

RAND CAPITAL CORP
Form 10-Q
August 07, 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 June 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.

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 7, 2017, there were 6,321,988 shares of the registrant's common stock outstanding.

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	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Investments at fair value:		
Control investments (cost of \$99,500)	\$ 99,500	\$ 99,500
Affiliate investments (cost of \$19,341,212 and \$17,589,623, respectively)	14,691,888	13,605,974
Non-Control/Non-Affiliate investments (cost of \$16,052,007 and \$13,941,907, respectively)	15,471,799	13,795,007
Total investments, at fair value (cost of \$35,492,719 and \$31,631,030, respectively)	30,263,187	27,500,481
Cash	6,590,994	12,280,140
Interest receivable (net of allowance: \$161,000)	373,835	324,237
Deferred tax asset	1,684,327	1,165,164
Prepaid income taxes	298,630	
Other assets	608,514	1,148,508
Total assets	\$ 39,819,487	\$ 42,418,530
LIABILITIES AND STOCKHOLDERS EQUITY (NET ASSETS)		
Liabilities:		
Debentures guaranteed by the SBA, net	\$ 7,841,473	\$ 7,827,773
Profit sharing and bonus payable	132,000	1,270,052
Income tax payable		320,008
Accounts payable and accrued expenses	164,294	324,537
Deferred revenue	47,175	46,797
Total liabilities	8,184,942	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 6/30/17 and 12/31/16	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,851,733)	(1,577,848)
Undistributed net realized gain on investments	27,127,054	27,127,054
Net unrealized depreciation on investments	(3,439,764)	(2,718,831)

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Treasury stock, at cost: 541,046 shares	(1,469,105)	(1,469,105)
Total stockholders equity (net assets) (per share \$5.00 at 6/30/17; \$5.16 at 12/31/16)	31,634,545	32,629,363
Total liabilities and stockholders equity (net assets)	\$ 39,819,487	\$ 42,418,530

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Investment income:				
Interest from portfolio companies:				
Control investments	\$	\$	\$	\$ 11,828
Affiliate investments	137,243	94,614	274,000	159,575
Non-Control/Non-Affiliate investments	140,397	68,527	249,731	129,632
Total interest from portfolio companies	277,640	163,141	523,731	301,035
Interest from other investments:				
Non-Control/Non-Affiliate investments	6,859	18,648	17,834	21,709
Total interest from other investments	6,859	18,648	17,834	21,709
Dividend and other investment income:				
Affiliate investments	53,024	33,232	115,397	80,797
Non-Control/Non-Affiliate investments	2,681		5,193	
Total dividend and other investment income	55,705	33,232	120,590	80,797
Fee income:				
Control investments				2,000
Affiliate investments	3,167	1,167	4,084	1,862
Non-Control/Non-Affiliate investments	5,768	4,318	11,537	7,234
Total fee income	8,935	5,485	15,621	11,096
Total investment income	349,139	220,506	677,776	414,637
Operating expenses:				
Salaries	165,413	155,437	330,826	310,875
Bonus and profit sharing				1,411,659
Employee benefits	47,699	36,711	100,069	126,222
Directors fees	36,374	47,380	71,249	94,755
Professional fees	178,193	86,288	262,195	151,048
Stockholders and office operating	80,725	61,542	147,935	124,036
Insurance	6,258	6,258	17,560	17,518
Corporate development	11,609	16,055	33,317	31,525
Other operating	3,323	2,375	5,283	5,975
	529,594	412,046	968,434	2,273,613

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Interest on SBA obligations	77,569	77,570	155,138	155,139
Total operating expenses	607,163	489,616	1,123,572	2,428,752
Net investment loss before income taxes	(258,024)	(269,110)	(445,796)	(2,014,115)
Income tax benefit	(99,403)	(114,564)	(171,911)	(777,591)
Net investment loss	(158,621)	(154,546)	(273,885)	(1,236,524)
Net realized gain on sales and dispositions of investments:				
Control investments				13,176,313
Non-Control/Non-Affiliate investments		168,140		168,140

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Net realized gain before income tax expense		168,140		13,344,453
Income tax expense		34,520		4,977,481
Net realized gain on investments		133,620		8,366,972
Net change in unrealized depreciation or appreciation on investments:				
Control investments				(11,362,500)
Affiliate investments	(665,675)	(325,000)	(665,675)	(747,800)
Non-Control/Non-Affiliate investments	(52,664)	69,444	(433,308)	69,444
Change in unrealized depreciation or appreciation before income tax benefit	(718,339)	(255,556)	(1,098,983)	(12,040,856)
Deferred income tax benefit	(241,623)	(78,390)	(378,050)	(4,494,796)
Net change in unrealized depreciation or appreciation on investments	(476,716)	(177,166)	(720,933)	(7,546,060)
Net realized and unrealized (loss) gain on investments	(476,716)	(43,546)	(720,933)	820,912
Net decrease in net assets from operations	\$ (635,337)	\$ (198,092)	\$ (994,818)	\$ (415,612)
Weighted average shares outstanding	6,321,988	6,328,538	6,321,988	6,328,538
Basic and diluted net decrease in net assets from operations per share	\$ (0.10)	\$ (0.03)	\$ (0.16)	\$ (0.07)
		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, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Net assets at beginning of period	\$ 32,269,882	\$ 33,636,140	\$ 32,629,363	\$ 33,853,660
Net investment loss	(158,621)	(154,546)	(273,885)	(1,236,524)
Net realized gain on investments		133,620		8,366,972
Net change in unrealized depreciation or appreciation on investments	(476,716)	(177,166)	(720,933)	(7,546,060)
Net decrease in net assets from operations	(635,337)	(198,092)	(994,818)	(415,612)
Total decrease in net assets	(635,337)	(198,092)	(994,818)	(415,612)
Net assets at end of period	\$ 31,634,545	\$ 33,438,048	\$ 31,634,545	\$ 33,438,048
Accumulated net investment loss	\$ (1,851,733)	\$ (1,261,104)	\$ (1,851,733)	\$ (1,261,104)

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30, 2017	Six months ended June 30, 2016
Cash flows from operating activities:		
Net decrease in net assets from operations	\$ (994,818)	\$ (415,612)
Adjustments to reconcile net decrease in net assets to net cash (used in) provided by operating activities:		
Investments in portfolio companies	(3,800,000)	(3,898,466)
Proceeds from sale of investments		13,969,453
Proceeds from loan repayments		416,972
Change in unrealized depreciation or appreciation on investments	1,098,983	12,040,856
Deferred tax benefit	(519,163)	(2,994,272)
Realized gain on portfolio investments		(13,344,453)
Depreciation and amortization	15,700	16,692
Original issue discount amortization	(8,395)	(4,998)
Non-cash conversion of debenture interest	(53,294)	(5,051)
Changes in operating assets and liabilities:		
Increase in interest receivable	(49,598)	(39,577)
Decrease (increase) in other assets	537,995	(49,113)
(Increase) decrease in prepaid income taxes	(298,630)	65,228
(Decrease) increase in income tax payable	(320,008)	1,417,888
(Decrease) increase in accounts payable and accrued expenses	(160,244)	10,266
(Decrease) increase in profit sharing and bonus payable	(1,138,052)	1,311,659
Increase in deferred revenue	378	34,406
Total adjustments	(4,694,328)	8,947,490
Net cash (used in) provided by operating activities	(5,689,146)	8,531,878
Net (decrease) increase in cash	(5,689,146)	8,531,878
Cash:		
Beginning of period	12,280,140	5,844,795
End of period	\$ 6,590,994	\$ 14,376,673

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2017

(Unaudited)

(a)	(b)	(c)	(d)(f)	Percent of Net Assets		
Company, Geographic Location, Business Description, (Industry) and Website	Date	Acquired Equity	Cost	Fair Value		
Non-Control/Non-Affiliate Investments						
48.9% 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 auctions for new and used car dealers. (Software)						
www.acvauctions.com						
Athenex, Inc. NASDAQ: ATNX (e)(g)(o)(p)	46,296 restricted common shares valued at \$13.26 per share.	9/8/14	<1%	143,285	614,000	1.9%
(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	0	0.0%
Buffalo, NY. Customer loyalty technology company for restaurants. (Software)						
www.loupeapp.io						
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	11.1%
Henrietta, NY. eHealth Connect® improves health care delivery through intelligently aggregated clinical record and images for patient referrals.						
(n) \$2,000,000 term note at 10% due September 28, 2019.						
(Health Care)						
Total eHealth						
				3,500,000	3,500,000	

www.ehealthtechnologies.com

Empire Genomics, LLC (g)	\$900,000 senior secured convertible term notes at 10% due April 30, 2018.	6/13/14	0%	900,000	900,000	3.6%
Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments. (Health Care)				250,000	250,000	
www.empiregenomics.com	\$250,000 promissory note at 12% due December 31, 2019.					
	(i) Interest receivable \$247,715.					
	Total Empire			1,150,000	1,150,000	

GoNoodle, Inc. (g)(m)	\$1,000,000 secured note at 12% due January 31, 2020, (1% Payment in Kind (PIK)).	2/6/15	<1%	1,024,203	1,024,203	3.2%
(Formerly HealthTeacher, Inc.)				25	25	
Nashville, TN. Student engagement education software providing core aligned physical activity breaks. (Software)						
www.gonoodle.com	Warrant for 47,324 Series C Preferred shares.					
	Total GoNoodle			1,024,228	1,024,228	

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%	1,195,688	945,688	3.0%
Williamsville, NY. Full service accounts receivable management and collections company.				150,000		
(Contact Center)				97,625		
www.mercantilesolutions.com	(e) \$150,000 subordinated debenture at 8% due June 30, 2018.					
	Warrant for 3.29% membership interests. Option for 1.5% membership interests.					
	Total Mercantile			1,443,313	945,688	

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)				5,489	5,489	

Dallas, TX. Web based predictive employee selection and reference checking. (Software)	109,788 Class C1 Units.						
	Total Outmatch				2,145,496	2,145,496	
www.outmatch.com							
PostProcess Technologies LLC (e)(g)	\$300,000 convertible	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)	promissory note at 5% due July 28, 2018.						
www.postprocess.com							

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2017 (Continued)

(Unaudited)

(a)	(b)	(c)	(d)(f)
Company, Geographic Location, Business Description, (Industry) and Website	Date	Acquired Equity	Fair Value
Type of Investment	Cost	Value	Value
Inc. (e)	9,676 common shares.	10/29/09 4%	11,000
NY. Developer of fully automated	(g) 1,839,422 Series A preferred shares.	2,099,999	2,165,999
idic based molecular assay and diagnostic	(g) 50,593 common shares.		59,000
devices. (Health Care)	(g) 589,420 Series B preferred shares.	702,732	702,732
eonix.com	Total Rheonix	2,802,731	2,938,731
ow, Inc. (e)(g)	1,049,538 Series B preferred shares.	4/5/13 4%	500,000
rk, NY. Provides instant analysis of social	1,204,819 Series B-1 preferred shares.	750,000	839,648
s using a proprietary, predictive	717,772 Series C preferred shares.	500,000	500,221
algorithm to optimize advertising and			
ng. (Software)			
cialflow.com	Total Social Flow	1,750,000	2,071,300
et Gas Transmission Company, LLC (e)	26.5337 units.	7/10/02 3%	719,097
s, OH. Natural gas transportation.			500,000
Gas)			
mersetgas.com			
Non-Control/Non-Affiliate Investments:			
w, LLC (Software) (e)	Membership Interest.		310,357
/i3 (Manufacturing) (e)	Common Stock.		100,500

Non-Control/Non-Affiliate Investments					\$ 16,052,007	\$ 15,471,799
Investments 46.4% of net assets (k)						
BeetNPath, LLC (Grainful) (e)(g)	1,119,024 Series A-2 Preferred Membership Units.	10/20/14	9%	\$ 359,000	\$ 359,000	
NY. Frozen entrées and packaged dry side made from 100% whole grain steel cut oats						
Grainful brand name. (Consumer Product)	1,032,918 Series B Preferred Membership Units.				261,277	291,000
Grainful.com						
Total BeetNPath					620,277	650,000
Carolina Skiff LLC (g)	6.0825% Class A common membership interest.	1/30/04	7%	15,000		1,100,000
GA. Manufacturer of fresh water, and pleasure boats.						
(Manufacturing)						
Carolinaskiff.com						
Parview Social, Inc. (e)(g)	312,500 Series seed plus preferred shares.	1/4/16	6%	200,000		200,000
NY. Social media publishing tool for A and professional firms. (Software)						
Parviewsocial.com						
First Wave Products Group, LLC (e)(g)	\$500,000 senior term notes at 10% due July 31, 2017.	4/19/12	7%	661,563		250,000
NY. Sells First Crush automated pill	\$280,000 junior term notes at				316,469	
that crushes and grinds medical pills for	10% due July 31, 2017.					
homes and medical institutions. (Health	Warrant for 41,619 capital securities.				22,000	
Firstwaveproducts.com						
Total First Wave					1,000,032	250,000
MediCare, Inc.	(g) 1,586,902 Series B preferred shares.	4/10/15	6%	1,000,000		1,000,000
Park, FL. Designs, produces and	(g) \$2,000,000 promissory note at 8%					
es patented surgical instrumentation.	due May 1, 2020.					
Care)					1,922,286	1,922,286

niconendo.com	(g) Warrant for 250,000 common shares	80,000	80,000
	(n)\$1,000,000 promissory note at 8% due May 1, 2020.	961,111	961,111
	(n) Warrant for 125,000 common shares.	40,000	40,000
	Total Genicon	4,003,397	4,003,397

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2017 (Continued)

(Unaudited)

(a)	(b)	(c)			(d)(f)	Percent
Company, Geographic Location, Business	Date	Acquired Equity	Cost	Value	Fair	of Net Assets
Description, (Industry) and Website	Type of Investment	Acquired Equity	Cost	Value	Fair	Percent
<p>GiveGab, Inc. (e)(g)</p> <p>Ithaca, NY. Online fundraising, day of giving supporter engagement software for non-profit organizations. (Software)</p> <p>www.givegab.com</p>	<p>5,084,329 Series Seed preferred shares.</p>	<p>3/13/13 7%</p>	<p>616,221</p>	<p>424,314</p>	<p>1.3%</p>	
<p>G-TEC Natural Gas Systems (e)</p> <p>Buffalo, NY. Manufactures and distributes systems that allow natural gas to be used as an alternative fuel to gases. (Manufacturing)</p> <p>www.gas-tec.com</p>	<p>16.930% Class A membership interest.</p> <p>8% cumulative dividend.</p>	<p>8/31/99 18%</p>	<p>400,000</p>	<p>100,000</p>	<p>0.3%</p>	
<p>Intrinsiq Materials, Inc. (e)(g)</p> <p>Rochester, NY. Produces printable electronics utilizing a unique process of nanomaterial based ink in a room-temperature environment. (Manufacturing)</p> <p>www.intrinsiqmaterials.com</p>	<p>4,161,747 Series A preferred shares.</p>	<p>9/19/13 12%</p>	<p>1,125,673</p>	<p>780,000</p>	<p>2.5%</p>	
<p>Knoa Software, Inc. (g)</p> <p>New York, NY. End user experience management and performance (EMP) solutions utilizing enterprise applications. (Software)</p> <p>www.knoa.com</p>	<p>973,533 Series A-1 convertible preferred shares.</p> <p>1,876,922 Series B preferred shares.</p>	<p>11/20/12 7%</p>	<p>750,000 479,155 48,466</p>	<p>449,455 48,466</p>	<p>1.6%</p>	

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

Total Knoa

1,277,621 497,921

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)				300,000	300,000	
www.knowledgevision.com				165,001	165,001	
	214,285 Series A-2 preferred shares.			35,000	35,000	
				50,000	50,000	
	129,033 Series A-3 preferred shares.					
	Warrant for 46,743 Series A-3 shares.					
	\$50,000 subordinated promissory note at 8% due August 31, 2017.					
	Total KnowledgeVision			800,001	550,001	
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 note at 12% (1% PIK) due December 31, 2024.	9/24/09	15%	1,904,605	1,904,605	6.0%
Pennsauken Township, NJ. Manufacturer of precision machined medical implants, components and assemblies. (Manufacturing)						
www.microcision.com	15% Class A common membership interest.					
	Total Microcision			1,904,605	1,904,605	
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.	12/31/14	7%	375,000		0.9%
Buffalo, NY. Maker of patented golf balls. (Consumer Product)	\$300,000 subordinated convertible promissory notes at 6% due January 24, 2018.			300,000	300,000	
www.oncoregolf.com						
	Total OnCore			675,000	300,000	

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2017 (Continued)

(Unaudited)

(a)	(b)	(c)	(d)(f)	Percent
Company, Geographic Location, Business Description, (Industry) and Website	Date	Equity	Fair Value	of Net Assets
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)			1,500,000	700,000
	274,299 Series A-1 convertible preferred shares.		504,710	504,710
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.		399,274	399,274
	Total SciAps		2,828,984	2,028,984
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%	0.0%
Montvale, NJ. Customer contact center specializing in customer acquisition and retention for selected industries. (Contact Center)			1,190,680	
	1,000,000 Class C preferred units.		91,200	
	80,000 Class D preferred units.		104,198	

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www.ipacesetters.com	104,198 Class E preferred units.						
	PIK dividend for Series C and D at 12% and 14%, respectively.						
	Total Teleservices				1,636,078		
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		
	\$200,000 subordinated promissory note at 8% due September 28, 2021.			200,000	200,000		
www.tilsontech.com	Total Tilson				1,000,000	1,000,000	
Subtotal Affiliate Investments					\$ 19,341,212	\$ 14,691,888	
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 95.7%					\$ 35,492,719	\$ 30,263,187	
OTHER ASSETS IN EXCESS OF							
LIABILITIES 4.3%						1,371,358	
NET ASSETS 100%						\$ 31,634,545	

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RAND CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2017 (Continued)

(Unaudited)

Notes to the Consolidated Schedule of Portfolio Investments

(a) At June 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 June 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 3 trading days of the month. 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 June 30, 2017 the total cost of investment securities was approximately \$35.5 million. Net unrealized depreciation was approximately (\$5.2) million, which was comprised of \$2.2 million of unrealized appreciation of investment securities and (\$7.4) million of unrealized depreciation of investment securities. At June 30, 2017, 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 (\$6.9) million. The net unrealized loss for federal income tax purposes was (\$4.4) million based on a tax cost of \$31.2 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 six months ended June 30, 2017.

(i) Represents interest due (amounts over \$50,000 net of reserves) 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 June 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

June 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)	June 30, 2017 Fair Value	Amount of 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	\$ 291,000	\$	\$ 359,000	\$ 291,000
	1,032,918 Series B Preferred Membership Units	150,000		150,000	0	4,800
	\$150,000 convertible promissory note at 8%.					
Total BeetNPath		509,000	291,000	150,000	650,000	4,800
Carolina Skiff LLC	6.0825% Class A common membership interest.	1,100,000			1,100,000	99,373
ClearView Social, Inc.		200,000			200,000	

312,500 Series seed
plus preferred shares.

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	250,000	250,000

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	
	\$2,000,000 promissory note at 8%	1,100,000	
	\$1,000,000 promissory note at 8%	600,000	
	Warrant for 250,000 common shares		
	Warrant for 125,000 common shares		