value		
OnCore Golf Technology, Inc. (e)(g)	150,000 Series AA preferred shares.	12/31/14	7%	375,000	-	0.9%
Buffalo, NY. Maker of patented golf balls. (Consumer Product) www.oncoregolf.com	\$300,000 subordinated convertible promissory notes at 6% due January 24, 2018.			<u>300,000</u>	<u>300,000</u>	
				<u>675,000</u>	<u>300,000</u>	
	Total OnCore					
SciAps, Inc. (e)(g)	187,500 Series A convertible preferred shares.	7/12/13	9%			6.4%
Woburn, MA. Instrumentation company producing portable analytical devices using XRF, LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements. (Manufacturing) www.sciaps.com	274,299 Series A-1 convertible preferred shares.			1,500,000	700,000	
	117,371 Series B convertible preferred shares.			504,710	504,710	
	113,636 Series C preferred shares.			250,000	250,000	
	369,698 Series C-1 preferred shares.			<u>175,000</u>	<u>175,000</u>	
				<u>399,274</u>	<u>399,274</u>	
	Total SciAps			<u>2,828,984</u>	<u>2,028,984</u>	

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SOMS Technologies, LLC (g)	5,959,490 Series B membership interests.	12/2/08	9%				1.7%
Valhalla, NY. Produces and markets the microGreen Extended Performance Oil Filter. (Consumer Products)				472,632	528,348		
www.microgreenfilter.com							
Teleservices Solutions Holdings, LLC (e)(g)(m)	250,000 Class B preferred units.	5/30/14	6%	250,000	-		0.0%
Montvale, NJ. Customer contact center specializing in customer acquisition and retention for selected industries. (Contact Center)	1,000,000 Class C preferred units.			1,190,680	-		
	80,000 Class D preferred units.			<u>91,200</u>	-		
www.ipacesetters.com	104,198 Class E preferred units.			<u>104,198</u>	=		
	PIK dividend for Series C and D at 12% and 14%, respectively.						
	Total Teleservices						
Tilson Technology Management, Inc.(g)	120,000 Series B preferred shares.	1/20/15	8%	600,000	600,000		3.2%
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.			<u>200,000</u>	<u>200,000</u>		
				<u>1,000,000</u>	<u>1,000,000</u>		
	Total Tilson						
Subtotal Affiliate Investments				\$19,356,165	\$14,706,841		
Control Investments 0.3% of net assets (l)							
Advantage 24/7 LLC (e)(g)	53% Membership interest.	12/30/10	53%	\$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 96.9%	\$35,814,220	\$30,695,688
OTHER ASSETS IN EXCESS OF LIABILITIES 3.1%		996,788
NET ASSETS 100%		\$31,692,476

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

September 30, 2017 (Continued)

(Unaudited)

Notes to the Consolidated Schedule of Portfolio Investments

(a) At September 30, 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 year 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 September 30, 2017, ASC 820 designates 98% 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, other than with respect to the shares of common stock of Athenex, Inc. owned by the Corporation, are valued at fair value as determined by the management of the Corporation and submitted to the Board of Directors for approval. The Corporation valued the shares of common stock of Athenex using the average closing bid price for the last three trading days of the reporting period, and applied a discount to that value to address the sale restriction. 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 September 30, 2017 the total cost of investment securities was approximately \$35.8 million. Net unrealized depreciation was approximately (\$5.1) million, which was comprised of \$2.3 million of unrealized appreciation of

investment securities and (\$7.4) million of unrealized depreciation of investment securities. At September 30, 2017, the aggregate gross unrealized gain for federal income tax purposes was \$2.6 million and the aggregate gross unrealized loss for federal income tax purposes was (\$6.9) million. The net unrealized loss for federal income tax purposes was (\$4.3) million based on a tax cost of \$35.0 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 nine months ended September 30, 2017.

(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.

(o) Publicly-traded company.

(p) At September 30, 2017, shares of common stock of Athenex owned by the Corporation were categorized as a Level 2 investment because these shares were subject to restriction on sale as of the end of the period. The Corporation valued the shares of common stock of Athenex that it owns using the average closing bid price for the last three trading days of the reporting period, and applied a discount to that value to address the sale restriction. See Athenex's publicly disclosed financial reports at sec.gov for additional information on Athenex's industry, financial results and business operations.

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

September 30, 2017 (Continued)

(Unaudited)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31,		Gross Additions (1)	Gross Reductions (2)	September 30 2017 Fair Value	Realized Gains (Losses)	Amount of	
		Fair Value						Net	Interest/ Dividend/ Fee Income (3)
Control Investments:									
Advantage 24/7 LLC	53% Membership interest.	\$99,500		\$-	\$-	\$99,500	\$-		\$-
Total Control Investments		\$99,500		\$0	\$0	\$99,500	-		\$0
Affiliate Investments:									
BeetNPath, LLC	1,119,024 Series A-2 Preferred Membership Units.	\$359,000	\$ -		\$-	\$359,000	-		\$ -
		-	291,000		-	291,000	-		-
	1,032,918 Series B Preferred Membership Units	<u>150,000</u>	<u>-</u>		<u>(150,000)</u>	<u>0</u>	-		<u>4,800</u>
		<u>509,000</u>	<u>291,000</u>		<u>(150,000)</u>	<u>650,000</u>	-		<u>4,800</u>
	\$150,000 convertible promissory note at 8%.								
Total BeetNPath									
Carolina Skiff LLC	6.0825% Class A common membership interest.	1,100,000	-		-	1,100,000	-		141,372

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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%.						
	\$280,000 junior term notes at 10%.	250,000	-	-	250,000	-	-
	Warrant for 41,619 capital securities.	-	-	-	-	-	-
	Total First Wave	<u>250,000</u>	=	=	<u>250,000</u>	-	=
Genicon, Inc.	1,586,902 Series B preferred shares.						
	\$1,100,000 senior term loans at 12%.						
	\$600,000 term loan at 14%.						
	\$2,000,000 promissory note at 8%	1,000,000	-	-	1,000,000	-	-
		1,100,000	-	(1,100,000)	-	-	50,234
	\$1,000,000 promissory note at 8%	600,000	-	(600,000)	-	-	32,200
		-	2,009,144	(80,000)	1,929,144	-	81,088
	Warrant for 250,000 common shares	-	1,004,444	(40,000)	964,444	-	35,833
		-	80,000	-	80,000	-	-
	Warrant for 125,000 common shares	-	40,000	-	40,000	-	-
	Total Genicon	<u>2,700,000</u>	<u>3,133,588</u>	<u>(1,820,000)</u>	<u>4,013,588</u>	-	<u>199,355</u>
GiveGab, Inc.	5,084,329 Series Seed preferred shares.	424,314	-	-	424,314	-	-
G-TEC Natural Gas Systems	16.930% Class A membership interest. 8% cumulative dividend.	100,000	-	-	100,000	-	-
Intrinsiq Materials, Inc.	4,161,747 Series A preferred shares.	780,000	-	-	780,000	-	-
Knoa Software, Inc.	973,533 Series A-1 convertible preferred shares. 1,876,922	-	-	-	-	-	-
		449,455	-	-	449,455	-	-

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	Series B preferred shares.	<u>48,466</u>	=	-	<u>48,466</u>	-	<u>2,908</u>
		<u>497,921</u>	=	-	<u>497,921</u>	-	<u>2,908</u>
	\$48,466 convertible promissory note at 8%.						
	Total Knoa						
KnowledgeVision Systems, Inc.	200,000 Series A-1 preferred shares.						
	214,285 Series A-2 preferred shares.						
	129,033 Series A-3 preferred shares.						
		-	-	-	-	-	-
	\$50,000 subordinated promissory note at 8%	300,000	-	-	300,000	-	-
		165,001	-	-	165,001	-	-
	Warrant for 46,743 Series A-3 shares.	-	50,000	-	50,000	-	2,751
		<u>35,000</u>	<u>-</u>	=	<u>35,000</u>	-	<u>-</u>
	Total Knowledge Vision	<u>500,001</u>	<u>50,000</u>	=	<u>550,001</u>	-	<u>2,751</u>
Mezmeriz, Inc.	1,554,565 Series seed preferred shares.	351,477	-	-	351,477	-	-
Microcision LLC	\$1,500,000 subordinated promissory note at 11%.	1,891,964	17,403	-	1,909,367	-	170,959
New Monarch Machine Tool, Inc.	22.84 common shares.	22,841	-	-	22,841	-	28,409
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>	-	<u>21,650</u>
	Total OnCore	<u>300,000</u>	=	=	<u>300,000</u>	-	<u>21,650</u>

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

September 30, 2017 (Continued)

(Unaudited)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2016 Fair Value	Gross Additions (1)	Gross Reductions (2)	September 30, 2017 Fair Value (Loss)	Net Amount of	
						Realized Gains	Interest/ Dividend/ Fee Income (3)
SciAps, Inc.	187,500 Series A convertible preferred shares.	1,000,000	-	(300,000)	700,000	-	-
		504,710	-	-	504,710	-	-
	274,299 Series A-1 convertible preferred shares.	250,000	-	-	250,000	-	-
		-	175,000	-	175,000	-	-
	117,371 Series B convertible preferred shares.	-	399,274	-	399,274	-	-
		200,000	-	(200,000)	-	-	4,731
	113,636 Series C preferred shares.						
		<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>2,376</u>
	369,698 Series C-1 preferred shares.	<u>2,054,710</u>	<u>574,274</u>	<u>(600,000)</u>	<u>2,028,984</u>	<u>-</u>	<u>7,107</u>
\$200,000 subordinated promissory note at 10%.							
\$100,000 secured subordinated convertible note at 10%.							
Total SciAps							

SOMS

Technologies, LLC	5,959,490 Series B membership interests.	528,348	-	-	528,348	-	6,024
Teleservices Solutions Holdings, LLC	250,000 Class B shares.						
	1,000,000 Class C shares.	-	-	-	-	-	-
	80,000 Class D preferred units.	200,000	-	(200,000)	-	-	-
		91,200	-	(91,200)	-	-	-
	104,198 Class E preferred units.	<u>104,198</u>	=	<u>(104,198)</u>	=	=	=
	Total Teleservices	<u>395,398</u>	=	<u>(395,398)</u>	=	=	=
Tilson Technology Management, Inc.	120,000 Series B preferred shares.						
	21,391 Series C convertible preferred shares.	600,000	-	-	600,000	-	15,000
		200,000	-	-	200,000	-	-
	\$200,000 subordinated promissory note at 8%.	<u>200,000</u>	=	=	<u>200,000</u>	=	<u>11,967</u>
	Total Tilson	<u>1,000,000</u>	=	=	<u>1,000,000</u>	=	<u>26,967</u>

Total Affiliate Investments	\$13,605,974	\$4,066,265	(\$2,965,398)	\$14,706,841	-	\$612,302
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Total Control and Affiliate Investments	\$13,705,474	\$4,066,265	(\$2,965,398)	\$14,806,341	-	\$612,302
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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

September 30, 2017 (Continued)

(Unaudited)

<u>Industry Classification</u>	<u>Percentage of Total Investments (at fair value) as of September 30, 2017</u>
Healthcare	42.0%
Software	23.5%
Manufacturing	20.3%
Consumer Product	4.8%
Professional Services	3.3%
Contact Center	3.1%
Oil and Gas	1.6%
Electronics	1.1%
Marketing	0.3%
Total Investments	100%

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2016

(a)	(b)	(c)	(d)(f)	(e)	(g)	(h)
Company, Geographic Location, Business	Date	Equity	Fair Value	Cost	Percent of Net Assets	
<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						
42.3% of net assets: (j)						
ACV Auctions, Inc. (e)(g)	118,116 Series A preferred shares.	8/12/16	1%	\$163,000	\$163,000	0.5%
Buffalo, NY. Live mobile auctions for new and used car dealers. (Software)						
www.acvauctions.com						
Athenex, Inc. (e)(g)	46,296 common shares.	9/8/14	<1%	143,285	416,664	1.3%
(Formerly Kinex Pharmaceuticals, Inc.)						
Buffalo, NY. Specialty pharmaceutical and drug development. (Health Care)						
www.athenex.com						
City Dining Cards, Inc. (Loupe) (e)(g)	9,525.25 Series B preferred shares.	9/1/15	4%	500,000	500,000	1.5%
Buffalo, NY. Customer loyalty technology company that helps businesses attract and retain customers. (Software)						
www.loupeapp.io						
eHealth Global Technologies, Inc. (g)	\$1,500,000 term note at 9% due September 2, 2019.	6/28/16	0%	1,500,000	1,500,000	4.6%
Henrietta, NY. eHealth Connect® improves health care delivery through intelligently aggregated clinical record and images for patient referrals.						
(Health Care)						

www.ehealthtechnologies.com							
Empire Genomics, LLC (e)(g)	\$900,000 senior secured convertible term notes at 10% due April 1, 2017.	6/13/14	0%				3.5%
Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments. (Health Care)	\$250,000 promissory note at 12% due December 31, 2019.			900,000	900,000		
www.empiregenomics.com	(i) Interest receivable \$200,339.			<u>250,000</u>	<u>250,000</u>		
	Total Empire			<u>1,150,000</u>	<u>1,150,000</u>		
GoNoodle, Inc. (g)	\$1,000,000 secured note at 12% due January 31, 2020, (1% Payment in Kind (PIK)).	2/6/15	<1%				3.1%
(Formerly HealthTeacher, Inc.)	Warrant for 47,324 Series C Preferred shares.			1,019,101	1,019,101		
Nashville, TN. Student engagement education software providing core aligned physical activity breaks. (Software)				<u>25</u>	<u>25</u>		
www.gonoodle.com	Total GoNoodle			<u>1,019,126</u>	<u>1,019,126</u>		
Mercantile Adjustment Bureau, LLC (g)	\$1,099,039 subordinated secured note at 13% (3% for the calendar year 2016) due October 30, 2017.	10/22/12	4%	1,090,690	1,090,690		3.3%
Williamsville, NY. Full service accounts receivable management and collections company.	(e) \$150,000 subordinated debenture at 8% due June 30, 2018.			150,000	-		
(Contact Center)	Warrant for 3.29% membership interests. Option for 1.5% membership interests.			<u>97,625</u>	<u>-</u>		
www.mercantilesolutions.com	Total Mercantile			<u>1,338,315</u>	<u>1,090,690</u>		
Outmatch Holdings, LLC (e)(g)	2,446,199 Class P1 Units.	11/18/10	4%	2,140,007	2,140,007		6.6%
(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			<u>2,145,496</u>	<u>2,145,496</u>		
www.outmatch.com							
PostProcess Technologies LLC (e)(g)	\$300,000 convertible promissory note at	7/25/16	0%	300,000	300,000		0.9%

Buffalo, NY. Provides innovative solutions for the post-processing of additive manufactured 3D parts. (Manufacturing) 5% due July 28, 2018.

www.postprocess.com

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2016 (Continued)

(a)	(b)	(c)	(d)(f)	(e)	(g)
Company, Geographic Location, Business	Date	Equity	Fair Value	Cost	Percent of Net Assets
<u>Description, (Industry) and Website</u>	<u>Type of Investment</u>	<u>Acquired</u>	<u>Value</u>	<u>Cost</u>	<u>Assets</u>
Rheonix, Inc. (e)	9,676 common shares.	10/29/09	11,000	-	9.0%
Ithaca, NY. Developer of fully automated microfluidic based molecular assay and diagnostic testing devices. (Health Care)	(g) 1,839,422 Series A preferred shares.		2,165,999	2,099,999	
www.rheonix.com	(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>2,938,731</u>	<u>2,802,731</u>	
SocialFlow, Inc. (e)(g)	1,049,538 Series B preferred shares.	4/5/13	731,431	500,000	6.3%
New York, NY. Provides instant analysis of social networks using a proprietary, predictive analytic algorithm to optimize advertising and publishing.	1,204,819 Series B-1 preferred shares.		839,648	750,000	
(Software)	717,772 Series C preferred shares.		<u>500,221</u>	<u>500,000</u>	
www.socialflow.com	Total Social Flow		<u>2,071,300</u>	<u>1,750,000</u>	
Somerset Gas Transmission Company, LLC (e)	26.5337 units.	7/10/02	500,000	719,097	1.5%
Columbus, OH. Natural gas transportation.					
(Oil and Gas)					
www.somersetgas.com					
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				\$13,941,907	\$13,795,007	
Affiliate Investments 41.7% of net assets (k)						
BeetNPath, LLC (Grainful) (e)(g)	1,119,024 Series A-2 Preferred Membership Units. \$150,000 convertible promissory note at 8% due September 1, 2017.	10/20/14	9%			1.6%
Ithaca, NY. Frozen entrées and packaged dry side dishes made from 100% whole grain steel cut oats under Grainful brand name. (Consumer Product)				\$359,000	\$359,000	
www.grainful.com				<u>150,000</u>	<u>150,000</u>	
	Total BeetNPath			<u>509,000</u>	<u>509,000</u>	
Carolina Skiff LLC (g)	6.0825% Class A common membership interest.	1/30/04	7%	15,000	1,100,000	3.4%
Waycross, GA. Manufacturer of fresh water, ocean fishing and pleasure boats. (Manufacturing)						
www.carolinaskiff.com						
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 January 31, 2017. \$280,000 junior term notes at 10% due January 31, 2017. Warrant for 41,619 capital securities.	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)				661,563	250,000	
www.firstwaveproducts.com				316,469	-	
				<u>22,000</u>	<u>-</u>	
	Total First Wave			<u>1,000,032</u>	<u>250,000</u>	
Genicon, Inc. (g)	1,586,902 Series B preferred shares. \$1,100,000 promissory note at 12% due April 1, 2019.	4/10/15	6%	1,000,000	1,000,000	8.3%
Winter Park, FL. Designs, produces and distributes patented surgical instrumentation. (Health Care)						
www.geniconendo.com				1,100,000	1,100,000	

	\$600,000 promissory note at 14% due March 31, 2018.			<u>600,000</u>	<u>600,000</u>	
	Total Genicon			<u>2,700,000</u>	<u>2,700,000</u>	
GiveGab, Inc. (e)(g)	5,084,329 Series Seed preferred shares.	3/13/13	7%	616,221	424,314	1.3%
Ithaca, NY. Online fundraising, day of giving supporter engagement software for non-profit organizations. (Software)						
www.givegab.com						

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2016 (Continued)

(a)	(b)	(c)	(d)(f)			
Company, Geographic Location, Business	Date	Equity	Cost	Fair Value	Percent of Net Assets	
<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>
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	16.930% Class A membership interest. 8% cumulative dividend.	8/31/99	18%	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. (Manufacturing) www.intrinsiqmaterials.com	4,161,747 Series A preferred shares.	9/19/13	12%	1,125,673	780,000	2.4%
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 shares. 1,876,922 Series B preferred shares. \$48,466 convertible promissory note at 8% due May 9, 2018.	11/20/12	7%	750,000 479,155 <u>48,466</u>	- 449,455 <u>48,466</u>	1.5%
	Total Knoa			<u>1,277,621</u>	<u>497,921</u>	
KnowledgeVision Systems, Inc. (e)(g) Lincoln, MA. Online presentation and training software. (Software) www.knowledgevision.com	200,000 Series A-1 preferred shares. 214,285 Series A-2 preferred shares. 129,033 Series A-3 preferred shares.	11/13/13	7%	250,000 300,000 165,001	- 300,000 165,001	1.5%

	Warrant for 46,743 Series A-3 shares.				<u>35,000</u>	<u>35,000</u>	
	Total KnowledgeVision				<u>750,001</u>	<u>500,001</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)	\$1,500,000 subordinated promissory note at 12% (1% PIK) due December 31, 2024. 15% Class A common membership interest.	9/24/09	15%	1,891,964	1,891,964	5.8%	
Pennsauken Township, NJ. Manufacturer of precision machined medical implants, components and assemblies. (Manufacturing)							
www.microcision.com							
	Total Microcision				<u>1,891,964</u>	<u>1,891,964</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							
OnCore Golf Technology, Inc. (e)(g)	150,000 Series AA preferred shares. \$300,000 subordinated convertible promissory notes at 6% due January 24, 2017.	12/31/14	7%	375,000	-	0.9%	
Buffalo, NY. Maker of patented hollow-metal core golf balls. (Consumer Product)							
www.oncoregolf.com							
	Total OnCore				<u>300,000</u>	<u>300,000</u>	
					<u>675,000</u>	<u>300,000</u>	
SciAps, Inc. (e)(g)	187,500 Series A convertible preferred shares. 274,299 Series A-1 convertible preferred shares. 117,371 Series B convertible preferred	7/12/13	9%	1,500,000	1,000,000	6.3%	
Woburn, MA. Instrumentation company producing portable analytical devices using XRF, LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements. (Manufacturing)							
				504,710	504,710		
				250,000	250,000		

www.sciaps.com

shares.		
\$200,000		
subordinated		
convertible note at		
10% due April 8,		
2017.	200,000	200,000
\$100,000 secured	<u>100,000</u>	<u>100,000</u>
subordinated		
convertible note at		
10% due December		
31, 2017.	<u>2,554,710</u>	<u>2,054,710</u>
Total SciAps		

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2016 (Continued)

(a)	(b)	(c)	(d)(f)	(e)		
Company, Geographic Location, Business	Date	Equity	Cost	Fair Value		
<u>Description, (Industry) and Website</u>	<u>Type of Investment</u>	<u>Acquired</u>	<u>Equity</u>	<u>Cost</u>		
MicroGreen Technologies, LLC (g) Sloat Hall, NY. Produces and markets the MicroGreen Extended Performance Oil Filter. (Consumer Products) www.microgreenfilter.com	5,959,490 Series B membership interests.	12/2/08	9%	472,632	528,348	1.6
IPacesetters Solutions Holdings, LLC (e)(m) Montvale, NJ. Customer contact center specializing in customer acquisition and retention for selected industries. (Contact Center) www.ipacesetters.com	250,000 Class B preferred units. 1,000,000 Class C preferred units. 80,000 Class D preferred units. 104,198 Class E preferred units. PIK dividend for Series C and D at 12% and 14%, respectively.	5/30/14	6%	250,000 1,190,680 91,200 <u>104,198</u>	- 200,000 91,200 <u>104,198</u>	1.2
Total Teleservices				<u>1,636,078</u>	<u>395,398</u>	
Tilson Technology Management, Inc.(g) Portland, ME. Cellular, fiber optic and wireless information systems, construction, and management. (Professional Services) www.tilsontech.com	120,000 Series B preferred shares. 21,391 Series C convertible preferred shares. \$200,000 subordinated promissory note at 8% due September 28, 2021.	1/20/15	8%	600,000 200,000 <u>200,000</u>	600,000 200,000 <u>200,000</u>	3.1
Total Tilson				<u>1,000,000</u>	<u>1,000,000</u>	

Subtotal Affiliate Investments				\$17,589,623	\$13,605,974	
Control Investments 0.3% of net assets (I)						
Advantage 24/7 LLC (e)(g)	53% Membership interest.	12/30/10	53%	\$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 84.3%				\$31,631,030	\$27,500,481	
OTHER ASSETS IN EXCESS OF LIABILITIES 15.7%					5,128,882	
NET ASSETS 100%					\$32,629,363	

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2016 (Continued)

Notes to the Consolidated Schedule of Portfolio Investments

(a) At December 31, 2016, 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 year 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, 2016, 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 month. Restricted securities are subject to restrictions on resale, and are valued at fair value as determined by the management of the Corporation and submitted to the Board of Directors for approval. Fair value is considered to be the amount 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, 2016 the total cost of investment securities was approximately \$31.6 million. Net unrealized depreciation was approximately (\$4.1) million, which was comprised of \$1.9 million of unrealized appreciation of investment securities and (\$6.0) million of unrealized depreciation of investment securities. At December 31, 2016, the aggregate gross unrealized gain for federal income tax purposes was \$2.2 million and the aggregate gross unrealized loss for federal income tax purposes was (\$5.4) million. The net unrealized loss for federal income tax purposes was (\$3.3) million based on a tax cost of \$30.8 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 three months ended December 31, 2016.
- (i) Represents interest due (amounts over \$50,000 net of reserves) from investment 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 SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2016 (Continued)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2015 Fair Value	Gross Additions (1)	Gross Reductions (2)	December 31, 2016 Fair Value	Net Realized Gains (Losses)	Amount of Interest/ Dividend/ Fee Income (3)
Control							
Investments:							
Advantage 24/7	53% Membership interest.	\$99,500	\$ -	\$ -	\$99,500	\$ -	\$ -
LC							
Gemcor II, LLC	\$1,000,000 subordinated promissory note at 15%.	416,972	-	(416,972)	-	14,620,063	11,828
	31.25 membership units.	13,400,000	=	(13,400,000)	-	-	2,000
	Escrow receivable due from sale of business.	-	=	-	=	=	-
	Total Gemcor	<u>13,816,972</u>	-	<u>(13,816,972)</u>	-	-	<u>13,828</u>
	Total Control Investments	\$13,916,472	\$0	(\$13,816,972)	\$99,500	14,620,063	\$ 13,828
Affiliate							
Investments:							
NetPath, LLC	1,119,024 Series A-2 Preferred Membership Units.	\$359,000	\$ -	\$ -	\$359,000	\$ -	\$ -
	\$150,000 convertible promissory note at 8%.	-	<u>150,000</u>	=	<u>509,000</u>	-	<u>6,477</u>
		<u>-</u>	<u>150,000</u>	=	<u>509,000</u>	-	<u>6,477</u>

		<u>359,000</u>					
Carolina Skiff LLC	Total BeetNPath 6.0825% Class A common membership interest.	600,000	500,000	-	1,100,000	-	131,785
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%. \$280,000 junior term notes at 10%. Warrant for 41,619 capital securities.	250,000	-	-	250,000	-	834
	Total First Wave	<u>250,000</u>	=	=	<u>250,000</u>	=	<u>834</u>
Genicon, Inc.	1,586,902 Series B preferred shares. \$1,100,000 senior term loans at 12%. \$600,000 term loan at 14%.	1,000,000	-	-	1,000,000	-	3,028
		-	1,100,000	=	1,100,000	=	109,700
		<u>-</u>	<u>600,000</u>	=	<u>600,000</u>	=	<u>28,700</u>
	Total Genicon	<u>1,000,000</u>	<u>1,700,000</u>	=	<u>2,700,000</u>	=	<u>141,428</u>
LiveGab, Inc.	5,084,329 Series Seed preferred shares.	424,314	-	-	424,314	-	-
TEC Natural Gas Systems	17.845% Class A membership interest. 8% cumulative dividend.	100,000	-	-	100,000	-	-