

RAND CAPITAL CORP
Form 10-Q
May 04, 2016
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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 March 31, 2016

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As May 4, 2016, there were 6,328,538 shares of the registrant's common stock outstanding.

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RAND CAPITAL CORPORATION

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements and Supplementary Data**

RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2016 and December 31, 2015

| | March 31, 2016 (Unaudited) | December 31, 2015 |
|--|-------------------------------|----------------------|
| ASSETS | | |
| Investments at fair value: | | |
| Control investments (cost of \$99,500 and \$1,141,472, respectively) | \$ 1,512,000 | \$ 13,916,472 |
| Affiliate investments (cost of \$19,013,217 and \$17,663,217, respectively) | 15,589,419 | 14,662,219 |
| Non-affiliate investments (cost of \$8,911,074 and \$8,606,053, respectively) | 8,558,730 | 8,253,709 |
| Total investments, at fair value (cost of \$ 28,023,791 and \$27,410,742, respectively) | 25,660,149 | 36,832,400 |
| Cash | 17,945,585 | 5,844,795 |
| Interest receivable (net of allowance: \$122,000 at 3/31/16 and 12/31/15) | 208,934 | 215,224 |
| Deferred tax asset | 527,511 | |
| Prepaid income taxes | | 65,228 |
| Other assets | 1,628,879 | 1,604,413 |
| Total assets | \$ 45,971,058 | \$ 44,562,060 |
| LIABILITIES AND STOCKHOLDERS EQUITY (NET ASSETS) | | |
| Liabilities: | | |
| Debentures guaranteed by the SBA (net of debt issuance costs) | \$ 7,807,223 | \$ 7,800,373 |
| Income tax payable | 2,686,997 | |
| Deferred tax liability | | 2,361,186 |
| Profit sharing and bonus payable | 1,593,659 | 282,000 |
| Accounts payable and accrued expenses | 208,719 | 238,911 |
| Deferred revenue | 38,320 | 25,930 |
| Total liabilities | 12,334,918 | 10,708,400 |
| 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 6,328,538 as of 3/31/16 and 12/31/15 | 686,304 | 686,304 |
| Capital in excess of par value | 10,581,789 | 10,581,789 |
| Accumulated net investment loss | (1,106,558) | (24,580) |
| Undistributed net realized gain on investments | 26,495,753 | 18,262,401 |
| Net unrealized (depreciation) appreciation on investments | (1,573,657) | 5,795,237 |

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| | | |
|---|----------------------|----------------------|
| Treasury stock, at cost; 534,496 shares as of 3/31/16 and 12/31/15 | (1,447,491) | (1,447,491) |
| Total stockholders' equity (net assets) (per share 3/31/16: \$5.31, 12/31/15: \$5.35) | 33,636,140 | 33,853,660 |
| Total liabilities and stockholders' equity | \$ 45,971,058 | \$ 44,562,060 |

See accompanying notes

Table of Contents**RAND CAPITAL CORPORATION AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF OPERATIONS****For the Three Months Ended March 31, 2016 and 2015****(Unaudited)**

| | Three months ended March 31, 2016 | Three months ended March 31, 2015 |
|--|--|--|
| Investment income: | | |
| Interest from portfolio companies: | | |
| Control investments | \$ 11,828 | \$ 22,145 |
| Affiliate investments | 64,962 | 115,129 |
| Non-Control/Non-Affiliate investments | 61,104 | 48,800 |
| Total interest from portfolio companies | 137,894 | 186,074 |
| Interest from other investments: | | |
| Non-Control/Non-Affiliate investments | 3,061 | 6,821 |
| Total interest from other investments | 3,061 | 6,821 |
| Dividend and other investment income: | | |
| Control investments | | 412,151 |
| Affiliate investments | 47,565 | 29,368 |
| Total dividend and other investment income | 47,565 | 441,519 |
| Fee income: | | |
| Control investments | 2,000 | 2,000 |
| Affiliate investments | 695 | 1,417 |
| Non-Control/Non-Affiliate investments | 2,916 | 3,916 |
| Total fee income | 5,611 | 7,333 |
| Total investment income | 194,131 | 641,747 |
| Operating expenses: | | |
| Salaries | 155,438 | 149,555 |
| Bonus and profit sharing | 1,411,659 | |
| Employee benefits | 89,511 | 30,407 |
| Directors fees | 47,375 | 21,750 |
| Professional fees | 64,760 | 73,069 |
| Stockholders and office operating | 62,494 | 59,397 |
| Insurance | 11,260 | 11,254 |
| Corporate development | 15,470 | 16,981 |

| | | |
|--|---------------------|------------|
| Other operating | 3,600 | 3,650 |
| | 1,861,567 | 366,063 |
| Interest on SBA obligations | 77,569 | 74,322 |
| Total operating expenses | 1,939,136 | 440,385 |
| Net investment (loss) income before income taxes | (1,745,005) | 201,362 |
| Income tax (benefit) expense | (663,027) | 72,067 |
| Net investment (loss) income | (1,081,978) | 129,295 |
| Net realized gain on investments: | | |
| Control investments | 13,176,313 | |
| Non-Control/Non-Affiliate investments | | 131,744 |
| Net realized gain before income taxes | 13,176,313 | 131,744 |
| Income tax expense | 4,942,961 | 47,151 |
| Net realized gain on investments | 8,233,352 | 84,593 |
| Net (decrease) in unrealized appreciation on investments: | | |
| Control investments | (11,362,500) | |
| Affiliate investments | (422,800) | |
| Non-Control/Non-Affiliate investments | | (54,509) |
| Change in unrealized appreciation before income taxes | (11,785,300) | (54,509) |
| Deferred income tax benefit | (4,416,406) | (20,169) |
| Net decrease in unrealized appreciation on investments | (7,368,894) | (34,340) |
| Net realized and unrealized gain on investments | 864,458 | 50,253 |
| Net (decrease) increase in net assets from operations | (\$ 217,520) | \$ 179,548 |
| Weighted average shares outstanding | 6,328,538 | 6,328,538 |
| Basic and diluted net (decrease) increase in net assets from operations per share | (\$ 0.04) | \$ 0.03 |

See accompanying notes

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

For the Three Months Ended March 31, 2016 and 2015

(Unaudited)

| | Three months ended March 31, 2016 | Three months ended March 31, 2015 |
|--|--|--|
| Net assets at beginning of period | \$ 33,853,660 | \$ 32,353,441 |
| Net investment (loss) income | (1,081,978) | 129,295 |
| Net realized gain on investments | 8,233,352 | 84,593 |
| Net (decrease) in unrealized appreciation on investments | (7,368,894) | (34,340) |
| Net (decrease) increase in net assets from operations | (217,520) | 179,548 |
| Total (decrease) increase in net assets | (217,520) | 179,548 |
| Net assets at end of period | \$ 33,636,140 | \$ 32,532,989 |
| Accumulated net investment loss | (\$ 1,106,558) | (\$ 738,187) |

See accompanying notes

Table of Contents**RAND CAPITAL CORPORATION AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Three Months Ended March 31, 2016 and 2015****(Unaudited)**

| | Three months ended March 31, 2016 | Three months ended March 31, 2015 |
|--|--|--|
| Cash flows from operating activities: | | |
| Net (decrease) increase in net assets from operations | (\$ 217,520) | \$ 179,548 |
| Adjustments to reconcile net (decrease) increase in net assets to net cash used in operating activities: | | |
| Investments in portfolio companies | (1,650,000) | (2,662,859) |
| Proceeds from sale of investments | 13,801,313 | 335,234 |
| Proceeds from loan repayments | 416,972 | 48,617 |
| Decrease in unrealized appreciation on investments before income taxes | 11,785,300 | 54,509 |
| Deferred tax (benefit) expense | (2,888,697) | 22,431 |
| Realized gain on portfolio investments before income taxes | (13,176,313) | (131,744) |
| Depreciation and amortization | 8,350 | 8,223 |
| Original issue discount amortization | (2,499) | (3,873) |
| Non-cash conversion of debenture interest | (2,522) | (25,454) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in interest receivable | 6,290 | (37,089) |
| Decrease in other assets | (25,965) | (32,639) |
| Increase (decrease) in prepaid income taxes | 65,228 | (102,187) |
| Increase (decrease) in income taxes payable | 2,686,997 | (2,065,795) |
| Decrease in accounts payable and accrued expenses | (30,192) | (157,181) |
| Increase (decrease) in profit sharing and bonus payable | 1,311,659 | (727,325) |
| Increase in deferred revenue | 12,389 | 15,666 |
| Total adjustments | 12,318,310 | (5,461,466) |
| Net cash provided by (used in) operating activities | 12,100,790 | (5,281,918) |
| Net increase (decrease) in cash | 12,100,790 | (5,281,918) |
| Cash: | | |
| Beginning of period | 5,844,795 | 13,230,717 |
| End of period | \$ 17,945,585 | \$ 7,948,799 |

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2016

(Unaudited)

(a)

| Company, Geographic Location, Business Description, (Industry) and Website | Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|--|--|-------------------------|---------------|------------|-------------------------|-----------------------------|
| Non-Control/Non-Affiliate Investments | | | | | | |
| 25.4% of net assets: (j) | | | | | | |
| Athenex, Inc. (e)(g) (Formerly Kinex Pharmaceuticals, Inc.) Buffalo, NY. Specialty pharmaceutical and drug development. (Health Care) www.athenex.com | 46,296 common shares. | 9/8/14 | <1% | \$ 143,285 | \$ 347,220 | 1.0% |
| City Dining Cards, Inc. (Loupe) (e)(g) Buffalo, NY. Customer loyalty technology company that helps businesses attract and retain customers. (Software) www.loupeapp.io | 9,525.25 Series B preferred shares. | 9/1/15 | 4% | 500,000 | 500,000 | 1.5% |
| Empire Genomics, LLC (e)(g) Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments. (Health Care) www.empiregenomics.com | \$900,000 senior secured convertible term notes at 10% due April 1, 2017. | 6/13/14 | <1% | 900,000 | 900,000 | 2.7% |
| GoNoodle, Inc. (g) (Formerly HealthTeacher, Inc.) | (i) Interest receivable \$112,833. \$1,000,000 secured note at 12% | 2/6/15 | <1% | 1,011,496 | 1,011,496 | 3.0% |

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| | | | | | | | |
|--|---|----------|----|----|-----------|-----------|------|
| Nashville, TN. Student engagement education software providing core aligned physical activity breaks. (Software) | due January 31, 2020, (1% Payment in Kind (PIK)). | | | | | | |
| www.gonoodle.com | Warrant for 47,324 Series C Preferred shares. | | | 25 | | 25 | |
| | Total GoNoodle | | | | 1,011,521 | 1,011,521 | |
| 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% | | 1,083,193 | 1,083,193 | 3.2% |
| Williamsville, NY. Full service accounts receivable management and collections company. (Contact Center) 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. | | | | 150,000 | 0 | |
| | (i) Interest receivable \$68,776. | | | | 97,625 | 0 | |
| | Total Mercantile | | | | 1,330,818 | 1,083,193 | |
| Outmatch (e)(g) | 2,264,995 Class P1 Units. | 11/18/10 | 4% | | 2,140,007 | 2,140,007 | 6.4% |
| (Chequed Holdings, LLC) | 109,788 Class C1 | | | | 5,489 | 5,489 | |

| | | | | | | | |
|--|--|------------------------------|---------|----|-----------|-----------|------|
| Saratoga Springs, NY. Web based predictive employee selection and reference checking. (Software) | | Units. | | | | | |
| www.outmatch.com | | | | | | | |
| | | Total Outmatch | | | 2,145,496 | 2,145,496 | |
| SocialFlow, Inc. (e)(g) | | 1,049,538 | 4/5/13 | 4% | | | 6.2% |
| New York, NY. Provides instant analysis of social networks using a proprietary, predictive analytic algorithm to optimize advertising and publishing. (Software) | | Series B preferred shares. | | | 500,000 | 731,431 | |
| | | 1,204,819 | | | | | |
| www.socialflow.com | | Series B-1 preferred shares. | | | 750,000 | 839,648 | |
| | | 717,772 | | | | | |
| | | Series C preferred | | | 500,000 | 500,221 | |
| | | Total Social Flow | | | 1,750,000 | 2,071,300 | |
| Somerset Gas Transmission Company, LLC (e) | | 26.5337 | 7/10/02 | 3% | 719,097 | 500,000 | 1.5% |
| Columbus, OH. Natural gas transportation. (Oil and Gas) | | units. | | | | | |
| www.somersetgas.com | | | | | | | |
| Other Non-Control/Non-Affiliate Investments: | | | | | | | |
| DataView, LLC (Software) (e) | | Membership Interest | | | 310,357 | | 0.0% |

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2016 (Continued)

(Unaudited)

| Company, Geographic Location, Business Description, (Industry) and Website | Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Per o N Ass |
|---|---|-------------------------|---------------|--------------|-------------------------|----------------------|
| McWi3 (Manufacturing) (e) | Common Stock. | | | 100,500 | | 0 |
| Total Non-Control/Non-Affiliate Investments | | | | \$ 8,911,074 | \$ 8,558,730 | |
| Investments 46.3% of net assets | | | | | | |
| Grainful Path, LLC (Grainful) (e)(g) | 1,119,024 Series A-2 Preferred Membership Units. | 10/20/14 | 9% | \$ 359,000 | \$ 359,000 | 1 |
| a, NY. Frozen entrées and packaged dry dishes made from 100% whole grain cut oats under Grainful brand name. (Consumer Product) www.grainful.com | | | | | | |
| Carolina Skiff LLC (g) | 6.0825% Class A common membership interest. | 1/30/04 | 7% | 15,000 | 600,000 | 1 |
| cross, GA. Manufacturer of fresh water, fishing and pleasure boats. (Manufacturing) www.carolinaskiff.com | | | | | | |
| ClearView Social, Inc. (e)(g) | 312,500 Series seed plus preferred shares. | 1/4/16 | 6% | 200,000 | 200,000 | 0 |
| alo, NY. Social media publishing tool for law, CPA and professional firms. (Software) www.clearviewsocial.com | | | | | | |
| Wave Products Group, LLC (e)(g) | \$500,000 senior term notes at 10% due December 31, 2016. | 4/19/12 | 7% | 661,563 | 250,000 | 0 |

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|---|---|----------|-----|-----------|-----------|---|
| via, NY. Sells First Crush automated pill er that crushes and grinds medical pills ursing homes and medical institutions. (Health Care) | \$280,000 junior term notes at 10% due December 31, 2016. | | | 316,469 | 0 | |
| | Warrant for 41,619 capital securities. | | | 22,000 | 0 | |
| www.firstwaveproducts.com | | | | | | |
| | Total First Wave | | | 1,000,032 | 250,000 | |
| Genicon, Inc. (g) | 1,586,902 Series B preferred shares. | 4/10/15 | 6% | 1,000,000 | 1,000,000 | 5 |
| er Park, FL. Designs, produces and tributes patented surgical instrumentation. (Health Care) | \$1,000,000 Senior term loan at 12% due April 1, 2019. | | | 1,000,000 | 1,000,000 | |
| www.geniconendo.com | | | | | | |
| | Total Genicon | | | 2,000,000 | 2,000,000 | |
| Give Gab, Inc. (e)(g) | 5,084,329 Series Seed preferred shares. | 3/13/13 | 9% | | | 1 |
| a, NY. Online fundraising, day of g supporter engagement software for profit organizations. (Software) | | | | 616,221 | 424,314 | |
| www.givegab.com | | | | | | |
| TEC Natural Gas Systems (e) | 17.845% Class A membership interest. | 8/31/99 | 18% | | | 0 |
| alo, NY. Manufactures and distributes ms that allow natural gas to be used as ternative fuel to gases. (Manufacturing) | 8% cumulative dividend. | | | 400,000 | 100,000 | |
| www.gas-tec.com | | | | | | |
| Intrinsic Materials, Inc. (e)(g) | 599,055 Series 2 preferred shares. | 9/19/13 | 7% | 600,002 | 0 | 0 |
| ester, NY. Produces printable ronics utilizing a unique process of material based ink in a n-temperature environment. (Manufacturing) | \$95,000 convertible promissory note at 8% due March 31, 2016. | | | 95,000 | 95,000 | |
| www.intrinsicmaterials.com | | | | | | |
| | Total Intrinsic | | | 695,002 | 95,000 | |
| Knoa Software, Inc. (e)(g) | 973,533 Series A-1 convertible preferred shares. | 11/20/12 | 7% | 750,000 | 0 | 1 |
| York, NY. End user experience agement and performance (EMP) ions utilizing enterprise applications. (Software) | 1,876,922 Series B preferred shares. | | | 479,155 | 449,455 | |
| www.knoa.com | | | | | | |
| | | | | 1,229,155 | 449,455 | |

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2016 (Continued)

(Unaudited)

| Name, Geographic Location, Business Description, (Industry) and Website | Type of Investment | (b) Date | (c) Equity | Cost | (d)(f) Fair Value |
|--|---|-------------|---------------|-----------|----------------------|
| KnowledgeVision Systems, Inc. (e)(g) MA. Online presentation and software. (Software) knowledgevision.com | 200,000 Series A-1 preferred shares. | 11/13/13 | 7% | 250,000 | 0 |
| | 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 |
| Total KnowledgeVision | | | | 750,001 | 500,001 |
| Microcision, Inc. (e)(g) Micro-electronic mechanical (MEMS) developer of carbon fiber error modules for gesture recognition and 3D scanning. (Electronics) microcision.com | 1,554,565 Series Seed preferred shares. | 1/9/08 | 15% | 742,850 | 351,477 |
| Microcision LLC (g) Pittsburgh, PA. Manufacturer of precision medical implants, components and services. (Manufacturing) microcision.com | \$1,500,000 subordinated promissory note at 11% due January 31, 2017. | 9/24/09 | 15% | 1,891,964 | 1,891,964 |
| | 15% Class A common membership interest. | | | | |
| Total Microcision | | | | 1,891,964 | 1,891,964 |
| Arch Machine Tool, Inc. (g) NY. Manufactures and services horizontal machining centers. archmt.com | 22.84 common shares. | 9/24/03 | 15% | 22,841 | 22,841 |
| Golf Technology, Inc. (e)(g) | 150,000 Series AA preferred shares. | 12/31/14 | 7% | 375,000 | 187,500 |
| | | | | 300,000 | 300,000 |

| | | | | | | |
|--|--|----------|-----|--|-------------------------|--|
| Y. Maker of patented metal core golf balls. (Consumer Products) www.oncoregolf.com | \$300,000 subordinated convertible promissory notes at 6% due January 24, 2017. | | | | | |
| | | | | | Total OnCore | 675,000 487,500 |
| Inc. (e) 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. | 10/29/09 | 5% | | | 11,000 2,165,999 59,000 702,732 702,732 |
| | | | | | Total Rheonix | 2,802,731 2,938,731 |
| Inc. (e)(g) MA. Instrumentation company developing portable analytical devices using FTIR and RAMAN spectroscopy to analyze compounds, minerals, and elements. (Manufacturing) www.sciaps.com | 187,500 Series A convertible preferred shares. 274,299 Series A-1 convertible preferred shares. 117,371 Series B preferred shares. | 7/12/13 | 9% | | | 1,500,000 504,710 250,000 1,000,000 504,710 250,000 |
| | | | | | Total SciAps | 2,254,710 1,754,710 |
| Technologies, LLC (g) NY. Produces and markets the GreenFilter™ line of Extended Performance Oil Filters (Consumer Products) www.greenfilter.com | 5,959,490 Series B membership interests. | 12/2/08 | 9% | | | 472,632 528,348 |
| Inc. (e)(g) MA. Mobile marketing platform for retail, advertising and surveys. www.statistify.co | 65,000 Series seed preferred shares. Warrant for 1,950,000 Series seed preferred shares. | 8/18/14 | 10% | | | 20,968 629,032 20,968 629,032 |
| | | | | | Total Statistify | 650,000 650,000 |
| es Solutions Holdings, LLC NJ. Customer contact center specializing in customer acquisition and retention for selected industries. (Contact Center Solutions) | 250,000 Class B preferred units. 1,000,000 Class C preferred units. 80,000 Class D preferred units. | 5/30/14 | 6% | | | 250,000 1,190,680 91,200 104,198 0 1,190,680 91,200 104,198 |

104,198 Class E preferred units.

esetters.com

PIK dividend for Series C and D at 12% and 14%, respectively.

Total Teleservices

1,636,078

1,386,078

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2016 (Continued)

(Unaudited)

| Company, Geographic Location, Business Description, (Industry) and Website | Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|--|--|----------------------|---------------|---------------|----------------------|-----------------------|
| Tilson Technology Management, Inc.(g) Portland, ME. Cellular, fiber optic and wireless information systems, construction, and management. (Professional services) www.tilsontech.com | 12 Series B preferred shares. | 1/20/15 | 8% | 600,000 | 600,000 | 1.8% |
| Subtotal Affiliate Investments | | | | \$ 19,013,217 | \$ 15,589,419 | |
| Control Investments 4.5% of net assets (l) | | | | | | |
| Advantage 24/7 LLC (e)(g) Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company) www.advantage24-7.com | 53% Membership interest. | 12/30/10 | 53% | \$ 99,500 | \$ 99,500 | 0.3% |
| Gemcor II, LLC (e)(g)(h) West Seneca, NY. Holding company following sale of business. (Manufacturing) www.gemcor.com | Escrow receivable from sale of business in March 2016. | 6/28/04 | 31% | 0 | 1,412,500 | 4.2% |
| Subtotal Control Investments | | | | \$ 99,500 | \$ 1,512,000 | |
| TOTAL INVESTMENTS 76.3% | | | | \$ 28,023,791 | \$ 25,660,149 | |
| OTHER ASSETS IN EXCESS OF LIABILITIES 23.7% | | | | | 7,975,991 | |
| NET ASSETS 100% | | | | | \$ 33,636,140 | |

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2016 (Continued)

(Unaudited)

Notes to the Consolidated Schedule of Portfolio Investments

- (a) At March 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 March 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 March 31, 2016, the total cost of investment securities was approximately \$28.0 million. Net unrealized depreciation was approximately \$2.4 million, which was comprised of \$2.7 million of unrealized appreciation of investment securities and (\$5.1) million related to unrealized depreciation of investment securities. At March 31, 2016, the aggregate gross unrealized gain for federal income tax purposes was \$3.0 million and the aggregate gross unrealized loss for federal income tax purposes was (\$4.8) million. The net unrealized loss for federal income tax purposes was \$1.8 million based on a tax cost of \$27.5 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 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

March 31, 2016 (Continued)

(Unaudited)

Investments in and Advances to Affiliates

| Company | Type of Investment | December 31, 2015 Fair Value | Gross Additions (1) | Gross Reductions (2) | March 31, 2016 Fair Value | Amount of Interest/ Dividend/ Fee Income (3) |
|-------------------------------|--|------------------------------------|---------------------------|----------------------------|---------------------------------|---|
| Control Investments: | | | | | | |
| Advantage 24/7 LLC | 53% Membership interest. | \$ 99,500 | \$ | \$ | \$ 99,500 | \$ |
| Gemcor II, LLC | \$1,000,000 subordinated promissory note at 15%. | 416,972 | | (416,972) | | 11,828 |
| | 31.25 membership units. | 13,400,000 | | (11,987,500) | 1,412,500 | 2,000 |
| | Total Gemcor | 13,816,972 | | (12,404,472) | 1,412,500 | 13,828 |
| | Total Control Investments | \$ 13,916,472 | \$ | (\$ 12,404,472) | \$ 1,512,000 | \$ 13,828 |
| Affiliate Investments: | | | | | | |
| BeetNPath, LLC | 1,119,024 Series A-2 Preferred Membership Units. | \$ 359,000 | \$ | \$ | \$ 359,000 | \$ |
| Carolina Skiff LLC | 6.0825% Class A common membership interest. | 600,000 | | | 600,000 | 34,101 |
| ClearView Social, Inc. | 312,500 Series seed plus preferred shares. | | 200,000 | | 200,000 | |
| First Wave Products | \$500,000 senior term notes at 10%. | 250,000 | | | 250,000 | 417 |

| | | | | | |
|--------------------------------------|---|-----------|-----------|-----------|---------|
| Group, LLC | \$280,000 junior term notes at 10%. Warrant for 41,619 capital securities. | | | | |
| | Total First Wave | 250,000 | | 250,000 | 417 |
| Genicon, Inc. | 1,586,902 Series B preferred shares. | 1,000,000 | | 1,000,000 | |
| | \$1,000,000 senior term loan at 12%. | | 1,000,000 | 1,000,000 | 9,611 |
| | Total Genicon | 1,000,000 | 1,000,000 | 2,000,000 | 9,611 |
| GiveGab, Inc. | 5,084,329 Series Seed preferred shares. | 424,314 | | 424,314 | |
| G-TEC Natural Gas Systems | 17.845% Class A membership interest. 8% cumulative dividend. | 100,000 | | 100,000 | |
| Intrinsiq Materials, Inc. | 599,055 Series 2 preferred shares. \$95,000 convertible promissory note at 8%. | 95,000 | | 95,000 | |
| | Total Intrinsiq | 95,000 | | 95,000 | |
| Knoa Software, Inc. | 973,533 Series A-1 convertible preferred shares. | 381,503 | (381,503) | | |
| | 1,876,922 Series B preferred shares. | 490,752 | | (41,297) | 449,455 |
| | Total Knoa | 872,255 | | (422,800) | 449,455 |
| 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 | |
| | Warrant for 46,743 Series A-3 shares. | 35,000 | | 35,000 | |
| | Total Knowledge Vision | 500,001 | | 500,001 | |
| Mezmeriz, Inc. | | 351,477 | | 351,477 | |

| | | | | | |
|---------------------------------------|--|-----------|---------|-----------|--------|
| | 1,554,565 Series seed preferred shares. | | | | |
| Microcision LLC | \$1,500,000 subordinated promissory note at 11%. | 1,891,964 | | 1,891,964 | 52,029 |
| | 15% Class A common membership interest. | | | | |
| | Total Microcision | 1,891,964 | | 1,891,964 | 52,029 |
| New Monarch Machine Tool, Inc. | 22.84 common shares. | 22,841 | | 22,841 | |
| OnCore Golf Technology, Inc. | 150,000 Series AA preferred shares. | 187,500 | | 187,500 | |
| | \$300,000 subordinated convertible promissory notes at 6%. | 150,000 | 150,000 | 300,000 | 3,600 |
| | Total OnCore | 337,500 | 150,000 | 487,500 | 3,600 |

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2016 (Continued)

(Unaudited)

Investments in and Advances to Affiliates

| Company | Type of Investment | December 31, 2015 Fair Value | Gross Additions (1) | Gross Reductions (2) | March 31, 2016 Fair Value | Amount of Interest/ Dividend/ Fee Income (3) |
|----------------------|--|------------------------------------|---------------------------|----------------------------|---------------------------------|---|
| Rheonix, Inc. | 9,676 common shares. | 11,000 | | | 11,000 | |
| | 1,839,422 Series A preferred shares. | 2,165,999 | | | 2,165,999 | |
| | 50,593 common shares. | 59,000 | | | 59,000 | |
| | 589,420 Series B preferred shares. | 702,732 | | | 702,732 | |
| | Total Rheonix | 2,938,731 | | | 2,938,731 | |
| SciAps, Inc. | 187,500 Series A convertible preferred shares. | 1,000,000 | | | 1,000,000 | |
| | 274,299 Series A-1 convertible preferred shares. | 504,710 | | | 504,710 | |
| | 117,371 Series B preferred | 250,000 | | | 250,000 | |
| | | | | | | |

shares.

| | | | | |
|---------------------|-----------|--|--|-----------|
| Total SciAps | 1,754,710 | | | 1,754,710 |
|---------------------|-----------|--|--|-----------|

| | | | | | |
|-------------------------------|--|---------|--|---------|--------|
| SOMS Technologies, LLC | 5,959,490 Series B membership interests. | 528,348 | | 528,348 | 13,464 |
|-------------------------------|--|---------|--|---------|--------|

| | | | | | |
|----------------------|--------------------------------------|--------|--|--------|--|
| Satisfy, Inc. | 65,000 Series seed preferred shares. | 20,968 | | 20,968 | |
|----------------------|--------------------------------------|--------|--|--------|--|

| | | | | | |
|--|---|---------|--|---------|--|
| | Warrant for 1,950,000 Series seed preferred shares. | 629,032 | | 629,032 | |
|--|---|---------|--|---------|--|

| | | | | | |
|----------------------|---------|--|--|---------|--|
| Total Satisfy | 650,000 | | | 650,000 | |
|----------------------|---------|--|--|---------|--|

| | | | | | |
|---|---------------------------|-----------|--|-----------|--|
| Teleservices Solutions Holdings, LLC | 250,000 Class B shares. | | | | |
| | 1,000,000 Class C shares. | 1,190,680 | | 1,190,680 | |

| | | | | | |
|--|---------------------------------|--------|--|--------|--|
| | 80,000 Class D preferred units. | 91,200 | | 91,200 | |
|--|---------------------------------|--------|--|--------|--|

| | | | | | |
|--|----------------------------------|---------|--|---------|--|
| | 104,198 Class E preferred units. | 104,198 | | 104,198 | |
|--|----------------------------------|---------|--|---------|--|

| | | | | | |
|---------------------------|-----------|--|--|-----------|--|
| Total Teleservices | 1,386,078 | | | 1,386,078 | |
|---------------------------|-----------|--|--|-----------|--|

| | | | | | |
|---|-------------------------------|---------|--|---------|--|
| Tilson Technology Management, Inc. | 12 Series B preferred shares. | 600,000 | | 600,000 | |
|---|-------------------------------|---------|--|---------|--|

| | | | | | |
|------------------------------------|---------------|--------------|--------------|---------------|------------|
| Total Affiliate Investments | \$ 14,662,219 | \$ 1,350,000 | (\$ 422,800) | \$ 15,589,419 | \$ 113,222 |
|------------------------------------|---------------|--------------|--------------|---------------|------------|

| | | | | | |
|--|---------------|--------------|-----------------|---------------|------------|
| Total Control and Affiliate Investments | \$ 28,578,691 | \$ 2,762,500 | (\$ 14,239,772) | \$ 17,101,419 | \$ 127,050 |
|--|---------------|--------------|-----------------|---------------|------------|

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 investment, 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 SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2016 (Continued)

(Unaudited)

| Industry Classification | Percentage of Total Investments (at fair value) as of March 31, 2016 |
|--------------------------------|---|
| Software | 31.0% |
| Healthcare | 25.1% |
| Manufacturing | 22.9% |
| Contact Center | 9.6% |
| Consumer Product | 5.4% |
| Professional Services | 2.3% |
| Oil and Gas | 1.9% |
| Electronics | 1.4% |
| Marketing | 0.4% |
| Total Investments | 100% |

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2015

| (a) Company, Geographic Location, Business Description, (Industry) and Website | (b) Type of Investment | (b) Date Acquired | (c) Equity | (c) Cost | (d)(f) Fair Value | Percent of Net Assets |
|---|--|-------------------------|---------------|-------------|-------------------------|--------------------------------|
| Non-Control/Non-Affiliate Investments | | | | | | |
| 24.4% of net assets: (j) | | | | | | |
| Athenex, Inc. (e)(g) (Formerly Kinex Pharmaceuticals, Inc.) Buffalo, NY. Specialty pharmaceutical and drug development. (Health Care) www.athenex.com | 46,296 common shares. | 9/8/14 | <1% | \$ 143,285 | \$ 347,220 | 1.0% |
| City Dining Cards, Inc. (Loupe) (e)(g) Buffalo, NY. Customer loyalty technology company that helps businesses attract and retain customers. (Software) www.citydiningcards.com | 9,525.25 Series B preferred shares. | 9/1/15 | 4% | 500,000 | 500,000 | 1.5% |
| Empire Genomics, LLC (e)(g) Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments. (Health Care) www.empiregenomics.com | \$600,000 senior secured convertible term note at 10% due April 1, 2017. (i) Interest receivable \$92,833. | 6/13/14 | | 600,000 | 600,000 | 1.8% |

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| | | | | | | | |
|--|---|----------|-----|-----------|-----------|-----------|------|
| GoNoodle, Inc. (g) (Formerly HealthTeacher, Inc.) Nashville, TN. Student engagement education software providing core aligned physical activity breaks. (Software) www.gonoodle.com | \$1,000,000 secured note at 12% due January 31, 2020, (1% Payment in Kind (PIK)). Warrant for 47,324 Series C Preferred shares. | 2/6/15 | <1% | | | | 3.0% |
| | | | | | 1,008,974 | 1,008,974 | |
| | | | | | 25 | 25 | |
| | Total GoNoodle | | | | 1,008,999 | 1,008,999 | |
| Mercantile Adjustment Bureau, LLC (g) Williamsville, NY. Full service accounts receivable management and collections company. (Contact Center) www.mercantilesolutions.com | \$1,099,039 subordinated secured note at 13% (3% for the calendar year 2015) due October 30, 2017. (e) \$150,000 subordinated debenture at 8% due June 30, 2018. Warrant for 3.29% membership interests. Option for 1.5% membership interests. (i) Interest receivable \$93,455. | 10/22/12 | 4% | 1,080,694 | 1,080,694 | | 3.2% |
| | | | | | 150,000 | 0 | |
| | | | | | 97,625 | 0 | |
| | Total Mercantile | | | | 1,328,319 | 1,080,694 | |
| Outmatch (e)(g) (Formerly Chequed Holdings, LLC) Saratoga Springs, NY. Web based predictive employee selection and reference checking. | 2,264,995 Class P1 Units. 109,788 Class C1 Units. | 11/18/10 | 4% | 2,140,007 | 2,140,007 | | 6.3% |
| | | | | | 5,489 | 5,489 | |

| | | | | | | | |
|---|------------------------------|---------|----|---------|-----------|-----------|--|
| (Software) | | | | | | | |
| www.outmatch.com | | | | | | | |
| | Total Outmatch | | | | 2,145,496 | 2,145,496 | |
| SocialFlow, Inc. (e)(g) | 1,049,538 | | | | | | |
| | Series B | | | | | | |
| New York, NY. Provides instant analysis of social | preferred shares. | 4/5/13 | 4% | 500,000 | 731,431 | 6.1% | |
| | 1,204,819 | | | | | | |
| networks using a proprietary, predictive analytic algorithm to optimize advertising and publishing. | Series B-1 | | | | | | |
| | preferred shares. | | | 750,000 | 839,648 | | |
| (Software) | 717,772 Series | | | | | | |
| | C preferred | | | 500,000 | 500,221 | | |
| www.socialflow.com | | | | | | | |
| | Total Social Flow | | | | 1,750,000 | 2,071,300 | |
| Somerset Gas Transmission Company, LLC (e) | | | | | | | |
| | 26.5337 units. | 7/10/02 | 3% | 719,097 | 500,000 | 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% | |

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2015 (Continued)

| Company, Geographic Location, Business Description, (Industry) and Website | Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Per c N Ass C |
|---|---|-------------------------|---------------|--------------|-------------------------|---------------------------|
| Company/Wi3 (Manufacturing) (e) | Common Stock. | | | 100,500 | | |
| Total Non-Control/Non-Affiliate Investments | | | | \$ 8,606,053 | \$ 8,253,709 | |
| Private Investments 43.3% of net assets | | | | | | |
| Path, LLC (e)(g) | 1,119,024 Series A-2 Preferred Membership Units. | 10/20/14 | 9% | \$ 359,000 | \$ 359,000 | |
| a, NY. Frozen entrées and packaged dry dishes made from 100% whole grain cut oats under Grainful brand name. (Consumer Product) | | | | | | |
| .grainful.com | | | | | | |
| Carolina Skiff LLC (g) | 6.0825% Class A common membership interest. | 1/30/04 | 7% | 15,000 | 600,000 | |
| cross, GA. Manufacturer of fresh water, fishing and pleasure boats. (Manufacturing) www.carolinaskiff.com | | | | | | |
| First Wave Products Group, LLC (e)(g) | \$500,000 senior term notes at 10% due December 31, 2016. | 4/19/12 | 7% | 661,563 | 250,000 | |
| ia, NY. Sells First Crush automated pill er that crushes and grinds medical pills for nursing homes and medical institutions. (Health Care) | | | | | | |
| .firstwaveproducts.com | | | | | | |
| | \$280,000 junior term notes at 10% due December 31, 2016. | | | 316,469 | 0 | |
| | Warrant for 41,619 capital securities. | | | 22,000 | 0 | |
| | Total First Wave | | | 1,000,032 | 250,000 | |

Genicon, Inc. (e)(g)

er Park, FL. Designs, produces and
 utes patented surgical instrumentation.
 (Health Care) www.geniconendo.com

1,586,902 Series B preferred shares. 4/10/15 6% 1,000,000 1,000,000 3

GiveGab, Inc. (e)(g)

a, NY. Online fundraising, day of
 g supporter engagement software for
 profit organizations. (Software)
 www.givegab.com

5,084,329 Series Seed preferred
 shares. 3/13/13 9% 616,221 424,314 1

TEC Natural Gas Systems (e)

lo, NY. Manufactures and distributes
 ms that allow natural gas to be used as
 ernalive fuel to gases. (Manufacturing)

gas-tec.com 17.845% Class A membership interest.
 8% cumulative dividend. 8/31/99 18% 400,000 100,000 0

Intrinsiq Materials, Inc. (e)(g)

ester, NY. Produces printable
 onics utilizing a unique process of
 material based ink in a
 -temperature environment.

599,055 Series 2 preferred shares. 9/19/13 7% 600,002 0 0

ufacturing)

intrinsiqmaterials.com **Total Intrinsiq** 695,002 95,000

Knoa Software, Inc. (e)(g)

York, NY. End user experience
 gement and performance (EMP)
 ons utilizing enterprise applications.
 ware) www.knoa.com

973,533 Series A-1 convertible
 preferred shares. 11/20/12 7% 750,000 381,503 2

1,876,922 Series B preferred shares.
 479,155 490,752

1,229,155 872,255

KnowledgeVision Systems, Inc. (e)(g)

oln, MA. Online presentation and
 ng software.

200,000 Series A-1 preferred shares. 11/13/13 7% 250,000 0 1

214,285 Series A-2 preferred shares.
 300,000 300,000

129,033 Series A-3 preferred shares.
 165,001 165,001

ware)

knowledgevision.com Warrant for 46,743 Series A-3 shares. 35,000 35,000

Total KnowledgeVision 750,001 500,001

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2015 (Continued)

(a)

| Company, Geographic Location, Business Description, (Industry) and Website | Type of Investment | (b) Date Acquired | (c) Equity 15% | Cost | (d)(f) Fair Value | Percent of Net Assets |
|--|--|-------------------------|----------------------|-----------|-------------------------|--------------------------------|
| Mezmeriz, Inc. (e)(g) 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 | 1,554,565 Series Seed preferred shares. | 1/9/08 | 15% | 742,850 | 351,477 | 1.0% |
| Microcision LLC (g) Philadelphia, PA. Manufacturer of precision machined medical implants, components and assemblies. (Manufacturing) www.microcision.com | \$1,500,000 subordinated promissory note at 11% due January 31, 2017. 15% Class A common membership interest. | 9/24/09 | 15% | 1,891,964 | 1,891,964 | 5.6% |
| Total Microcision | | | | 1,891,964 | 1,891,964 | |
| New Monarch Machine Tool, Inc. (g) Cortland, NY. Manufactures and services vertical/horizontal machining centers. (Manufacturing) | 22.84 common shares. | 9/24/03 | 15% | 22,841 | 22,841 | 0.1% |

| | | | | | | |
|---|--|----------|----|-----------|-----------|------|
| www.monarchmt.com | | | | | | |
| OnCore Golf Technology, Inc. (e)(g) | 150,000 | 12/31/14 | 7% | 375,000 | 187,500 | 1.0% |
| | Series AA preferred shares. | | | | | |
| Buffalo, NY. Maker of patented hollow-metal core golf balls. (Consumer Product) | \$150,000 subordinated convertible promissory note at 6% due January 24, 2017. | | | 150,000 | 150,000 | |
| www.oncoregolf.com | | | | | | |
| | Total OnCore | | | 525,000 | 337,500 | |
| Rheonix, Inc. (e) | | | | | | |
| | 9,676 common shares. | 10/29/09 | 5% | | 11,000 | 8.7% |
| Ithaca, NY. Developer of fully automated microfluidic based molecular assay and diagnostic testing devices. (Health Care) | (g) 1,839,422 Series A preferred shares. | | | 2,099,999 | 2,165,999 | |
| www.rheonix.com | | | | | | |
| | (g) 50,593 common shares. | | | | 59,000 | |
| | (g) 589,420 Series B preferred shares. | | | 702,732 | 702,732 | |
| | Total Rheonix | | | 2,802,731 | 2,938,731 | |
| SciAps, Inc. (e)(g) | | | | | | |
| | 187,500 Series A convertible preferred shares. | 7/12/13 | 9% | 1,500,000 | 1,000,000 | 5.2% |
| Woburn, MA. Instrumentation company producing portable analytical devices using XRF, | 274,299 Series A-1 convertible preferred shares. | | | 504,710 | 504,710 | |
| LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements. | 117,371 Series B preferred shares. | | | 250,000 | 250,000 | |
| (Manufacturing) | | | | | | |
| www.sciaps.com | | | | | | |
| | Total SciAps | | | 2,254,710 | 1,754,710 | |

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| | | | | | | |
|---|---|---------|-----|-----------|-----------|------|
| SOMS Technologies, LLC (e)(g) | 5,959,490 Series B membership interests. | 12/2/08 | 9% | 472,632 | 528,348 | 1.5% |
| Valhalla, NY. Produces and markets the microGreen Extended Performance Oil Filter. (Consumer Products) | | | | | | |
| www.microgreenfilter.com | | | | | | |
| Statisfy, Inc. (e)(g) | 65,000 Series seed preferred shares. | 8/18/14 | 10% | 20,968 | 20,968 | 1.9% |
| Boston, MA. Mobile marketing platform for engagement, advertising and surveys. (Software) | Warrant for 1,950,000 Series seed preferred shares. | | | | | |
| www.statisfy.co | | | | 629,032 | 629,032 | |
| | Total Statisfy | | | 650,000 | 650,000 | |
| Teleservices Solutions Holdings, LLC (g)(n) | 250,000 Class B preferred units. | 5/30/14 | 6% | 250,000 | 0 | 4.1% |
| 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 | 1,190,680 | |
| www.ipacesetters.com | 80,000 Class D preferred units. | | | 91,200 | 91,200 | |
| | 104,198 Class E preferred units. | | | 104,198 | 104,198 | |
| | PIK dividend for Series C and D at 12% and 14%, respectively. | | | | | |
| | Total Teleservices | | | 1,636,078 | 1,386,078 | |
| Tilson Technology Management, Inc.(g) | 12 Series B preferred shares. | 1/20/15 | 8% | 600,000 | 600,000 | 1.8% |
| Portland, ME. Cellular, fiber optic and wireless information systems, construction, and management. (Professional Services) | | | | | | |
| www.tilsonotech.com | | | | | | |

| | | |
|---------------------------------------|---------------|---------------|
| Subtotal Affiliate Investments | \$ 17,663,217 | \$ 14,662,219 |
|---------------------------------------|---------------|---------------|

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2015 (Continued)

| (a) Company, Geographic Location, Business Description, (Industry) and Website | Type of Investment | (b) Date Acquired | (c) Equity | Cost | (d)(f) Fair Value | Percent of Net Assets |
|--|--|----------------------|---------------|---------------|----------------------|-----------------------|
| Control Investments 41.1% of net assets | | | | | | |
| (l) | | | | | | |
| Advantage 24/7 LLC (e)(g) | 53% | 12/30/10 | 53% | \$ 99,500 | \$ 99,500 | 0.3% |
| Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company) | Membership interest. | | | | | |
| www.advantage24-7.com | | | | | | |
| Gemcor II, LLC (g)(h)(m) | \$1,000,000 subordinated promissory note at 15% due September 1, 2017. | 6/28/04 | 31% | 416,972 | 416,972 | 40.8% |
| West Seneca, NY. Designs and sells automatic riveting machines used in the assembly of aircraft. (Manufacturing) | 31.25 membership units. | | | 625,000 | 13,400,000 | |
| www.gemcor.com | | | | | | |
| | Total Gemcor | | | 1,041,972 | 13,816,972 | |
| Subtotal Control Investments | | | | \$ 1,141,472 | \$ 13,916,472 | |
| TOTAL INVESTMENTS 108.8% | | | | \$ 27,410,742 | \$ 36,832,400 | |
| LIABILITIES IN EXCESS OF OTHER ASSETS (8.8%) | | | | | (2,978,740) | |
| NET ASSETS 100% | | | | | \$ 33,853,660 | |

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2015 (Continued)

Notes to the Consolidated Schedule of Portfolio Investments

- (a) At December 31, 2015, 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. Freed Maxick CPA's P.C. has not audited the business descriptions of the portfolio companies.
- (b) The Date Acquired column indicates the year in which the Corporation acquired its first 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, 2015, 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, 2015, the total cost of investment securities was approximately \$27.5 million. Net unrealized appreciation was approximately \$9.4 million, which was comprised of \$14.1 million of unrealized appreciation of

investment securities and (\$4.7) million related to unrealized depreciation of investment securities. At December 31, 2015, the aggregate gross unrealized gain for federal income tax purposes was \$10.2 million and the aggregate gross unrealized loss for federal income tax purposes was (\$4.4) million. The net unrealized gain for federal income tax purposes was \$5.8 million based on a tax cost of \$31.0 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 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) Gemcor II, LLC is an unconsolidated significant subsidiary as defined in SEC's Regulation S-X.
- (n) 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, 2015 (Continued)

Investments in and Advances to Affiliates

| Company Control | Type of Investment | December 31, 2014 Fair Value | Gross Additions (1) | Gross Reductions (2) | December 31, 2015 Fair Value | Amount of Interest/ Dividend/ Fee Income (3) |
|-------------------------------|--|------------------------------------|---------------------------|----------------------------|------------------------------------|--|
| Investments: | | | | | | |
| Advantage 24/7 LLC | 53% Membership interest. | \$ 99,500 | \$ | \$ | \$ 99,500 | \$ |
| Gemcor II, LLC | \$1,000,000 subordinated promissory note at 15%. | 622,800 | | (205,828) | 416,972 | 77,077 |
| | 31.25 membership units. | 9,300,000 | 4,100,000 | | 13,400,000 | 1,743,934 |
| | Total Gemcor | 9,922,800 | 4,100,000 | (205,828) | 13,816,972 | 1,821,011 |
| | Total Control Investments | \$ 10,022,300 | \$ 4,100,000 | (\$ 205,828) | \$ 13,916,472 | \$ 1,821,011 |
| Affiliate Investments: | | | | | | |
| BeetNPath, LLC | 1,119,024 Series A-2 Preferred Membership Units. | | \$ 359,000 | | \$ 359,000 | 7,250 |
| Carolina Skiff LLC | \$985,000 Class A preferred membership interest at 9.8%. | 985,000 | | (985,000) | | 81,782 |
| | \$250,000 subordinated promissory note at 14%. | 125,000 | | (125,000) | | 14,778 |
| | | 600,000 | | | 600,000 | 116,052 |

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| | | | | | | |
|---------------------------------------|--|-----------|-----------|-------------|-----------|---------|
| | 6.0825% Class A common membership interest. | | | | | |
| | Total Carolina Skiff | 1,710,000 | | (1,110,000) | 600,000 | 212,612 |
| Chequed.com, Inc. | 408,476 Series A preferred shares. | 1,383,222 | | (1,383,222) | | |
| | \$250,000 convertible promissory note at 8%. | 250,000 | | (250,000) | | 11,507 |
| | Total Chequed | 1,633,222 | | (1,633,222) | | 11,507 |
| CrowdBouncer, Inc. | 300,000 Series A preferred shares. | | | | | |
| First Wave Products Group, LLC | \$500,000 senior term notes at 10%. | 637,992 | 23,571 | (411,563) | 250,000 | 24,571 |
| | \$280,000 junior term notes at 10%. | 308,687 | 7,782 | (316,469) | | 8,447 |
| | Warrant for 41,619 capital securities. | 22,000 | | (22,000) | | |
| | Total First Wave | 968,679 | 31,353 | (750,032) | 250,000 | 33,018 |
| Genicon, Inc. | 1,586,902 Series B preferred shares. | | 1,000,000 | | 1,000,000 | |
| GiveGab, Inc. | 5,084,329 Series Seed preferred shares. | 403,388 | 212,833 | (191,907) | 424,314 | |
| G-TEC Natural Gas Systems | 17.8% Class A membership interest. 8% cumulative dividend. | 100,000 | | | 100,000 | |
| Intrinsiq Materials, Inc. | 599,055 Series 2 preferred shares. | 600,002 | | (600,002) | | |
| | \$95,000 convertible promissory note at 8%. | | 95,000 | | 95,000 | 2,436 |
| | Total Intrinsiq | 600,002 | 95,000 | (600,002) | 95,000 | 2,436 |
| Knoa Software, Inc. | 973,533 Series A-1 convertible preferred shares. | 381,503 | | | 381,503 | |
| | 1,876,922 Series B preferred shares. | 490,752 | | | 490,752 | |
| | | 872,255 | | | 872,255 | |
| KnowledgeVision | 200,000 Series A-1 preferred shares. | 250,000 | | (250,000) | | |

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| | | | | | | |
|---------------------------------------|---|-----------|---------|-----------|-----------|---------|
| Systems, Inc. | 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 |
| | Total Knowledge Vision | 550,000 | 200,001 | (250,000) | | 500,001 |
| Mezmeriz, Inc. | 1,554,565 Series seed preferred shares. | | 351,477 | | | 351,477 |
| | \$200,000 convertible notes at 8%. | 200,000 | | (200,000) | | |
| | Total Mezmeriz | 200,000 | 351,477 | (200,000) | | 351,477 |
| Microcision LLC | \$1,500,000 subordinated promissory note at 11%. | 1,891,964 | | | 1,891,964 | 208,116 |
| | 15% Class A common membership interest. | | | | | |
| | Total Microcision | 1,891,964 | | | 1,891,964 | 208,116 |
| New Monarch Machine Tool, Inc. | 22.84 common shares. | 22,841 | | | 22,841 | 30,409 |
| OnCore Golf Technology, Inc. | 150,000 Series AA preferred shares. | | 375,000 | (187,500) | 187,500 | |
| | \$150,000 subordinated convertible promissory note at 6%. | | 150,000 | | 150,000 | 3,945 |
| | Total OnCore | | 525,000 | (187,500) | 337,500 | 3,945 |

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2015 (Continued)

Investments in and Advances to Affiliates

| Company | Type of Investment | December 31, 2014 Fair Value | Gross Additions (1) | Gross Reductions (2) | December 31, 2015 Fair Value | Amount of Interest/ Dividend/ Fee Income (3) |
|----------------------|---|--|------------------------------------|-------------------------------------|---|---|
| Rheonix, Inc. | 9,676 common shares. | 11,000 | | | 11,000 | |
| | 1,839,422 Series A preferred shares. | 2,165,999 | | | 2,165,999 | |
| | 50,593 common shares. | 59,000 | | | 59,000 | |
| | 589,420 Series B preferred shares. | | 702,732 | | 702,732 | |
| | \$680,475 convertible promissory notes at 8%. | | 702,732 | (702,732) | | 22,258 |
| | Total Rheonix | 2,235,999 | 1,405,464 | (702,732) | 2,938,731 | 22,258 |
| | SciAps, Inc. | 187,500 Series A convertible preferred shares. | 1,500,000 | | | |