

RAND CAPITAL CORP
Form 10-Q
May 02, 2019
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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, 2019

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the Transition Period from _____ to _____

Commission File Number: 814-00235

Rand Capital Corporation

(Exact Name of Registrant as specified in its Charter)

New York
(State or Other Jurisdiction of
Incorporation or Organization)

16-0961359
(IRS Employer
Identification No.)

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that

the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.10 par value	RAND	Nasdaq Capital Market

As of May 2, 2019, there were 6,321,988 shares of the registrant's common stock outstanding.

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RAND CAPITAL CORPORATION

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2019 (Unaudited)	December 31, 2018
ASSETS		
Investments at fair value:		
Control investments (cost of \$0 and \$99,500, respectively)	\$	\$ 99,500
Affiliate investments (cost of \$21,442,998 and \$20,708,659, respectively)	18,804,026	17,026,091
Non-Control/Non-Affiliate investments (cost of \$14,151,246 and \$17,483,984, respectively)	13,687,175	17,541,213
Total investments, at fair value (cost of \$35,594,244 and \$38,292,143, respectively)	32,491,201	34,666,804
Cash and cash equivalents	8,694,705	4,033,792
Interest receivable (net of allowance: \$161,000)	137,214	145,532
Deferred tax asset	425,461	525,198
Prepaid income taxes	846,120	1,138,708
Other assets	338,507	11,690
Total assets	\$ 42,933,208	\$ 40,521,724
LIABILITIES AND STOCKHOLDERS EQUITY (NET ASSETS)		
Liabilities:		
Debentures guaranteed by the SBA (net of debt issuance costs)	\$ 10,758,657	\$ 8,554,443
Profit sharing and bonus payable		125,000
Accounts payable and accrued expenses	154,082	245,758
Deferred revenue	40,867	72,336
Total liabilities	10,953,606	8,997,537
Commitments and contingencies (See Note 5)		
Stockholders equity (net assets):		
Common stock, \$0.10 par; shares authorized 10,000,000; shares issued 6,863,034; shares outstanding of 6,321,988 as of 3/31/19 and 12/31/18	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,642,785)	(1,665,552)
Undistributed net realized gain on investments	26,252,574	26,221,443
Net unrealized depreciation on investments	(2,429,175)	(2,830,692)
Treasury stock, at cost: 541,046 shares	(1,469,105)	(1,469,105)

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Total stockholders equity (net assets) (per share- 3/31/19: \$5.06,12/31/18: \$4.99)	31,979,602	31,524,187
Total liabilities and stockholders equity (net assets)	\$ 42,933,208	\$ 40,521,724

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Investment income:		
Interest from portfolio companies:		
Affiliate investments	\$ 208,715	\$ 147,036
Non-Control/Non-Affiliate investments	197,250	150,312
Total interest from portfolio companies	405,965	297,348
Interest from other investments:		
Non-Control/Non-Affiliate investments	17,811	5,110
Total interest from other investments	17,811	5,110
Dividend and other investment income:		
Affiliate investments	34,625	50,783
Non-Control/Non-Affiliate investments		3,382
Total dividend and other investment income	34,625	54,165
Fee income:		
Affiliate investments	4,247	3,167
Non-Control/Non-Affiliate investments	256,722	3,019
Total fee income	260,969	6,186
Total investment income	719,370	362,809
Expenses:		
Salaries	181,500	169,874
Employee benefits	62,932	63,745
Directors fees	28,624	34,875
Professional fees	226,655	101,687
Stockholders and office operating	61,255	64,439
Insurance	9,601	11,988
Corporate development	18,460	15,796
Other operating	1,584	2,691

	590,611	465,095
Interest on SBA obligations	99,124	77,569
Bad debt expense		45,900
Total expenses	689,735	588,564
Net investment gain (loss) before income taxes	29,635	(225,755)
Income tax expense (benefit)	6,868	(52,426)
Net investment gain (loss)	22,767	(173,329)
Net realized gain on sales and dispositions of investments:		
Control investments	40,500	
Income tax expense	9,369	
Net realized gain on sales and dispositions of investments	31,131	
Net change in unrealized depreciation on investments:		
Affiliate investments	1,043,595	(250,000)
Non-Control/Non-Affiliate investments	(521,300)	(201,489)
Change in unrealized depreciation before income taxes	522,296	(451,489)
Deferred income tax expense (benefit)	120,779	(104,405)
Net change in unrealized depreciation on investments	401,517	(347,084)
Net realized and unrealized gain (loss) on investments	432,648	(347,084)
Net increase (decrease) in net assets from operations	\$ 455,415	(\$ 520,413)
Weighted average shares outstanding	6,321,988	6,321,988
Basic and diluted net increase (decrease) in net assets from operations per share	\$ 0.07	(\$ 0.08)

See accompanying notes

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

(Unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Net assets at beginning of period	\$ 31,524,187	\$ 31,918,685
Net investment gain (loss)	22,767	(173,329)
Net realized gain on sales and dispositions of investments	31,131	
Net change in unrealized depreciation on investments	401,517	(347,084)
Net increase (decrease) in net assets from operations	455,415	(520,413)
Net assets at end of period	\$ 31,979,602	\$ 31,398,272
Accumulated net investment loss	(\$ 1,642,785)	(\$ 1,770,475)

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Cash flows from operating activities:		
Net increase (decrease) in net assets from operations	\$ 455,415	(\$ 520,413)
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Investments in portfolio companies	(650,012)	(450,000)
Proceeds from loan repayments	3,500,000	70,131
Net realized gain on portfolio investments	(40,500)	
Change in unrealized depreciation on investments before income taxes	(522,296)	451,489
Deferred income tax expense (benefit)	99,737	(104,405)
Depreciation and amortization	8,842	7,400
Original issue discount amortization	(10,191)	(9,080)
Non-cash conversion of debenture interest	(101,398)	(8,701)
Change in interest receivable allowance		45,900
Changes in operating assets and liabilities:		
Decrease in interest receivable	8,318	17,019
Increase in other assets	(326,882)	(39,943)
Decrease (increase) in prepaid income taxes	292,588	(35,375)
Decrease in accounts payable and accrued expenses	(91,676)	(70,609)
Decrease in profit sharing and bonus payable	(125,000)	(132,000)
(Decrease) increase in deferred revenue	(31,469)	15,814
Total adjustments	2,010,061	(242,360)
Net cash provided by (used in) operating activities	2,465,476	(762,773)
Cash flows from financing activities:		
Proceeds from SBA debentures	2,250,000	
Origination costs to SBA	(54,563)	
Net cash provided by financing activities	2,195,437	
Net increase (decrease) in cash and cash equivalents	4,660,913	(762,773)
Cash and cash equivalents:		
Beginning of period	4,033,792	6,262,039
End of period	\$ 8,694,705	\$ 5,499,266

See accompanying notes

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2019

(Unaudited)

Company, Geographic Location, Business Description, (Industry) and Website	(a) Type of Investment	(b) Date	(c) Acquired Equity	Cost	(d)(f) Fair Value	Percent of Net Assets
Non-Control/Non-Affiliate Investments 42.8% of net assets: (j)						
ACV Auctions, Inc. (e)(g) Buffalo, NY. Live mobile wholesale auctions for new and used car dealers. (Software) www.acvauctions.com	1,181,160 Series A Preferred.	8/12/16	<1%	\$ 163,000	\$ 2,776,907	8.7%
Advantage 24/7 LLC (g) Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company) www.advantage24-7.com	\$140,000 Term Note at 13% due January 1, 2022	12/30/10	0%	140,000	140,000	0.4%
Centivo Corporation (e)(g) New York, NY. Tech-enabled health solutions company that helps self-insured employers and their employees save money and have a better experience. (Health Care) www.centivo.com	190,967 Series A-1 Preferred. 337,808 Series A-2 Preferred.	7/5/17	<1%	200,000 <u>101,342</u> <u>301,342</u>	200,000 <u>101,342</u> <u>301,342</u>	0.9%
Total Centivo						
Empire Genomics, LLC (g)(l) Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments. (Health Care) www.empiregenomics.com	\$1,209,014 Senior Secured Convertible Term Notes at 10% (8% PIK through September 30, 2019) due December 31, 2020.	6/13/14	0%	1,257,858	498,844	2.5%

	\$444,915 Promissory Note at 9% (4% PIK) due December 31, 2020.				<u>444,915</u>	<u>302,569</u>	
	Total Empire				<u>1,702,773</u>	<u>801,413</u>	
GiveGab, Inc. (e)(g)	5,084,329 Series Seed Preferred.	3/13/13	4%		616,221	616,221	1.9%
Ithaca, NY. Online fundraising, day of giving supporter engagement software for non-profit organizations. (Software)							
www.givegab.com							
GoNoodle, Inc. (g)(l)	\$1,000,000 Secured Note at 12% due January 31, 2020, (1% PIK). Warrant for 47,324 Series C Preferred.	2/6/15	<1%		1,042,262	1,042,262	3.2%
Nashville, TN. Student engagement education software providing core aligned physical activity breaks. (Software)							
www.gonoodle.com							
	GoNoodle			Total	<u>1,042,287</u>	<u>1,042,287</u>	
Mercantile Adjustment Bureau, LLC (g)	\$1,199,039 Subordinated Secured Note at 13% (3% for the calendar year 2018) due January 31, 2019. (e) \$150,000 Subordinated Debenture at 8% due June 30, 2018. Warrant for 3.29% Membership Interests. Option for 1.5% Membership Interests.	10/22/12	4%		1,199,040	500,000	1.5%
Williamsville, NY. Full service accounts receivable management and collections company. (Contact Center)							
www.mercantilesolutions.com							
					150,000		
					<u>97,625</u>		
					<u>1,446,665</u>	<u>500,000</u>	
	Total Mercantile						
Outmatch Holdings, LLC (e)(g)		11/18/10	4%		2,140,007	2,140,007	6.7%

Chequed Holdings, LLC)	2,908,686.55			<u>5,489</u>	<u>5,489</u>	
	Class P1 Units.					
Dallas, TX. Web based predictive employee selection and reference checking. (Software)	109,788 Class C1 Units.			<u>2,145,496</u>	<u>2,145,496</u>	
www.outmatch.com						
	Total Outmatch					
PostProcess Technologies LLC (e)(g)	\$300,000					
	Convertible					
	Promissory	7/25/16	0%			0.9%
Buffalo, NY. Provides innovative solutions for the post-processing of additive manufactured 3D parts. (Manufacturing)	Note at 5% due July 28, 2020.			300,000	300,000	
www.postprocess.com						

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2019 (Continued)

(Unaudited)

(a) Company, Geographic Location, Business Description, (Industry) and Website	(b) Type of Investment	(c) Date Acquired	(d) Equity	(e) Cost	(f) Fair Value	(g) Percent of Net Assets
Rheonix, Inc. (e)	9,676 Common.	10/29/09	4%			6.9%
Ithaca, NY. Developer of fully automated microfluidic based molecular assay and diagnostic testing devices. (Health Care)	(g) 1,839,422 Series A Preferred.					
www.rheonix.com	(g) 50,593 Common.					
	(g) 589,420 Series B Preferred.			2,099,999	1,500,000	
				<u>702,732</u>	<u>702,732</u>	
	Total Rheonix			<u>2,802,731</u>	<u>2,202,732</u>	
SocialFlow, Inc. (e)(g)	1,049,538 Series B Preferred.	4/5/13	4%	500,000	500,000	5.5%
New York, NY. Provides instant analysis of social networks using a proprietary, predictive analytic algorithm to optimize advertising and publishing. (Software)	1,204,819 Series B-1 Preferred.			750,000	750,000	
www.socialflow.com	717,772 Series C Preferred.			<u>500,000</u>	<u>500,000</u>	
	Total Social Flow			<u>1,750,000</u>	<u>1,750,000</u>	
Somerset Gas Transmission Company, LLC (e)	26.5337 Units.	7/10/02	3%	719,097	500,000	1.6%

Columbus, OH. Natural gas transportation.
(Oil and Gas)

www.somersetgas.com

Tech 2000, Inc. (g)	\$600,000 Term Note at 14% due	11/16/18	0%			1.9%
Herndon, VA. Develops and delivers IT training. (Software)	November 15, 2021.			610,777	610,777	

www.t2000inc.com

Other Non-Control/Non-Affiliate Investments:

DataView, LLC (e) (Software)	Membership Interest.	10/1/98	5%	310,357		0.0%
UStec/Wi3 (e) (Manufacturing)	Common stock.	12/17/98	<1%	<u>100,500</u>		0.0%
Subtotal Non-Control/Non-Affiliate Investments				<u>\$ 14,151,246</u>	<u>\$ 13,687,175</u>	

Affiliate Investments 58.8% of net assets (k)

BeetNPath, LLC (Grainful) (e)(g)	1,119,024 Series A-2 Preferred	10/20/14	9%			0.4%
Ithaca, NY. Frozen entrées made from 100% whole grain steel cut oats under Grainful brand name. (Consumer Product)	Membership Units.			\$ 359,000	\$	
www.grainful.com	1,032,918 Series B Preferred Membership Units.			261,277		
	\$262,626.64 Convertible Secured Notes at 8% due December 21, 2019.					
	Total			<u>262,627</u>	<u>130,000</u>	
	BeetNPath			<u>882,904</u>	<u>130,000</u>	

Carolina Skiff LLC (g)	6.0825% Class A Common	1/30/04	7%			5.5%
Waycross, GA. Manufacturer of ocean fishing and pleasure boats. (Manufacturing)	Membership Interest.			15,000	1,750,000	

www.carolinaskiff.com

ClearView Social, Inc. (e)(g)	312,500 Series Seed Plus Preferred.	1/4/16	6%	200,000	200,000	0.6%
Buffalo, NY. Social media publishing tool for law, CPA and professional firms. (Software)						

www.clearviewsocial.com

First Wave Technologies, Inc. (e)(g)	670,443.2 Class A Common.	4/19/12	5%	661,563	33,000	0.1%
Batavia, NY. Sells First Crush automated pill crusher that crushes and grinds pills for nursing homes and medical institutions. (Health Care)						

www.firstwavetechnologies.com

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2019 (Continued)

(Unaudited)

Company, Geographic Location, Business Description, (Industry) and Website	(a) Type of Investment	(b) Date	(c) Acquired Equity	Cost	(d)(f) Fair Value	Percent of Net Assets
Genicon, Inc. (g)(l)	1,586,902 Series B Preferred.	4/10/15	6%	1,000,000	1,000,000	14.0%
Winter Park, FL. Designs, produces and distributes patented surgical instrumentation. (Health Care) www.geniconendo.com	\$3,250,000 Promissory Notes at 10% due May 1, 2020, (8% PIK). Warrants for 500,000 Common.			3,465,080 <u>120,000</u> <u>4,585,080</u>	3,465,080 <u> </u> <u>4,465,080</u>	
	Total					
	Genicon					
Knoa Software, Inc. (e)(g)	973,533 Series A-1 Convertible Preferred.	11/20/12	7%	750,000	750,000	3.9%
New York, NY. End user experience management and performance (EMP) solutions utilizing enterprise applications. (Software) www.knoa.com	1,876,922 Series B Preferred.			<u>479,155</u> <u>1,229,155</u>	<u>479,155</u> <u>1,229,155</u>	
	Total					
	Knoa					
KnowledgeVision Systems, Inc. (g)	200,000 Series A-1 Preferred.	11/13/13	7%	250,000		3.7%
Lincoln, MA. Online presentation and training software. (Software) www.knowledgevision.com	214,285 Series A-2 Preferred. 129,033 Series A-3 Preferred.			300,000 165,001 35,000	165,001 35,000	

	Warrant for 46,743 Series A-3. (e) \$75,000 Subordinated Promissory Notes at 8% payable on demand of majority of holders after August 31, 2019.				75,000	75,000	
	\$900,000 Term Note at 13% due April 30, 2021.				<u>900,000</u>	<u>900,000</u>	
	Total						
	KnowledgeVision				<u>1,725,001</u>	<u>1,175,001</u>	
Mezmeriz, Inc. (e)(g)	1,554,565 Series Seed Preferred.	1/9/08	12%		742,850	351,477	1.1%
Ithaca, NY. Technology company developing novel reality capture tools for 3D mapping, reality modeling, object tracking and classification. (Electronics Developer)							
www.mezmeriz.com							
Microcision LLC (g)(l)	\$1,500,000 Subordinated Promissory Note at 12% (1% PIK) due December 31, 2024.	9/24/09	15%				8.0%
Pennsauken Township, NJ. Manufacturer of precision machined medical implants, components and assemblies. (Manufacturing)							
www.microcision.com							
	15% Class A Common Membership Interest.					<u>610,000</u>	
	Total						
	Microcision				<u>1,938,186</u>	<u>2,548,186</u>	
New Monarch Machine Tool, Inc. (g)	22.84 Common.	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)	300,483 Preferred AA.	12/31/14	8%		752,712	300,000	1.0%
Buffalo, NY. Patented and Proprietary Golf Balls utilizing breakthrough technology and innovation, inspiring golfers at all skill levels and abilities.							
(Consumer Product)							

www.oncoregolf.com

SciAps, Inc. (e)(g)	187,500 Series A Preferred.	7/12/13	6%		5.1%
Woburn, MA. Instrumentation company producing portable analytical devices using XRF, LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements. (Manufacturing)	274,299 Series A-1 Convertible Preferred.				
www.sciaps.com	117,371 Series B Convertible Preferred.				
	113,636 Series C Convertible Preferred.			1,500,000	423,000
				504,710	142,000
	369,698 Series C-1 Convertible Preferred.			250,000	250,000
				175,000	175,000
	147,059 Series D Convertible Preferred.			399,274	399,274
				<u>250,000</u>	<u>250,000</u>
	Total SciAps			<u>3,078,984</u>	<u>1,639,274</u>

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2019 (Continued)

(Unaudited)

(a) Company, Geographic Location, Business Description, (Industry) and Website	(b) Type of Investment	(c) Date	(d) Equity	(e) Cost	(f) Fair Value	(g) Percent of Net Assets
Teleservices Solutions Holdings, LLC (e)(g)(l)	250,000 Class B Preferred Units.	5/30/14	6%	250,000		0.0%
				1,190,680		
Montvale, NJ. Customer contact center specializing in customer acquisition and retention for selected industries. (Contact Center)	1,000,000 Class C Preferred Units.			91,200		
	80,000 Class D Preferred Units.			<u>104,198</u>	—	
www.ipacesetters.com	104,198 Class E Preferred Units.					
	PIK dividend for Series C and D at 12% and 14%, respectively.					
			Total	<u>1,636,078</u>	—	
	Teleservices					
Tilson Technology Management, Inc. (g)	120,000 Series B Preferred.	1/20/15	11%	600,000	1,950,000	15.5%
Portland, ME. Provides network deployment construction and information system services management for Cellular, fiber optic and wireless systems providers. Its affiliated entity, SQF, LLC is a CLEC supporting small cell 5G deployment.	21,391 Series C Preferred.			200,000	347,604	
	70,176 Series D Preferred.			800,000	1,140,360	
	15,385 Series E Preferred.			500,012	500,012	
(Professional Services)	211,567 SQF Hold Co. Common.				22,036	
	\$800,000 Subordinated Promissory Notes at 8% due December 1, 2022.			800,000	800,000	

www.tilsontech.com

\$200,000
Subordinated
Promissory Note at
8% due
September 28,
2021.

Tilson**Total**

<u>200,000</u>	<u>200,000</u>
<u>3,100,012</u>	<u>4,960,012</u>

Other Affiliate Investments:

G-TEC Natural Gas Systems(e)	Membership Interest	8/31/99	17%	400,000	0.0%
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(Manufacturing)

SOMS Technologies, LLC (e)(g)	Membership Interest	12/2/08	9%	472,632	0.0%
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(Consumer Products)

Subtotal Affiliate Investments

\$ 21,442,998 \$ 18,804,026

TOTAL INVESTMENTS 101.6%

\$ 35,594,244 \$ 32,491,201

LIABILITIES IN EXCESS OF OTHER ASSETS (1.6%)

(511,599)

NET ASSETS 100%**\$ 31,979,602**

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2019 (Continued)

(Unaudited)

Notes to the Consolidated Schedule of Portfolio Investments

(a) At March 31, 2019, 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. Type of investment for equity position is in form of shares unless otherwise noted as units or interests, i.e., preferred shares, common shares.

(b) The Date Acquired column indicates the date in which the Corporation first acquired an investment in the company or a predecessor company.

(c) Each equity percentage estimates the Corporation's ownership interest in the applicable portfolio investment. The estimated ownership is calculated based on the percent of outstanding voting securities held by the Corporation or the potential percentage of voting securities held by the Corporation upon exercise of warrants or conversion of debentures, or other available data. If applicable, the symbol <1% indicates that the Corporation holds an equity interest of less than one percent.

(d) The Corporation's investments are carried at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures, which defines fair value and establishes guidelines for measuring fair value. At March 31, 2019, ASC 820 designates 100% of the Corporation's investments as Level 3 assets. Under the valuation policy of the Corporation, unrestricted publicly held securities are valued at the average closing bid price for these securities for the last three trading days of the reporting period. Restricted securities are subject to restrictions on resale, and are valued at fair value as determined by the management of the Corporation and submitted to the Board of Directors for approval. Fair value is considered to be the amount that the Corporation may reasonably expect to receive for portfolio securities when sold on the valuation date. Valuations as of any particular date, however, are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of securities and these favorable or unfavorable differences could be material. Among the factors considered in determining the fair value of restricted securities are the financial condition and operating results, projected operations, and other analytical data relating to the investment. Also considered are the market prices for unrestricted securities of the same class (if applicable) and other matters which may have an impact on the value of the portfolio company (see Note 3. Investments to the Consolidated Financial Statements).

(e) These investments are non-income producing. All other investments are income producing. Non-income producing investments have not generated cash payments of interest or dividends including LLC tax-related distributions within the last twelve months, or are not expected to do so going forward. However, if a debt or a preferred equity fails to make its most recent payment, then the investment will also be classified as non-income producing.

(f) As of March 31, 2019, the total cost of investment securities was approximately \$35.6 million. Net unrealized depreciation was approximately (\$3.1) million, which was comprised of \$6.8 million of unrealized appreciation of

investment securities and (\$9.9) million of unrealized depreciation of investment securities. At March 31, 2019, the aggregate gross unrealized gain for federal income tax purposes was \$6.5 million and the aggregate gross unrealized loss for federal income tax purposes was (\$6.7) million. The net unrealized loss for federal income tax purposes was (\$0.2) million based on a tax cost of \$32.5 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 reductions during the first quarter of 2019.

(i) Represents interest due (amounts over \$50,000) from investments included as interest receivable on the Corporation's Consolidated Statements of Financial Position. (None at March 31, 2019.)

(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) 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, 2019 (Continued)

(Unaudited)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2018 Fair Value	Gross Additions (1)	Gross Reductions (2)	March 31, 2019 Fair Value	Net Realized Gains	Amount of Interest/ Dividend/ Fee Income (3)
Control Investments:							
Advantage 24/7 LLC	\$140,000 Term Note at 13%.	\$ 99,500	\$	(\$ 99,500)	\$	\$ 40,500	\$
Total Control Investments		\$ 99,500	\$	(\$ 99,500)	\$	\$ 40,500	\$
Affiliate Investments:							
BeetNPath, LLC	1,119,024 Series A-2 Preferred Membership Units.	\$	\$	\$	\$	\$	\$
	1,032,918 Series B Preferred Membership Units.	261,277		(261,277)			
	\$262,626.64 Convertible Secured Notes at 8%.	262,627		(132,627)	130,000		5,552
Total BeetNPath		523,904		(393,904)	130,000		5,552
Carolina Skiff LLC	6.0825% Class A Common Membership interest.		1,750,000		1,750,000		24,043
ClearView Social, Inc.	312,500 Series Seed Plus Preferred.	200,000			200,000		

First Wave Technologies, Inc.	670,443.2 Class A Common.	33,000		33,000	
Genicon, Inc.	1,586,902 Series B Preferred. \$3,250,000 Promissory Notes at 8%. Warrant for 500,000 Common.	1,000,000 3,385,586 37,500	79,494	1,000,000 3,465,080 (37,500)	98,709
	Total Genicon	4,423,086	79,494	(37,500) 4,465,080	98,709
G-TEC Natural Gas Systems	16.639% Class A Membership Interest. 8% cumulative dividend.				
Knoa Software, Inc.	973,533 Series A-1 Convertible Preferred. 1,876,922 Series B Preferred.	750,000 479,155		750,000 479,155	
	Total Knoa	1,229,155		1,229,155	
KnowledgeVision Systems, Inc.	200,000 Series A-1 Preferred. 214,285 Series A-2 Preferred. 129,033 Series A-3 Preferred. \$75,000 Subordinated Promissory Notes at 8%. \$900,000 Term Note at 13%. Warrant for 46,743 Series A-3.	165,001 75,000 750,000 35,000	150,000	165,001 75,000 900,000 35,000	1,479 29,506
	Total KnowledgeVision	1,025,001	150,000	1,175,001	30,985
Mezmeriz, Inc.	1,554,565 Series Seed Preferred.	351,477		351,477	
Microcision LLC	\$1,500,000	1,933,353	4,833	1,938,186	58,001

Subordinated Promissory Note at 12% (1% PIK). 15% Class A Common Membership Interest.	610,000		610,000	
Total Microcision	2,543,353	4,833	2,548,186	58,001

New Monarch Machine Tool, Inc.	22.84 Common.	22,841	22,841	
OnCore Golf Technology, Inc.	300,483 Series AA Preferred.	300,000	300,000	

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2019 (Continued)

(Unaudited)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2018 Fair Value	Gross Additions (1)	Gross Reductions (2)	March 31, 2019 Fair Value	Net Realized Gains	Amount of Interest/ Dividend/ Fee Income (3)
SciAps, Inc.	187,500 Series A Convertible Preferred.	700,000		(277,000)	423,000		
	274,299 Series A-1 Convertible Preferred.	250,000		(108,000)	142,000		
	117,371 Series B Convertible Preferred.	250,000			250,000		
	113,636 Series C Convertible Preferred.	175,000			175,000		
	369,698 Series C-1 Convertible Preferred.	399,274			399,274		
	147,059 Series D Convertible Preferred.	250,000			250,000		
	Total SciAps	2,024,274		(385,000)	1,639,274		
	SOMS Technologies, LLC	5,959,490 Series B membership Interests.					
Teleservices Solutions Holdings,	250,000 Class B Preferred Units.						

LLC

1,000,000
Class C Preferred
Units.
80,000 Class D
Preferred Units.
104,198 Class E
Preferred Units.

**Total
Teleservices**

**Tilson
Technology
Management,
Inc.**

120,000 Series B Preferred.	600,000	1,350,000	1,950,000	10,582
21,391 Series C Preferred.	200,000	147,604	347,604	
70,176 Series D Preferred.	800,000	340,360	1,140,360	
15,385 Series E Preferred.		500,012	500,012	
211,567 SQF Hold Co. Common.		22,036	22,036	
\$200,000 Subordinated Promissory Note at 8%.	200,000		200,000	3,945
\$800,000 Subordinated Promissory Note at 8%.	800,000		800,000	15,770
Total Tilson	2,600,000	2,360,012	4,960,012	30,297

Total Affiliate Investments	\$ 17,026,091	\$ 2,594,339	(\$ 816,404)	\$ 18,804,026	\$	\$ 247,587
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Total Control and Affiliate Investments	\$ 17,125,591	\$ 2,594,339	(\$ 915,904)	\$ 18,804,026	\$ 40,500	\$ 247,587
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This schedule should be read in conjunction with the Corporation's Consolidated Financial Statements, including the Consolidated Schedule of Portfolio Investments and Notes to the Consolidated Financial Statements.

(1) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow on investments, capitalized interest and the accretion of discounts. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation, and the movement of an existing portfolio

company into this category and out of another category.

(2) Gross reductions include decreases in the cost basis of investments resulting from principal repayments, sales, note conversions, net increases in unrealized depreciation, net decreases in unrealized appreciation, the exchange of existing securities for new securities and the movement of an existing portfolio company out of this category and into another category.

(3) Represents the total amount of interest, fees or dividends credited to income for the portion of the period an investment was included in Control or Affiliate categories, respectively.

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2019 (Continued)

(Unaudited)

Industry Classification	Percentage of Total Investments (at fair value) as of March 31, 2019
Software	35.5%
Healthcare	24.0
Manufacturing	19.3
Professional Services	15.3
Contact Center	1.6
Oil and Gas	1.5
Consumer Product	1.3
Electronics	1.1
Marketing	0.4
Total Investments	100%

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2018

Company, Geographic Location, Business Description, (Industry) and Website	(a) Type of Investment	(b) Date Acquired	(c) Equity	Cost	(d)(f) Fair Value	Percent of Net Assets
Non-Control/Non-Affiliate Investments						
55.7% of net assets: (j)						
ACV Auctions, Inc. (e)(g) Buffalo, NY. Live mobile wholesale auctions for new and used car dealers. (Software) www.acvauctions.com	1,181,160 Series A Preferred.	8/12/16	<1%	\$ 163,000	\$ 2,776,907	8.8%
Centivo Corporation (e)(g) New York, NY. Tech-enabled health solutions company that helps self-insured employers and their employees save money and have a better experience. (Health Care) www.centivo.com	190,967 Series A-1 Preferred.	7/5/17	<1%	200,000	200,000	1.0%
	337,808 Series A-2 Preferred.			<u>101,342</u>	<u>101,342</u>	
	Total Centivo			<u>301,342</u>	<u>301,342</u>	
eHealth Global Technologies, Inc. (g) Henrietta, NY. eHealth Connect® improves health care delivery through intelligently aggregated clinical record and images for patient referrals. (Health Care) www.ehealthtechnologies.com	\$3,500,000 Term Note at 13% due December 31, 2020.	6/28/16	0%	3,500,000	3,500,000	11.1%
Empire Genomics, LLC (g)(m) Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding	\$1,209,014 Senior Secured Convertible Term Notes at 10% (8% PIK)	6/13/14	0%	1,233,195	474,181	2.4%

patient therapeutic treatments. (Health Care)	through			<u>444,915</u>	<u>302,569</u>	
www.empiregenomics.com	September 30, 2019) due			<u>1,678,110</u>	<u>776,750</u>	
	December 31, 2020.					
	\$444,915 Promissory Note at 9% (4% PIK) due December 31, 2020.					
	Total Empire					
GiveGab, Inc. (e)(g)	5,084,329	3/13/13	4%	616,221	616,221	2.0%
Ithaca, NY. Online fundraising, day of giving supporter engagement software for non-profit organizations. (Software)	Series Seed Preferred.					
www.givegab.com						
GoNoodle, Inc. (g)(m)	\$1,000,000	2/6/15	<1%			3.3%
Nashville, TN. Student engagement education software providing core aligned physical activity breaks. (Software)	Secured Note at 12% due January 31, 2020, (1% PIK).			1,039,663	1,039,663	
www.gonoodle.com				<u>25</u>	<u>25</u>	
	Warrant for 47,324 Series C Preferred.			<u>1,039,688</u>	<u>1,039,688</u>	
	Total GoNoodle					
Mercantile Adjustment Bureau, LLC (g)	\$1,199,039	10/22/12	4%			2.2%
Williamsville, NY. Full service accounts receivable management and collections company. (Contact Center)	Subordinated Secured Note at 13% (3% for the calendar year 2018) due January 31, 2019.			1,199,040	700,000	
www.mercantilesolutions.com				150,000		
	(e) \$150,000 Subordinated Debenture at 8% due			<u>97,625</u>	<u>700,000</u>	
				<u>1,446,665</u>	<u>700,000</u>	

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June 30, 2018.

Warrant for
3.29%
Membership
Interests.
Option for
1.5%
Membership
Interests.

(i) Interest
receivable
\$50,254.

**Total
Mercantile**

Outmatch Holdings, LLC (e)(g)	2,798,883	11/18/10	4%	2,140,007	2,140,007	6.8%
(Chequed Holdings, LLC)	Class P1 Units.					
				<u>5,489</u>	<u>5,489</u>	
Dallas, TX. Web based predictive employee selection and reference checking. (Software)	109,788 Class C1 Units.			<u>2,145,496</u>	<u>2,145,496</u>	
www.outmatch.com	Total Outmatch					
PostProcess Technologies LLC (e)(g)	\$300,000	7/25/16	0%			1.0%
Buffalo, NY. Provides innovative solutions for the post-processing of additive manufactured 3D parts. (Manufacturing)	Convertible Promissory Note at 5% due July 28, 2020.			300,000	300,000	
www.postprocess.com						

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2018 (Continued)

Company, Geographic Location, Business Description, (Industry) and Website	(a) Type of Investment	(b) Date Acquired	(c) Equity %	Cost	(d)(f) Fair Value	Percent of Net Assets
Rheonix, Inc. (e)	9,676 Common.	10/29/09	4%			7.0%
Ithaca, NY. Developer of fully automated microfluidic based molecular assay and diagnostic testing devices. (Health Care)	(g) 1,839,422 Series A Preferred.			2,099,999	1,500,000	
www.rheonix.com	(g) 50,593 Common.			<u>702,732</u>	<u>702,732</u>	
	(g) 589,420 Series B Preferred.			<u>2,802,731</u>	<u>2,202,732</u>	
	Total Rheonix					
SocialFlow, Inc. (e)(g)	1,049,538 Series B Preferred.	4/5/13	4%	500,000	731,431	6.6%
New York, NY. Provides instant analysis of social networks using a proprietary, predictive analytic algorithm to optimize advertising and publishing. (Software)	1,204,819 Series B-1 Preferred.			750,000	839,648	
www.socialflow.com	717,772 Series C Preferred.			<u>500,000</u>	<u>500,221</u>	
				<u>1,750,000</u>	<u>2,071,300</u>	
	Total Social Flow					
Somerset Gas Transmission Company, LLC (e)	26.5337 Units.	7/10/02	3%	719,097	500,000	1.6%

Columbus, OH. Natural gas transportation.

(Oil and Gas)

www.somersetgas.com

Tech 2000, Inc. (g)(m)	\$600,000 Term Note at 14%	11/16/18	0%			1.9%
Herndon, VA. Develops and delivers IT training.	(PIK through December 31, 2018) due November 15, 2021.			610,777	610,777	
(Software)						

www.t2000inc.com

**Other Non-Control/Non-Affiliate
Investments:**

DataView, LLC (e) (Software)	Membership Interest.	10/1/98	5%	310,357		0.0%
UStec/Wi3 (e) (Manufacturing)	Common stock.	12/17/98	<1%	100,500		0.0%
Subtotal Non-Control/Non-Affiliate Investments				\$ 17,483,984	\$ 17,541,213	

**Affiliate Investments 54.0% of net assets
(k)**

BeetNPath, LLC (Grainful) (e)(g)	1,119,024 Series A-2 Preferred Membership Units.	10/20/14	9%			1.7%
Ithaca, NY. Frozen entrées made from 100% whole grain steel cut oats under Grainful brand name. (Consumer Product)				\$359,000	\$	
www.grainful.com	1,032,918 Series B Preferred Membership Units.			261,277	261,277	
				<u>262,627</u>	<u>262,627</u>	
	\$262,626.64 Convertible Secured Notes at 8% due December 21, 2019.			<u>882,904</u>	<u>523,904</u>	

**Total
BeetNPath**

Carolina Skiff LLC (g)	6.0825% Class A Common	1/30/04	7%	15,000	1,750,000	5.6%
Waycross, GA. Manufacturer of ocean						

fishing and pleasure boats. (Manufacturing)	Membership Interest.						
www.carolinaskiff.com							
ClearView Social, Inc. (e)(g)	312,500 Series Seed Plus Preferred.	1/4/16	6%	200,000	200,000	0.6%	
Buffalo, NY. Social media publishing tool for law, CPA and professional firms. (Software)							
www.clearviewsocial.com							
First Wave Technologies, Inc. (e)(g)	670,443.2 Class A Common.	4/19/12	5%	661,563	33,000	0.1%	
Batavia, NY. Sells First Crush automated pill crusher that crushes and grinds pills for nursing homes and medical institutions. (Health Care)							
www.firstwaveproducts.com							

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2018 (Continued)

Company, Geographic Location, Business Description, (Industry) and Website	(a)	(b) Date	(c) Equity	Cost	(d)(f) Fair Value	(e) Percentage of Net Assets
Genicon, Inc. (g) (m)	1,586,902 Series B Preferred.	4/10/15	6%	1,000,000	1,000,000	14.0
Winter Park, FL. Designs, produces and distributes patented surgical instrumentation. (Health Care)	\$3,250,000 Promissory Notes at 10% due May 1, 2020, (8% PIK).			3,385,586	3,385,586	
www.geniconendo.com	Warrants for 500,000 Common.			<u>120,000</u>	<u>37,500</u>	
	Total			<u>4,505,586</u>	<u>4,423,086</u>	
Knoa Software, Inc. (e)(g)	973,533 Series A-1 Convertible Preferred.	11/20/12	7%	750,000	750,000	3.9
New York, NY. End user experience management and performance (EMP) solutions utilizing enterprise applications. (Software)	1,876,922 Series B Preferred.			<u>479,155</u>	<u>479,155</u>	
www.knoa.com				<u>1,229,155</u>	<u>1,229,155</u>	
	Total					
KnowledgeVision Systems, Inc. (g)	200,000 Series A-1 Preferred.	11/13/13	7%	250,000		3.2
Worcester, MA. Online presentation and training software. (Software)	214,285 Series A-2 Preferred.			300,000		
www.knowledgevision.com	129,033 Series A-3 Preferred.			165,001	165,001	
	Warrant for 46,743 Series A-3.			35,000	35,000	
	\$75,000 Subordinated Promissory Notes at 8% payable on demand of majority of holders after August 31, 2019.(e)			75,000	75,000	
				<u>750,000</u>	<u>750,000</u>	
	\$750,000 Term Note at 11% due April 30, 2021.			<u>1,575,001</u>	<u>1,025,001</u>	

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147,059 Series D Convertible
Preferred.

	Total
SciAps	

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2018 (Continued)

Company, Geographic Location, Business Description, (Industry) and Website	(a) Type of Investment	(b) Date Acquired	(c) Equity Cost	(d)(f) Fair Value	Percent of Net Assets
Teleservices Solutions Holdings, LLC (e) (g)(m)	250,000 Class B Preferred Units.	5/30/14	6%	250,000	0.0%
Montvale, NJ. Customer contact center specializing in customer acquisition and retention for selected industries. (Contact Center)	1,000,000 Class C Preferred Units.			1,190,680	
www.ipacesetters.com	80,000 Class D Preferred Units.			91,200	
	104,198 Class E Preferred Units.			<u>104,198</u>	
	PIK dividend for Series C and D at 12% and 14%, respectively.			<u>1,636,078</u>	
	Total Teleservices				
Tilson Technology Management, Inc. (g)	120,000 Series B Preferred.	1/20/15	11%	600,000	8.2%
Portland, ME. Cellular, fiber optic and wireless information systems, construction, and management. (Professional Services)	21,391 Series C Preferred.			200,000	200,000
www.tilsonotech.com	70,176 Series D Preferred.			800,000	800,000
				800,000	800,000

\$800,000 Subordinated Promissory Notes at 8% due December 1, 2022.	<u>200,000</u>	<u>200,000</u>
	<u>2,600,000</u>	<u>2,600,000</u>

\$200,000
Subordinated
Promissory
Note at 8% due
September 28,
2021.

**Total
Tilson**

Other Affiliate Investments:

G-TEC Natural Gas Systems(e) (Manufacturing)	Membership Interest	8/31/99	17%	400,000		0.0%
SOMS Technologies, LLC (e)(g) (Consumer Products)	Membership Interest	12/2/08	9%	472,632		0.0%
Subtotal Affiliate Investments				\$ 20,708,659	\$ 17,026,091	

Control Investments 0.3% of net assets (I)

Advantage 24/7 LLC (g) Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company) www.advantage24-7.com	45% Membership Interest.	12/30/10	45%	\$99,500	\$99,500	0.3%
Subtotal Control Investments				\$99,500	\$99,500	

TOTAL INVESTMENTS 110% \$ 38,292,143 \$ 34,666,804

**LIABILITIES IN EXCESS OF OTHER
ASSETS (10%)** (3,142,617)

NET ASSETS 100% \$ 31,524,187

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2018 (Continued)

Notes to the Consolidated Schedule of Portfolio Investments

(a) At December 31, 2018, restricted securities represented 100% of the fair value of the investment portfolio. Restricted securities are subject to one or more restrictions on resale and are not freely marketable. Type of investment for equity position is in form of shares unless otherwise noted as units or interests, i.e., preferred shares, common shares.

(b) The Date Acquired column indicates the date in which the Corporation first acquired an investment in the company or a predecessor company.

(c) Each equity percentage estimates the Corporation's ownership interest in the applicable portfolio investment. The estimated ownership is calculated based on the percent of outstanding voting securities held by the Corporation or the potential percentage of voting securities held by the Corporation upon exercise of warrants or conversion of debentures, or other available data. If applicable, the symbol <1% indicates that the Corporation holds an equity interest of less than one percent.

(d) The Corporation's investments are carried at fair value in accordance with FASB Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures, which defines fair value and establishes guidelines for measuring fair value. At December 31, 2018, ASC 820 designates 100% of the Corporation's investments as Level 3 assets. Under the valuation policy of the Corporation, unrestricted publicly held securities are valued at the average closing bid price for these securities for the last three trading days of the reporting period. Restricted securities are subject to restrictions on resale, and are valued at fair value as determined by the management of the Corporation and submitted to the Board of Directors for approval. Fair value is considered to be the amount that the Corporation may reasonably expect to receive for portfolio securities when sold on the valuation date. Valuations as of any particular date, however, are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of securities and these favorable or unfavorable differences could be material. Among the factors considered in determining the fair value of restricted securities are the financial condition and operating results, projected operations, and other analytical data relating to the investment. Also considered are the market prices for unrestricted securities of the same class (if applicable) and other matters which may have an impact on the value of the portfolio company (see Note 3 Investments to the Consolidated Financial Statements).

(e) These investments are non-income producing. All other investments are income producing. Non-income producing investments have not generated cash payments of interest or dividends including LLC tax-related distributions within the last twelve months, or are not expected to do so going forward. However, if a debt or a preferred equity fails to make its most recent payment, then the investment will also be classified as non-income producing.

(f) As of December 31, 2018 the total cost of investment securities was approximately \$38.3 million. Net unrealized depreciation was approximately (\$3.6) million, which was comprised of \$5.3 million of unrealized appreciation of investment securities and (\$8.9) million of unrealized depreciation of investment securities. At December 31, 2018, the aggregate gross unrealized gain for federal income tax purposes was \$5.2 million and the aggregate gross

unrealized loss for federal income tax purposes was (\$5.9) million. The net unrealized loss for federal income tax purposes was (\$0.7) million based on a tax cost of \$35.4 million.

(g) Rand Capital SBIC, Inc. investment.

(h) Reduction in cost and value from previously reported balances reflects current principal repayment.

(i) Represents interest due (amounts over \$50,000) from investments included as interest receivable on the Corporation's Consolidated Statements of Financial Position.

(j) Non-Control/Non-Affiliate Investments are investments that are neither Control Investments nor Affiliate Investments.

(k) Affiliate Investments are defined by the Investment Company Act of 1940, as amended (1940 Act), as those Non-Control investments in companies in which between 5% and 25% of the voting securities are owned by the Corporation.

(l) Control Investments are defined by the 1940 Act as investments in companies in which more than 25% of the voting securities are owned by the Corporation or where greater than 50% of the board representation is maintained.

(m) Payment in kind (PIK) represents earned interest that is added to the cost basis of the investment.

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2018 (Continued)

Investments in and Advances to Affiliates

Company Control	Type of Investment	December 31, 2017 Fair Value	Gross Additions (1)	Gross Reductions (2)	December 31, 2018 Fair Value	Net Realized (Losses)	Amount of Interest/ Dividend/Fee Income (3)
Investments:							
Advantage 24/7 LLC	45% Membership Interest.	\$ 99,500	\$	\$	\$ 99,500	\$	\$ 60,000
	Total Control Investments	\$ 99,500	\$	\$	\$ 99,500	\$	\$ 60,000
Affiliate Investments:							
BeetNPath, LLC	1,119,024 Series A-2 Preferred Membership Units.	\$ 359,000	\$	\$ (359,000)	\$	\$	\$
	1,032,918 Series B Preferred Membership Units.	291,000		(29,723)	261,277		
	\$262,626.64 Convertible Secured Note at 8%		262,627		262,627		5,413
	Total BeetNPath	650,000	262,627	(388,723)	523,904		5,413
Carolina Skiff LLC	6.0825% Class A Common Membership interest.	1,750,000			1,750,000		251,913
ClearView Social, Inc.	312,500 Series Seed Plus Preferred.	200,000			200,000		

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First Wave Technologies, Inc.	\$500,000 senior term notes at 10%.	250,000		(250,000)		(316,469)
	\$280,000 junior term notes at 10%.					
	Warrant for 41,619 capital securities.					(22,000)
	670,443.2 Class A Common.		33,000		33,000	
	Total First Wave	250,000	33,000	(250,000)	33,000	(338,469)
Genicon, Inc.	1,586,902 Series B Preferred.	1,000,000			1,000,000	
	\$3,250,000 Promissory Notes at 8%.	2,903,779	481,807		3,385,586	348,512
	Warrant for 250,000 Common.	120,000		(82,500)	37,500	
	Total Genicon	4,023,779	481,807	(82,500)	4,423,086	348,512
GiveGab, Inc.	5,084,329 Series Seed Preferred.	424,314	191,907	(616,221)		
G-TEC Natural Gas Systems	16.639% Class A Membership Interest. 8% cumulative dividend.	100,000		(100,000)		(1,125,673)
Intrinsic Materials, Inc.	4,161,747 Series A Preferred.	400,000		(400,000)		
Knoa Software, Inc.	973,533 Series A-1 Convertible Preferred.	750,000			750,000	
	1,876,922 Series B Preferred.	479,155			479,155	
	\$48,466 Convertible Promissory Note at 8%.	48,466		(48,466)		773
	Total Knoa	1,277,621		(48,466)	1,229,155	773
KnowledgeVision Systems, Inc.	200,000 Series A-1 Preferred.					
	214,285 Series A-2 Preferred.	300,000		(300,000)		
	129,033 Series A-3 Preferred.	165,001			165,001	
	\$75,000 Subordinated Promissory Notes at	50,000	25,000		75,000	5,408

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	8%					
	\$750,000 term note at 11%		750,000		750,000	60,241
	Warrant for 46,743 Series A-3.	35,000			35,000	
	Total KnowledgeVision	550,001	775,000	(300,000)	1,025,001	65,649
Mezmeriz, Inc.	1,554,565 Series Seed Preferred.	351,477			351,477	
Microcision LLC	\$1,500,000 Subordinated Promissory Note at 12% (1% PIK) due December 31, 2024.	1,914,140	19,213		1,933,353	230,559
	15% Class A Common Membership Interest.		610,000		610,000	
	Total Microcision	1,914,140	629,213		2,543,353	230,559
New Monarch Machine Tool, Inc.	22.84 Common.	22,841			22,841	29,409

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RAND CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2018 (Continued)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2017 Fair Value	Gross Additions (1)	Gross Reductions (2)	December 31, 2018 Fair Value	Net Realized (Losses)	Amount of Interest/ Dividend/Fee Income (3)
OnCore Golf Technology, Inc.	150,000 Series AA Preferred. \$300,000 Subordinated Convertible Promissory notes at 6%.	300,000	300,000		300,000		
				(300,000)			27,370
	Total OnCore	300,000	300,000	(300,000)	300,000		27,370
SciAps, Inc.	187,500 Series A Convertible Preferred.	700,000			700,000		
	274,299 Series A-1 Convertible Preferred.	250,000			250,000		
	117,371 Series B Convertible Preferred.	250,000			250,000		
	113,636 Series C Preferred.	175,000			175,000		
	369,698 Series C-1 Preferred.	399,274			399,274		
	147,059 Series D Convertible Preferred.		250,000		250,000		

Total SciAps	1,774,274	250,000		2,024,274
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SOMS Technologies, LLC	5,959,490 Series B membership Interests.						
Teleservices Solutions Holdings, LLC	250,000 Class B Preferred Units.	528,348		(528,348)			
	1,000,000 Class C Preferred Units.						
	80,000 Class D Preferred Units.						
	104,198 Class E Preferred Units.						
	Total Teleservices						
Tilson Technology Management, Inc.	120,000 Series B Preferred.	600,000		600,000	20,000		
	21,391 Series C Convertible Preferred.	200,000		200,000			
	70,176 Series D Preferred.	750,000	50,000	800,000	19,003		
	\$200,000 Subordinated Promissory Note at 8%.	200,000		200,000	16,000		
	\$800,000 Subordinated Promissory Note at 8%.	750,000	50,000	800,000	60,822		
	Total Tilson	2,500,000	100,000	2,600,000	115,825		
	Total Affiliate Investments	\$ 17,016,795	\$ 3,023,554	(\$ 3,014,258)	\$ 17,026,091	(\$ 1,464,142)	\$ 1,075,423
	Total Control and Affiliate Investments	\$ 17,116,295	\$ 3,023,554	(\$ 3,014,258)	\$ 17,125,591	(\$ 1,464,142)	\$ 1,135,423

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

(1) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow on investments, capitalized interest and the accretion of discounts. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation, and the movement of an existing portfolio company into this category and out of another category.

(2) Gross reductions include decreases in the cost basis of investments resulting from principal repayments, sales, note conversions, net increases in unrealized depreciation, net decreases in unrealized appreciation, the exchange of existing securities for new securities and the movement of an existing portfolio company out of this category and into

another category.

(3) Represents the total amount of interest, fees or dividends credited to income for the portion of the period an investment was included in Control or Affiliate categories, respectively.

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CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS**December 31, 2018 (Continued)**

Industry Classification	Percentage of Total Investments (at fair value) as of December 31, 2018
Software	33.8%
Healthcare	32.4
Manufacturing	19.2
Professional Services	7.5
Consumer Product	2.4
Contact Center	2.0
Oil and Gas	1.4
Electronics	1.0
Marketing	0.3
Total Investments	100%

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Rand Capital Corporation and Subsidiary

Notes to the Consolidated Financial Statements

(Unaudited)

Note 1. ORGANIZATION

Rand Capital Corporation (Rand , we , us and our) was incorporated under the laws of New York in February 1969, completed our initial public offering in 1971 as an internally managed, closed-end, diversified, management investment company. We have elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets and provide managerial assistance to the portfolio companies in which we invest. See Item 1. Business Regulation, Regulation as a Business Development Company in our Annual Report on Form 10-K for the year ended December 31, 2018.

Throughout our history, our principal business has been to make venture capital investments in early or expansion stage companies, often in upstate New York and regions in close proximity. In accordance with our strategic growth plan, we look for companies with strong leadership that are bringing to market new or unique products, technologies or services and have a high potential for growth. We invest in a mixture of debt and equity instruments. The debt securities typically have an equity component in the form of warrants or options to acquire stock or the right to convert the debt securities into equity securities.

We established our first small business investment company (SBIC) in 2002, Rand Capital SBIC, Inc. (Rand SBIC), whereby we utilized funds borrowed from the Small Business Administration (SBA) combined with our capital to invest in our portfolio companies. We historically made the majority of our venture capital investments through Rand SBIC. Rand SBIC 's predecessor was organized as a Delaware limited partnership and was converted into a New York corporation on December 31, 2008, at which time our operations as a licensed SBIC were continued. Although Rand SBIC was operated as if it were a BDC, it was registered as an investment company under the 1940 Act. In 2012, the SEC granted an Order of Exemption for Rand with respect to the operations of Rand SBIC, and then Rand SBIC filed an election to be regulated as a BDC under the 1940 Act. Rand SBIC 's board of directors is comprised of the directors of Rand, a majority of whom are not interested persons of Rand or Rand SBIC.

During 2017 we established a second SBIC subsidiary, Rand Capital SBIC II, L.P. (Rand SBIC II), and began making investments through this SBIC subsidiary. During 2018, together with the SBA, we determined that the optimal structure was to revert back to investing in small businesses through our original SBIC, Rand SBIC, and the assets of Rand SBIC II were transferred to Rand SBIC.

We operate as an internally managed investment company whereby our officers and employees conduct the business of the Corporation under the general supervision of our Board of Directors. We have not elected to qualify to be taxed as a regulated investment company as defined under Subchapter M of the Internal Revenue Code. See Recent Developments.

In this Quarterly Report on Form 10-Q, unless the context otherwise requires, we , the Corporation , us , and our refer to Rand Capital Corporation and Rand SBIC.

Our corporate office is located in Buffalo, NY and our website address is www.randcapital.com. We make available free of charge on our website our annual and periodic reports, proxy statements and other information as soon as

reasonably practicable after such material is filed with the Securities and Exchange Commission (SEC). Our shares are traded on the Nasdaq Capital Market under the ticker symbol RAND .

Table of Contents**Recent Developments**

As previously announced, on January 24, 2019, Rand entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") by and among Rand, East Asset Management, LLC ("East"), and, solely for purposes of being bound by Sections 7.10 and 10.9(a) and (b) thereof, Rand Capital Management LLC ("RCM"). Pursuant to the terms of the Stock Purchase Agreement, at the closing of the transaction (the "Closing"), East will purchase 8,333,333.33 shares (the "Shares") of Rand's common stock, par value \$0.10 per share, at a purchase price of \$3.00 per Share for an aggregate purchase price of \$25,000,000 (the "Stock Purchase"), which consideration is to be paid to Rand partially in cash and partially through the contribution of existing loans and other securities (the "Contributed Assets"). As a condition to Closing, Rand will enter into a Shareholder Agreement with East (the "Shareholder Agreement"), which provides East with the right to designate two or three persons, depending upon the size of Rand's board of directors (the "Board"), for nomination for election to Rand's board of directors.

The Stock Purchase Agreement also contemplates that, at the Closing, Rand will enter into an investment advisory and management agreement (the "Advisory Agreement") with RCM pursuant to which RCM will serve as Rand's external investment adviser. Pursuant to the terms of the Advisory Agreement, Rand will pay RCM a base management fee and an incentive fee. At the Closing, Rand will also enter into an administration agreement (the "Administration Agreement") with RCM pursuant to which RCM will serve as Rand's administrator.

The transactions contemplated by the Stock Purchase Agreement including the entry into the Advisory Agreement with RCM (which we refer to as the "Transactions") are subject to shareholder approval. Rand has agreed to hold a special meeting of shareholders for purposes of obtaining these approvals, which will be held on May 16, 2019.

Additional information regarding the Stock Purchase Agreement and the Transactions is available in Rand's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 18, 2019.

In the event the Transactions are completed, Rand intends to accelerate its shift to an investment strategy focused on higher yielding debt investments, to elect tax treatment as a regulated investment company ("RIC"), and in connection with such RIC election intends to pay a special dividend to shareholders, and intends to adopt a new dividend policy that may include regular cash dividends to shareholders.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation It is our opinion that the accompanying consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair presentation in accordance with United States generally accepted accounting principles ("GAAP") of the consolidated financial position, results of operations, cash flows and statement of changes in net assets for the interim periods presented. Certain information and note disclosures normally included in audited annual consolidated financial statements prepared in accordance with GAAP have been omitted; however, we believe that the disclosures made are adequate to make the information presented herein not misleading. Our interim results for the three months ended March 31, 2019 are not necessarily indicative of the results to be expected for the full year.

These statements should be read in conjunction with the consolidated financial statements and the notes included in our Annual Report on Form 10-K for the year ended December 31, 2018. Information contained in this filing should also be reviewed in conjunction with our related filings with the SEC prior to the date of this report. Those filings include, but are not limited to, the following:

N-54A Election to Adopt Business Development Company status

Principles of Consolidation The consolidated financial statements include the accounts of Rand and its wholly-owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

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Fair Value of Financial Instruments The carrying amounts reported in the consolidated statement of financial position of cash, interest receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short-term nature of these financial instruments.

Fair Value of SBA Debentures In March 2019, the SBIC Funding Corporation completed a pooling of SBA debentures that have a coupon rate of 3.113%, excluding a mandatory SBA annual charge estimated to be 0.094%, resulting in a total estimated fixed rate for ten years of 3.207%. The carrying value of Rand's SBA debentures is a reasonable estimate of fair value because their stated interest rates approximate current interest rates that are available for debt with similar terms.

Investment Classification In accordance with the provisions of the 1940 Act, the Corporation classifies its investments by level of control. Under the 1940 Act, **Control Investments** are investments in companies that the Corporation is deemed to **Control** because it owns more than 25% of the voting securities of the company or has greater than 50% representation on the company's board. **Affiliate Investments** are companies in which the Corporation owns between 5% and 25% of the voting securities. **Non-Control/Non-Affiliate Investments** are those companies that are neither **Control Investments** nor **Affiliate Investments**.

Investments Investments are valued at fair value as determined in good faith by the management of the Corporation and approved by the Board of Directors. The Corporation invests in loan instruments, debt instruments, and equity instruments. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistent valuation process. The Corporation analyzes and values each investment quarterly, and records unrealized depreciation for an investment that it believes has become impaired, including where collection of a loan or debt security or realization of the recorded value of an equity security is doubtful. Conversely, the Corporation will record unrealized appreciation if it believes that an underlying portfolio company has appreciated in value and, therefore, its equity securities have also appreciated in value. These estimated fair values may differ from the values that would have been used had a ready market for the investments existed and these differences could be material if the Corporation's assumptions and judgments differ from results of actual liquidation events.

Qualifying Assets All of the Corporation's investments were made in privately held small business enterprises, that were not investment companies, were principally based in the United States, and represent qualifying assets as defined by Section 55(a) of the 1940 Act.

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

Revenue Recognition Interest Income Interest income is recognized on the accrual basis except where the investment is in default or otherwise presumed to be in doubt. In such cases, interest is recognized at the time of receipt. A reserve for possible losses on interest receivable is maintained when appropriate.

Rand SBIC's interest accrual is also regulated by the SBA's Accounting Standards and Financial Reporting Requirements for Small Business Investment Companies. Under these rules, interest income cannot be recognized if collection is doubtful, and a 100% reserve must be established. The collection of interest is presumed to be in doubt when there is substantial doubt about a portfolio company's ability to continue as a going concern or a loan is in default for more than 120 days. Management also uses other qualitative and quantitative measures to determine the value of a portfolio investment and the collectability of any accrued interest.

The following investments are on non-accrual status: G-TEC Natural Gas Systems (G-Tec) and a portion of the Mercantile Adjustment Bureau, LLC (Mercantile) outstanding loan balance.

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The Corporation holds debt securities in its investment portfolio that contain payment-in-kind (PIK) interest provisions. PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment.

Revenue Recognition Dividend Income The Corporation may receive cash distributions from portfolio companies that are limited liability companies or corporations and these distributions are classified as dividend income on the consolidated statement of operations. Dividend income is recognized on an accrual basis when it can be reasonably estimated.

The Corporation may hold preferred equity securities that contain cumulative dividend provisions. Cumulative dividends are recorded as dividend income, if declared and deemed collectible, and any dividends in arrears are recognized into income and added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed.

Revenue Recognition Fee Income Consists of the revenue associated with the amortization of financing fees charged to the portfolio companies upon successful closing of SBIC financings and income associated with portfolio company board attendance fees. The income associated with the amortization of financing fees was \$35,969 and \$5,186 for the three months ended March 31, 2019 and 2018, respectively. In addition, the Corporation recognized a one-time fee of \$225,000 in conjunction with the repayment of the eHealth loan instrument. The board fees were \$0 and \$1,000 for the three months ended March 31, 2019 and 2018, respectively.

Realized Gain or Loss and Unrealized Appreciation or Depreciation of Investments Amounts reported as realized gains and losses are measured by the difference between the proceeds from the sale or exchange and the cost basis of the investment without regard to unrealized gains or losses recorded in prior periods. The cost of securities that have, in management's judgment, become worthless are written off and reported as realized losses when appropriate. Unrealized appreciation or depreciation reflects the difference between the fair value of the investments and the cost basis of the investments.

Original Issue Discount Investments may include original issue discount or OID income. This occurs when the Corporation purchases a warrant and a note from a portfolio company simultaneously, which requires an allocation of a portion of the purchase price to the warrant and reduces the note or debt instrument by an equal amount in the form of a note discount or OID. The note is reported net of the OID and the OID is accreted into interest income over the life of the loan. The Corporation recognized \$10,191 and \$9,080 in OID income for the three months ended March 31, 2019 and 2018, respectively. OID income is estimated to be approximately \$31,000 for the remainder of 2019.

Deferred Debenture Costs SBA debenture origination and commitment costs, which are netted against the debenture obligation (See Note 6 SBA Debentures), will be amortized ratably over the terms of the SBA debentures. Amortization expense was \$8,777 and \$6,850 for the three months ended March 31, 2019 and 2018, respectively. Amortization expense on currently outstanding debentures for the next five years is estimated to average approximately \$32,000 per year.

SBA Debentures The Corporation had \$11,000,000 and \$8,750,000 in outstanding SBA debentures at March 31, 2019 and December 31, 2018 with a weighted average interest rate, including the SBA annual fee, of 3.45% at March 31, 2019. The debentures are presented net of deferred debenture costs (See Note 6 SBA Debentures). The \$11,000,000 in outstanding SBA leverage matures from 2022 through 2029.

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

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Net Assets per Share Net assets per share are based on the number of shares of common stock outstanding. The Corporation does not have any common stock equivalents outstanding.

Supplemental Cash Flow Information Income taxes refunded during the three months ended March 31, 2019 and 2018 were \$255,308 and \$17,051, respectively. Interest paid during each of the three months ended March 31, 2019 and 2018 was \$153,513 and \$140,275. The Corporation converted \$101,398 and \$8,701 of interest receivable into investments during the three months ended March 31, 2019 and 2018, respectively.

Accounting Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stockholders' Equity (Net Assets) At March 31, 2019 and December 31, 2018, there were 500,000 shares of \$10.00 par value preferred stock authorized and unissued.

On October 25, 2018, the Board of Directors extended the repurchase authorization for up to 1,000,000 shares of the Corporation's outstanding common stock on the open market through October 25, 2019 at prices no greater than the then current net asset value. No shares were repurchased during the three months ended March 31, 2019. At March 31, 2019, the total treasury shares held was 541,046 shares with a total cost of \$1,469,105.

Profit Sharing and Stock Option Plan In 2001, the shareholders of the Corporation authorized the establishment of an Employee Stock Option Plan (the "Option Plan"), that provides for the award of stock options to purchase up to 200,000 common shares to eligible employees. In 2002, the Corporation placed the Option Plan on inactive status as it developed a new profit sharing plan for the Corporation's employees in connection with the formation of its SBIC subsidiary. As of March 31, 2019, no stock options had been awarded under the Option Plan. Because Section 57(n) of the 1940 Act prohibits maintenance of a profit sharing plan for the officers and employees of a BDC where any option, warrant or right is outstanding under an executive compensation plan, no stock options will be granted under the Option Plan while any profit sharing plan is in effect with respect to the Corporation.

In 2002, the Corporation established a Profit Sharing Plan (the "Plan") for its executive officers in accordance with Section 57(n) of the 1940 Act. Under the Plan, the Corporation will pay its executive officers aggregate profit sharing payments equal to 12% of the net realized capital gains of its SBIC subsidiary, net of all realized capital losses and unrealized depreciation of the SBIC subsidiary, for the fiscal year, computed in accordance with the Plan and the Corporation's interpretation of the Plan. Any profit sharing paid or accrued cannot exceed 20% of the Corporation's net income, as defined in the Plan. For purposes of the 20% profit sharing test, the Corporation interprets net income to be the total of the Corporation's net investment gain (loss) and its net realized gain (loss) on investments, prior to inclusion of the estimated profit sharing obligation. The profit sharing payments are split equally between the Corporation's two executive officers, each of whom is fully vested in the Plan.

The Corporation did not record any expense pursuant to the Plan for the three months ended March 31, 2019 and 2018, respectively.

Income Taxes The Corporation reviews the tax positions it has taken to determine if they meet a "more likely than not" threshold for the benefit of the tax position to be recognized in the consolidated financial statements. A tax position that fails to meet the more likely than not recognition threshold will result in either a reduction of a current or deferred tax asset or receivable, or the recording of a current or deferred tax liability. There were no uncertain tax positions recorded at March 31, 2019.

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It is the Corporation's policy to include interest and penalties related to income tax liabilities in income tax expense. There were no amounts recognized for interest or penalties for the three months ended March 31, 2019 or 2018.

Concentration of Credit and Market Risk The Corporation's financial instruments potentially subject it to concentrations of credit risk. Cash is invested with banks in amounts which, at times, exceed insurable limits. Management does not anticipate non-performance by such banks.

The following are the concentrations of the top five portfolio company values to the fair value of the Corporation's total investment portfolio:

	As of March 31, 2019
Tilson Technology Management, Inc. (Tilson)	15%
Genicon, Inc. (Genicon)	14%
ACV Auctions, Inc. (ACV)	9%
Microcision, LLC. (Microcision)	8%
Rheonix, Inc. (Rheonix)	7%

	As of December 31, 2018
Genicon, Inc. (Genicon)	13%
eHealth Global Technologies, Inc. (eHealth)	10%
ACV Auctions, Inc. (ACV)	8%
Tilson Technology Management, Inc. (Tilson)	7%
Microcision, LLC. (Microcision)	7%

Note 3. INVESTMENTS

The Corporation's investments are carried at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements.

Loan investments are defined as traditional loan financings with no equity features. Debt investments are defined as debt financings that include one or more equity features such as conversion rights, stock purchase warrants, and/or stock purchase options. A financing may also be categorized as a debt financing if it is accompanied by the direct purchase of an equity interest in the company.

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

Loan and debt securities are valued at cost when it is representative of the fair value of the investment or sufficient assets or liquidation proceeds are expected to exist from a sale of a portfolio company at its estimated fair value. However, they may be valued at an amount other than cost given the carrying interest rate versus the related inherent portfolio risk of the investment. A loan or debt instrument may be reduced in value if it is

judged to be of poor quality, collection is in doubt or insufficient liquidation proceeds exist.

Equity securities may be valued using the asset approach, market approach or income approach. The asset approach involves estimating the liquidation value of the portfolio company's assets. To the extent the value exceeds the remaining principal amount of the debt or

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loan securities of the portfolio company, the fair value of such securities is generally estimated to be their cost. However, where value is less than the remaining principal amount of the loan and debt securities, the Corporation may discount the value of an equity security. The market approach uses observable prices and other relevant information generated by similar market transactions. It may include the use of market multiples derived from a set of comparables to assist in pricing the investment. Additionally, the Corporation adjusts valuations if a subsequent significant equity financing has occurred that includes a meaningful portion of the financing by a sophisticated, unrelated new investor. The income approach employs a cash flow and discounting methodology to value an investment.

ASC 820 classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, used in the Corporation's valuation at the measurement date. Under the valuation policy, the Corporation values unrestricted publicly traded companies, categorized as Level 1 investments, at the average closing bid price for the last three trading days of the reporting period.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable and significant inputs to determining the fair value.

Financial assets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Any changes in estimated fair value are recorded in the statement of operations.

There were no Level 1 or 2 investments as of March 31, 2019.

In the valuation process, the Corporation values restricted securities, categorized as Level 3 investments, using information from these portfolio companies, which may include:

Audited and unaudited statements of operations, balance sheets and operating budgets;

Current and projected financial, operational and technological developments of the portfolio company;

Current and projected ability of the portfolio company to service its debt obligations;

The current capital structure of the business and the seniority of the various classes of equity if a deemed liquidation event were to occur;

Pending debt or capital restructuring of the portfolio company;

Current information regarding any offers to purchase the investment, or recent fundraising transactions;

Current ability of the portfolio company to raise additional financing if needed;

Changes in the economic environment which may have a material impact on the operating results of the portfolio company;

Internal circumstances and events that may have an impact (both positive and negative) on the operating performance of the portfolio company;

Qualitative assessment of key management;

Contractual rights, obligations or restrictions associated with the investment; and

Other factors deemed relevant by the Corporation's management to assess valuation.

The valuation may be reduced if a portfolio company's performance and potential have deteriorated significantly. If the factors that led to a reduction in valuation are overcome, the valuation may be readjusted.

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Equity Securities

Equity securities may include preferred stock, common stock, warrants and limited liability company membership interests.

The significant unobservable inputs used in the fair value measurement of the Corporation's equity investments are earnings before interest, tax and depreciation and amortization (EBITDA) and revenue multiples, where applicable, the financial and operational performance of the business, and the debt and senior equity preferences that may exist in a deemed liquidation event. Standard industry multiples may be used when available; however, the Corporation's portfolio companies are typically small and in early stages of development and these industry standards may be adjusted to more closely match the specific financial and operational performance of the portfolio company. Due to the nature of certain investments, fair value measurements may be based on other criteria, which may include third party appraisals. Significant changes in any of these unobservable inputs may result in a significantly higher or lower fair value estimate.

Another key factor used in valuing equity investments is a significant recent arms-length equity transaction entered into by the portfolio company with a sophisticated, non-strategic, unrelated, new investor. The terms of these equity transactions may not be identical to the equity transactions between the portfolio company and the Corporation, and the impact of the difference in transaction terms on the market value of the portfolio company may be difficult or impossible to quantify.

When appropriate the Black-Scholes pricing model is used to estimate the fair value of warrants for accounting purposes. This model requires the use of highly subjective inputs including expected volatility and expected life, in addition to variables for the valuation of minority equity positions in small private and early stage companies. Significant changes in any of these unobservable inputs may result in a significantly higher or lower fair value estimate.

For recent investments of less than one year old, the Corporation generally relies on the cost basis, which is deemed to represent the fair value, unless other fair value inputs are identified causing the Corporation to depart from this basis.

Loan and Debt Securities

The significant unobservable inputs used in the fair value measurement of the Corporation's loan and debt securities are the financial and operational performance of the portfolio company, similar debt with similar terms with other portfolio companies, as well as the market acceptance for the portfolio company's products or services. These inputs will likely provide an indicator as to the probability of principal recovery of the investment. The Corporation's loan and debt investments are often junior secured or unsecured debt securities. Fair value may also be determined based on other criteria where appropriate. Significant changes to the unobservable inputs may result in a change in fair value. For recent investments, the Corporation generally relies on the cost basis, which is deemed to represent the fair value, unless other fair value inputs are identified causing the Corporation to depart from this basis.

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The following table provides a summary of the significant unobservable inputs used to determine the fair value of the Corporation's Level 3 portfolio investments as of March 31, 2019:

Investment Type	Market Approach	Market Approach	Market Approach	Market Approach	Totals
	EBITDA Multiple	Liquidation Seniority	Revenue Multiple	Transaction Pricing	
Non-Control/Non-Affiliate Equity	\$	\$ 1,750,025	\$ 2,645,496	\$ 5,897,202	\$ 10,292,723
Non-Control/Non-Affiliate Loan and Debt	500,000	1,843,675		1,050,777	3,394,454
Total Non-Control/Non-Affiliate	\$ 500,000	\$ 3,593,700	\$ 2,645,496	\$ 6,947,979	\$ 13,687,175
Affiliate Equity	\$ 2,360,000	\$ 22,841	\$ 4,268,430	\$ 4,644,489	\$ 11,295,760
Affiliate Loan and Debt	1,938,186	130,000	3,465,080	1,975,000	7,508,266
Total Affiliate	\$ 4,298,186	\$ 152,841	\$ 7,733,510	\$ 6,619,489	\$ 18,804,026
Total Level 3 Investments	\$ 4,798,186	\$ 3,746,541	\$ 10,379,006	\$ 13,567,468	\$ 32,491,201

Range	3.9X-7X	1X	1X-4X	Not Applicable
Unobservable Input	EBITDA Multiple	Asset Value	Revenue Multiple	Transaction Price
Weighted Average	5.8X	1X	2.5X	Not Applicable

The following table provides a summary of the components of Level 1, 2 and 3 Assets Measured at Fair Value at March 31, 2019:

Description	Fair Value Measurements at Reported Date Using			
	Quoted Prices in Significant Active Markets for Identical Assets			Other Significant Unobservable Inputs
	Observable Inputs			
	March 31, 2019	(Level 1)	(Level 2)	(Level 3)
Loan investments	\$ 2,170,692	\$	\$	\$ 2,170,692
Debt investments	8,732,026			8,732,026
Equity investments	21,588,483			21,588,483

Total \$ 32,491,201 \$ \$ \$ 32,491,201

The following table provides a summary of the components of Level 1, 2 and 3 Assets Measured at Fair Value at December 31, 2018:

Description	Fair Value Measurements at Reported Date				
	Using			Other Significant	
	Quoted Prices in Significant Active Markets for Identical Assets	Observable Inputs	Unobservable Inputs		
December 31, 2018	(Level 1)	(Level 2)	(Level 3)		
Loan investments	\$ 4,935,777	\$	\$	\$ 4,935,777	
Debt investments	9,397,979			9,397,979	
Equity investments	20,330,048			20,330,048	
Total	\$ 34,666,804	\$	\$	\$ 34,666,804	

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The following table provides a summary of changes in Assets Measured at Fair Value Using Significant Unobservable Inputs (Level 3) for the three months ended March 31, 2019:

Description	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Venture Capital Investments			Total
	Loan Investments	Debt Investments	Equity Investments	
Ending Balance, December 31, 2018, of Level 3 Assets	\$ 4,935,777	\$ 9,397,979	\$ 20,333,048	\$ 34,666,804
<u>Realized gain included in net change in net assets from operations:</u>				
Advantage 24/7 LLC (Advantage 24/7)			(99,500)	(99,500)
<i>Total Realized Gains and Losses</i>			(99,500)	(99,500)
<u>Unrealized Gains and Losses included in net change in net assets from operations:</u>				
BeetNPath, LLC (Beetnpath)		(132,627)	(261,277)	(393,904)
Genicon, Inc. (Genicon)			(37,500)	(37,500)
Mercantile Adjustment Bureau, LLC (Mercantile)		(200,000)		(200,000)
SciAps, Inc. (Sciaps)			(385,000)	(385,000)
SocialFlow, Inc. (Socialflow)			(321,300)	(321,300)
Tilson Technology Management, Inc. (Tilson)			1,860,000	1,860,000
<i>Total Unrealized Gains and Losses</i>		(332,627)	854,923	522,296
<u>Purchases of Securities/Changes to Securities/Non-cash conversions:</u>				
Advantage 24/7	140,000			140,000
Empire Genomics, LLC (Empire Genomics)		24,664		24,664
Genicon		79,493		79,493
GoNoodle, Inc. (GoNoodle)		2,599		2,599
KnowledgeVision Systems, Inc. (Knowledge Vision)	150,000			150,000
Microcision LLC (Microcision)		4,833		4,833
Tilson			500,012	500,012
<i>Total Purchases of Securities/Changes to Securities/Non-cash conversions</i>	290,000	111,589	500,012	901,601
<u>Repayments and Sale of Securities:</u>				

eHealth Global Technologies, Inc. (eHealth)	(3,500,000)			(3,500,000)
Total Repayments and Sale of Securities	(3,500,000)			(3,500,000)
Transfers within Level 3	444,915	(444,915)		
Ending Balance, March 31, 2019, of Level 3 Assets	\$ 2,170,692	\$ 8,732,026	\$ 21,588,483	\$ 32,491,201
Change in unrealized depreciation on investments for the period included in changes in net assets				\$ 522,296
Net realized gain on investments for the period included in changes in net assets				\$ 40,500

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The following table provides a summary of changes in Assets Measured at Fair Value Using Significant Unobservable Inputs (Level 3) for the quarter ended March 31, 2018:

Description	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Venture Capital Investments			Total
	Loan Investments	Debt Investments	Equity Investments	
Ending Balance, December 31, 2017, of Level 3 Assets	\$ 3,550,000	\$ 10,096,244	\$ 18,637,818	\$ 32,284,062
<u>Unrealized Losses included in net change in net assets from operations:</u>				
Empire Genomics, LLC (Empire Genomics)		(201,489)		(201,489)
First Wave Products Group, LLC (First Wave)		(250,000)		(250,000)
<i>Total Unrealized Losses</i>		(451,489)		(451,489)
<u>Purchases of Securities/Changes to Securities/Non-cash conversions:</u>				
Centivo Corporation (Centivo)			201,342	201,342
Genicon, Inc. (Genicon)		9,080		9,080
GoNoodle, Inc. (GoNoodle)		2,573		2,573
Microcision LLC (Microcision)		4,786		4,786
SciAps, Inc. (Sciaps)			250,000	250,000
<i>Total Purchases of Securities/Changes to Securities/Non-cash conversions</i>		16,439	451,342	467,781
<u>Repayments and Sale of Securities:</u>				
Empire Genomics		(21,665)		(21,665)
Knoa Software, Inc. (Knoa)		(48,466)		(48,466)
<i>Total Repayments and Sale of Securities</i>		(70,131)		(70,131)
Transfers within Level 3		(100,000)	100,000	
Ending Balance, March 31, 2018, of Level 3 Assets	\$ 3,550,000	\$ 9,491,063	\$ 19,189,160	\$ 32,230,223

Change in unrealized depreciation on investments for the period included in changes in net assets	(\$ 451,489)
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Net realized gain on investments for the period included in changes in net assets	\$
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NOTE 4. OTHER ASSETS

At March 31, 2019 and December 31, 2018, other assets was comprised of the following:

	March 31, 2019	December 31, 2018
Prepaid expenses	\$ 297,378	\$
Operating receivables	16,889	11,428
Equipment (net)	197	262
Dividend receivable	24,043	
Total other assets	\$ 338,507	\$ 11,690

Note 5. COMMITMENTS AND CONTINGENCIES

The Corporation had no commitments at March 31, 2019.

In addition, the Corporation analyzed the new Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842 standard, Leases, and deemed the effect of the Corporation's financial statements to be immaterial.

Table of Contents**Note 6. SBA DEBENTURES**

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

	March 31, 2019	December 31, 2018
Debentures guaranteed by the SBA	\$ 11,000,000	\$ 8,750,000
Less unamortized issue costs	(241,343)	(195,557)
Debentures guaranteed by the SBA, net	\$ 10,758,657	\$ 8,554,443

Note 7. CHANGES IN STOCKHOLDERS EQUITY

The following schedule analyzes the changes in stockholders equity section of the Consolidated Statement of Financial Position for the periods indicated:

	Common Stock	Capital in excess of par value	Accumulated Net Investment Loss	Undistributed Net Realized Gain on Investments	Net Unrealized Depreciation on Investments	Treasury Stock, at cost	Total Stockholders Equity
January 1, 2019	\$ 686,304	\$ 10,581,789	(\$ 1,665,552)	\$ 26,221,443	(\$ 2,830,692)	(\$ 1,469,105)	\$ 31,524,187
Net investment gain			22,767				22,767
Net realized gain on sales and dispositions of investments				31,131			31,131
Change in unrealized depreciation on investments					401,517		401,517
March 31, 2019	\$ 686,304	\$ 10,581,789	(\$ 1,642,785)	\$ 26,252,574	(\$ 2,429,175)	(\$ 1,469,105)	\$ 31,979,602

	Common Stock	Capital in excess of par value	Accumulated Net Investment Loss	Undistributed Net Realized Gain on Investments	Net Unrealized Depreciation on Investments	Treasury Stock, at cost	Total Stockholders Equity
January 1, 2018	\$ 686,304	\$ 10,581,789	(\$ 1,597,146)	\$ 27,215,738	(\$ 3,498,895)	(\$ 1,469,105)	\$ 31,918,685
Net investment (loss)			(173,329)				(173,329)
Net realized gain on sales and dispositions of investments							
Change in unrealized depreciation on investments					(347,084)		(347,084)
March 31, 2018	\$ 686,304	\$ 10,581,789	(\$ 1,770,475)	\$ 27,215,738	(\$ 3,845,979)	(\$ 1,469,105)	\$ 31,398,272

Table of Contents**Note 8. FINANCIAL HIGHLIGHTS**

The following schedule provides the financial highlights, calculated based on weighted average shares outstanding, for the three months ended March 31, 2019 and 2018:

	Three months ended March 31, 2019 (Unaudited)	Three months ended March 31, 2018 (Unaudited)
Income from investment operations (1):		
Investment income	\$ 0.11	\$ 0.05
Operating expenses	0.11	0.09
Investment loss before income taxes	0.00	(0.04)
Income tax benefit	0.00	(0.01)
Net investment gain (loss)	0.00	(0.03)
Net realized and unrealized gain (loss) on investments	0.07	(0.05)
Increase (decrease) in net asset value	0.07	(0.08)
Net asset value, beginning of period	4.99	5.05
Net asset value, end of period	\$ 5.06	\$ 4.97
Per share market price, end of period	\$ 2.84	\$ 2.69
Total return based on market value	13.60%	(10.93%)
Total return based on net asset value	1.44%	(1.63%)
Supplemental data:		
Ratio of operating expenses before income taxes to average net assets	2.17%	1.86%
Ratio of operating expenses including income taxes to average net assets	2.60%	1.36%
Ratio of net investment loss to average net assets	0.07%	(0.55%)
Portfolio turnover	2.4%	1.4%
Net assets, end of period	\$ 31,979,602	\$ 31,398,272
Weighted shares outstanding, end of period	6,321,988	6,321,988

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

The Corporation's interim period results could fluctuate as a result of a number of factors; therefore results for any interim period should not be relied upon as being indicative of performance for the full year or in future periods.

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and related notes included elsewhere in this report. Historical results and percentage relationships among any amounts in the consolidated financial statements are not necessarily indicative of trends in operating results for any future periods.

FORWARD LOOKING STATEMENTS

Statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report that do not relate to present or historical conditions are forward-looking statements within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and in Section 21E of the Securities Exchange Act of 1934, as amended. Additional oral or written forward-looking statements may be made by us from time to time, and forward-looking statements may be included in documents that are filed with the Securities and Exchange Commission. Forward-looking statements involve risks and uncertainties that could cause our results or outcomes to differ materially from those expressed in the forward-looking statements. Forward-looking statements may include, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions and are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as believes, forecasts, intends, possible, expects, estimates, anticipates, or plans and similar are intended to identify forward-looking statements. Among the important factors on which such statements are based are assumptions concerning the state of the United States economy and the local markets in which our portfolio companies operate, the state of the securities markets in which the securities of our portfolio companies could be traded, liquidity within the United States financial markets, and inflation. Forward-looking statements are also subject to the risks and uncertainties described under the caption Risk Factors contained in Part II, Item 1A of this report and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

There may be other factors not identified that affect the accuracy of our forward-looking statements. Further, any forward-looking statement speaks only as of the date when it is made and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time that may cause our business not to develop as we expect, and we cannot predict all of them.

Overview

Currently, we are an internally managed investment company that lends to and invests in small companies often concurrently with other investors. We have elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). As a BDC, we are required to comply with certain regulatory requirements. We have historically made the majority of our investments through our wholly-owned subsidiary, Rand Capital SBIC, Inc. (Rand SBIC), which operates as a small business investment company (SBIC) and has been licensed by the U.S. Small Business Administration (SBA) since 2002. Rand SBIC was approved for an additional \$6.0 million in new SBA leverage commitments during 2018 and has drawn down \$3.0 million of that leverage as of March 31, 2019.

In January 2019, we entered into a stock purchase agreement to sell approximately 8.3 million shares of our common stock to East Asset Management, LLC (East) for \$25 million in cash and portfolio assets. The portfolio assets will be income-producing instruments that were originated in the last 48 months. Additionally, a new entity, Rand Capital Management LLC (RCM), will be established, assuming receipt of necessary shareholder approval and the closing of the transactions, and will be retained by Rand to be its investment advisor as an external management company. RCM

will have the same management team that is currently at Rand. The sale and issuance of common stock pursuant to the stock purchase agreement as well as the externalization of the management structure are subject to shareholder and other regulatory approvals.

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Following the closing of the above-described transactions (the Transactions) and contingent upon meeting certain tax-related conditions, we intend to elect to become a regulated investment company (RIC) for U.S. federal tax purposes. This will enable the pass through of capital gains and investment income to shareholders without payment of corporate-level U.S. federal income tax by Rand.

Outlook

At the end of the first quarter of 2019, we had \$8.7 million in cash available for future investments and expenses, an increase of \$4.7 million as compared to the end of 2018. The increase was primarily due to proceeds from a \$3.5 million loan payoff by a portfolio company and \$2.25 million of additional SBA leverage drawn down during the first quarter of 2019.

We believe the combination of cash on hand, proceeds from portfolio exits, SBA leverage, and prospective investment income provide sufficient capital for us to continue to add new investments to our portfolio while reinvesting in existing portfolio companies that demonstrate continued growth potential. Additionally, upon the anticipated closing of the Transactions described above, we will have additional investments in our portfolio and additional cash to invest. The following short and long-term trends provide us confidence in our ability to grow Rand:

We expect that well run businesses will require capital to grow and should be able to compete effectively given the strong macroeconomic environment and eager reception of new technologies and service concepts.

We continue to manage risk by investing with other investors, when possible.

We are involved with the governance and management of a majority of our portfolio companies, which enables us to support their operating and marketing efforts and facilitate their growth.

As our portfolio expands, we are able to better leverage our infrastructure.

We have sufficient cash to invest in new opportunities and to repurchase shares. At period end, we had authorization to repurchase an additional 458,954 shares of our Common Stock. However, our prioritized use of cash continues to be growing our portfolio.

We believe the anticipated receipt of cash and portfolio assets from East, as well as the establishment of RCM as an external management company, will broaden our potential pipeline of investment opportunities in order to build our portfolio and grow further. Strategically, we expect to advance our efforts to increase our income-producing investments that can support a regular cash dividend for shareholders and complement our equity investments that drive capital appreciation.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles (GAAP), which require the use of estimates and assumptions that affect the reported amounts of assets and

liabilities. A summary of our critical accounting policies can be found in our Annual Report on Form 10-K for the year ended December 31, 2018 under Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.

Table of Contents**Financial Condition**

Overview:	March 31, 2019	December 31, 2018	Increase	% Increase
Total assets	\$ 42,933,208	\$ 40,521,724	\$ 2,411,484	6.0%
Total liabilities	10,953,606	8,997,537	1,956,069	21.7%
Net assets	\$ 31,979,602	\$ 31,524,187	\$ 455,415	1.4%

Net asset value per share (NAV) was \$5.06 at March 31, 2019 and \$4.99 at December 31, 2018.

Our gross outstanding SBA debentures at March 31, 2019 were \$11,000,000 and will mature from 2022 through 2029. Cash and cash equivalents approximated 27% of net assets at March 31, 2019, as compared to 13% at December 31, 2018.

Composition of Our Investment Portfolio

Our financial condition is dependent on the success of our portfolio holdings. We have invested substantially all of our assets in small to medium-sized companies. The following summarizes our investment portfolio at the dates indicated.

	March 31, 2019	December 31, 2018	Decrease	% Decrease
Investments, at cost	\$ 35,594,244	\$ 38,292,143	(\$ 2,697,899)	(7.0%)
Unrealized depreciation, net	(3,103,043)	(3,625,339)	522,296	(14.4%)
Investments at fair value	\$ 32,491,201	\$ 34,666,804	(\$ 2,175,603)	(6.3%)

Our total investments at fair value, as estimated by management and approved by our Board of Directors, approximated 102% of net assets at March 31, 2019 versus 110% of net assets at December 31, 2018.

The change in investments during the three months ended March 31, 2019, at cost, is comprised of the following:

	Cost Increase (Decrease)
New investments:	
Tilson Technology Management, Inc. (Tilson)	\$ 500,012
KnowledgeVision Systems, Inc. (Knowledgevision)	150,000
Advantage 24/7 LLC (Advantage 24/7)	140,000
Total of new investments	790,012
Other changes to investments:	
	79,493

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Genicon Inc. (Genicon) interest conversion and OID amortization	
Empire Genomics, LLC (Empire Genomics) capitalized fee income and interest conversion	24,664
Microcision LLC (Microcision) interest conversion	4,833
GoNoodle, Inc. (GoNoodle) interest conversion	2,599
 Total of other changes to investments	 111,589
Investments repaid, sold, liquidated or converted:	
eHealth Global Technologies, Inc. (eHealth) loan repayment	(3,500,000)
Advantage 24/7	(99,500)
 Total of investments repaid, sold or liquidated	 (3,599,500)
 Net change in investments, at cost	 (\$ 2,697,899)

Table of Contents**Results of Operations**

Our principal investment objective is to achieve long-term capital appreciation on our equity investments while maintaining a current cash flow from our debt instruments and pass-through equity instruments to fund expenses. Therefore, we invest in a variety of financial instruments to provide a current return on a portion of the investment portfolio.

Comparison of the three months ended March 31, 2019 to the three months ended March 31, 2018**Investment Income**

	Three months ended March 31, 2019	Three months ended March 31, 2018	Increase (Decrease)	% Increase (Decrease)
Interest from portfolio companies	\$ 405,965	\$ 297,348	\$ 108,617	36.5%
Interest from other investments	17,811	5,110	12,701	248.6%
Dividend and other investment income	34,625	54,165	(19,540)	(36.1%)
Fee income	260,969	6,186	254,783	4,118.7%
Total investment income	\$ 719,370	\$ 362,809	\$ 356,561	98.3%

The total investment income that is received on a current basis for the three months ended March 31, 2019 is received from ten portfolio companies. This contrasts with the eleven portfolio companies generating current income for the three months ended March 31, 2018.

Interest from portfolio companies Interest from portfolio companies was approximately 37% higher during the three months ended March 31, 2019 versus the same period in 2018 due to the fact that we have originated more income-producing debt investments in the last year. The new debt instruments were originated from BeetNPath LLC, KnowledgeVision Systems, Inc., Tech 2000, Inc. and several other portfolio companies.

The following investments are on non-accrual status: G-TEC Natural Gas Systems (G-Tec) and a portion of the Mercantile Adjustment Bureau, LLC (Mercantile) outstanding loan balances.

Interest from other investments The increase in interest from other investments is primarily due to higher interest rates during the three months ended March 31, 2019 versus the same period in 2018.

Dividend and other investment income Dividend income is comprised of cash distributions from limited liability companies (LLCs) and corporations in which we have invested. Our investment agreements with certain LLCs require those LLCs to distribute funds to us for payment of income taxes on our allocable share of the LLC's profits. These portfolio companies may also elect to make additional discretionary distributions. Dividend income will fluctuate based upon the profitability of these LLCs and corporations and the timing of the distributions or the impact of new investments or divestitures. The dividend distributions for the respective periods were:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Carolina Skiff LLC (Carolina Skiff)	\$ 24,043	\$ 41,095
Tilson Technology Management, Inc. (Tilson)	10,582	9,688
Empire Genomics LLC (Empire Genomics)		3,382
Total dividend and other investment income	\$ 34,625	\$ 54,165

Fee income Fee income generally consists of the revenue associated with the amortization of financing fees charged to the portfolio companies upon successful closing of SBIC financings, income from portfolio company board attendance fees and other miscellaneous fees. The financing fees are amortized ratably over the life of the instrument associated with the fees. The unamortized fees are carried on the balance sheet under the line item Deferred revenue.

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The income associated with the amortization of financing fees was \$35,969 and \$5,186 for the three months ended March 31, 2019 and 2018, respectively. In addition, the Corporation recognized a one-time fee of \$225,000 in conjunction with the repayment of the eHealth loan instrument. The board fees were \$0 and \$1,000 for the three months ended March 31, 2019 and 2018, respectively.

Expenses

	Three months ended March 31, 2019	Three months ended March 31, 2018	Increase	% Increase
Total expenses	\$ 689,735	\$ 588,564	\$ 101,171	17.2%

Expenses predominately consist of interest expense on outstanding SBA borrowings, compensation expense, and general and administrative expenses, including stockholder and office operating expenses and professional fees.

The increase in expenses during the three months ended March 31, 2019 versus the same period in 2018 was primarily caused by a 123%, or \$124,968, increase in professional fees. Professional fees are higher during the first quarter of 2019 because we continue to incur expenses in connection with aforementioned stock purchase agreement and the regulatory procedures that are required with such Transactions. These expenses included external legal, tax consulting and other advisory expenses to support the complex regulatory environment in which we operate.

In addition, we deferred \$241,000 in stock issuance costs attributable to the Transactions. These expenses are intended to be offset against the equity capital raise when the Transactions close, or expensed if the Transactions are not completed. The expenses are in the Other Assets line on the Balance Sheet.

Realized Gain on Investments

	Three months ended March 31, 2019	Three months ended March 31, 2018	Change
Realized gain on investments before income taxes	\$ 40,500	\$	\$ 40,500

During the three months ended March 31, 2019, we recognized a gain on our investment in Advantage 24/7 LLC. The company converted their equity into a new debt instrument and resulted in the \$40,500 gain.

Change in Unrealized Depreciation of Investments

	Three months ended March 31, 2019	Three months ended March 31, 2018	Change
Change in unrealized depreciation of investments before income taxes	\$ 522,296	(\$ 451,489)	\$ 973,785

The change in unrealized depreciation, before income taxes, for the three months ended March 31, 2019 was comprised of the following:

	Three months ended March 31, 2019
BeetNPath, LLC (Beetnpath)	(\$ 393,904)
SciAps, Inc. (Sciaps)	(385,000)
SocialFlow, Inc. (Socialflow)	(321,300)
Mercantile Adjustment Bureau, LLC (Mercantile)	(200,000)
Genicon, Inc. (Genicon)	(37,500)
Tilson Technology Management, Inc. (Tilson)	1,860,000
Total change in net unrealized depreciation of investments before income taxes during the three months ended March 31, 2019	\$ 522,296

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The valuations of our investments in Beetnpath, Sciaps, Socialflow and Mercantile were decreased after we reviewed each of the portfolio company's operations, commercial progress against their business plan, and past and projected financial condition and determined that a valuation adjustment was necessary.

Our valuation of Genicon was decreased during the three months ended March 31, 2019 to revalue our holdings based upon the liquidation preferences of our securities and as a result of a recent round of financing.

In accordance with our valuation policy, we increased the value of our holdings in Tilson based on a significant equity financing during the first quarter of 2019 with a sophisticated new non-strategic outside investor at a higher valuation than their prior financing round valuation.

The change in unrealized depreciation, before income taxes, for the three months ended March 31, 2018 was comprised of the following:

	Three months ended March 31, 2018
First Wave Products Group (First Wave)	(\$ 250,000)
Empire Genomics, LLC (Empire Genomics)	(201,489)
Total change in net unrealized depreciation of investments before income taxes during the three months ended March 31, 2018	(\$ 451,489)

Our valuation of First Wave was decreased to reflect a round of financing that was completed by First Wave in the second quarter of 2018.

The valuation of our investment in Empire Genomics was decreased after we reviewed the portfolio company's operations and current and projected financial condition and determined that a valuation adjustment reflecting prior capitalized interest was necessary.

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

Net Increase (Decrease) in Net Assets from Operations

We account for our operations under GAAP for investment companies. The principal measure of our financial performance is net increase (decrease) in net assets from operations on our consolidated statements of operations. For the three months ended March 31, 2019 and 2018, the net increase (decrease) in net assets from operations was \$455,415 and (\$520,413), respectively.

Liquidity and Capital Resources

Historically, our principal objective has been to achieve capital appreciation. Therefore, a significant portion of the investment portfolio is structured to maximize the potential for capital appreciation and may provide little or no current yield in the form of dividends or interest payments. As discussed above, on closing of the Transactions contemplated by the stock purchase agreement with East, we expect to receive interest bearing investments and

subsequently to position the portfolio to earn a current yield.

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As of March 31, 2019, our total liquidity consisted of approximately \$8.7 million in cash and cash equivalents on hand and the availability of \$3.0 million SBA leverage commitment.

Net cash used by operating activities has averaged approximately \$820,000 over the last three years. The average cash used for investment in portfolio companies over the last three years was approximately \$4,600,000. Our cash flow from operations may fluctuate based on the timing of the receipt of dividend income and realized gains and the associated income taxes paid. We will generally use cash to fund our operating expenses and also to invest in companies, as we seek to build our portfolio utilizing our available cash and proceeds from liquidations of portfolio investments. We anticipate that we will continue to exit investments. However, the timing of liquidation events within the portfolio is difficult to project with any certainty. As of March 31, 2019, we had the availability to borrow an additional \$3.0 million from the SBA. Starting in 2022, our SBA debt begins to reach maturity, and this will require us to identify sources of future funding if liquidation of investments is not sufficient to fund operations and repay the SBA debt obligation.

We believe that the cash on hand, the scheduled interest payments on our portfolio investments and the anticipated additional SBA leverage will be sufficient to meet our cash needs for the next twelve months. We continue to seek potential exits from portfolio companies to increase the amount of liquidity available for new investments, operating activities and future SBA debenture repayment obligations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our investment activities contain elements of risk. Our investment portfolio consists of equity and debt securities in private companies and is subject to valuation risk. Because there is typically no public market for the equity and debt securities in which we invest, the valuation of the equity interests in the portfolio is stated at fair value as determined in good faith by our management and approved by our Board of Directors. This is in accordance with our investment valuation policy (see the discussion of valuation policy contained in Note 3. Investments in the consolidated financial statements contained in Item 1 of this report, which is hereby incorporated herein by reference.) In the absence of readily ascertainable market values, the estimated value of the portfolio may differ significantly from the values that would be placed on the portfolio if a ready market for the investments existed. Any changes in valuation are recorded on the consolidated statement of operations as Net change in unrealized depreciation on investments.

At times, a portion of our portfolio may include marketable securities traded in the over-the-counter market. In addition, there may be a portion of the portfolio for which no regular trading market exists. In order to realize the full value of a security, the market must trade in an orderly fashion or a willing purchaser must be available when a sale is to be made. Should an economic or other event occur that would not allow markets to trade in an orderly fashion, we may not be able to realize the fair value of our marketable investments or other investments in a timely manner.

As of March 31, 2019 we did not have any off-balance sheet arrangements or hedging or similar derivative financial instrument investments.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. The Corporation maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that this information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The

Chief Executive Officer and the Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of March 31, 2019. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's controls and procedures were effective as of March 31, 2019.

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Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during the Corporation's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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We and each of our directors have been named as defendants in a complaint that was filed in the United States District Court for the Western District of New York on April 29, 2019, captioned George Assad v. Rand Capital Corporation, et al., Case No. 1:19-cv-00557. The complaint alleges violations of Section 14(a) of the Securities Exchange Act of 1934, as amended and Rule 14a-9 promulgated under the Securities Exchange Act of 1934, as amended, in Rand's definitive proxy statement prepared for purposes of seeking to obtain shareholder approval of the Transactions. The plaintiff seeks, among other relief, to enjoin Rand from consummating the Transactions and an award to the plaintiff of costs of the action, including a reasonable allowance for plaintiff's attorneys' and experts' fees. We believe the lawsuit is baseless and intend to defend the matter vigorously.

Item 1A. Risk Factors

See Part I, Item 1A, Risk Factors, of the Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Issuer Purchases of Equity Securities**

Period	Total number of shares purchased (1)	Average price paid per share (2)	Total number of shares purchased as part of publicly announced plan (3)	Maximum number of shares that may yet be purchased under the share repurchase program
1/1/2019 - 1/31/2019				458,954
2/1/2019 - 2/28/19				458,954
3/1/2019 - 3/31/2019				458,954

- (1) There were no shares repurchased during the first quarter of 2019.
- (2) The average price paid per share is calculated on a settlement basis and includes commission.
- (3) On October 25, 2018, the Board of Directors extended the repurchase authorization of up to 1,000,000 shares of the Corporation's common stock on the open market at prices no greater than the then current net asset value through October 25, 2019.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

(a) Exhibits

The following exhibits are filed with this report or are incorporated herein by reference to a prior filing, in accordance with Rule 12b-32 under the Securities Exchange Act of 1934.

- (3.1)(i) Certificate of Incorporation of the Corporation, incorporated by reference to Exhibit (a)(1) of Form N-2 filed with the Securities Exchange Commission on April 22, 1997. (File No. 333-25617).
- (3.1)(ii) By-laws of the Corporation, incorporated by reference to Exhibit 3(ii) to the Corporation's Quarterly Report on Form 10-Q for the period ended September 30, 2016 filed with the Securities Exchange Commission on November 2, 2016. (File No. 814-00235).
- (4) Specimen certificate of common stock certificate, incorporated by reference to Exhibit (b) of Form N-2 filed with the Securities Exchange Commission on April 22, 1997. (File No. 333-25617).
- (31.1) Certification of Principal Executive Officer Pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended filed herewith.
- (31.2) Certification of Principal Financial Officer Pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended filed herewith.
- (32.1) Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Rand Capital Corporation filed herewith.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 2, 2019

RAND CAPITAL CORPORATION

By: /s/ Allen F. Grum
Allen F. Grum, President

By: /s/ Daniel P. Penberthy
Daniel P. Penberthy, Treasurer