

August 7, 2017



Rand Capital Corporation

Rand Capital Announces Second Quarter 2017 Results

BUFFALO, NY -- (Marketwired) -- 08/07/17 --

- ***Portfolio company Athenex completes initial public offering***
- ***Invested \$3.35 million in four follow-on transactions***
- ***Net Asset Value per share was \$5.00 at June 30***

[Rand Capital Corporation](#) (NASDAQ: RAND) ("Rand"), a venture capital company which invests in growth businesses with unique product, service or technology concepts, announced its results for the quarter and year-to-date periods ended June 30, 2017.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "Our application for our second SBIC fund is under review by the SBA. In support of the proposed SBIC, we contributed \$7.5 million of cash to this subsidiary. We anticipate receiving approval for \$15 million of new leverage. We invested \$3.35 million in four portfolio companies during the second quarter, the majority of which was from the new fund under the SBA's pre-licensing approval protocols. Consistent with our current plan to increase interest income, \$3 million of these investments was in the form of debt instruments."

Second Quarter 2017 Financial Highlights

- Reported \$5.00 net asset value (NAV) per share at June 30, 2017, compared with \$5.10 at March 31, 2017. Lower NAV is primarily due to net unrealized losses on certain investments, reflecting current operating conditions within those companies.
- Supported four current portfolio companies with \$3 million of debt investments and \$350,000 of equity investments during the quarter:
 - eHealth Global Technologies, Inc. \$2,000,000
 - GENICON, Inc. \$1,000,000
 - SciAps, Inc. \$250,000
 - BeetNPath, LLC \$100,000
- Investment income increased 58% over the prior-year second quarter.
- At June 30, 2017, portfolio fair value was \$30.3 million and cash was \$6.6 million.

Mr. Grum added, "We are assisting several of the companies in our portfolio with their eventual exit. While we can't predict the timing, such transactions should generate further investment capital to support our growth strategy."

Total investment income in the second quarter and first half of 2017 were approximately \$349,000 and \$678,000, respectively, up from approximately \$221,000 and \$415,000 in the comparable prior-year periods, demonstrating the Company's progress with its plan to increase interest income. Total expenses in the 2017 second quarter were approximately \$607,000, up from approximately \$490,000 in the prior-year second quarter, primarily due to higher professional fees associated with the formation of the new SBIC. On a year-to-date

basis, total expenses were approximately \$1.1 million, down from approximately \$2.4 million in the 2016 first half, which included higher bonus and profit sharing expenses resulting from the Company's Gemcor exit.

Selected Portfolio Highlights

- [**Athenex, Inc.**](#) is a global biopharmaceutical company dedicated to the discovery, development and commercialization of novel therapies for the treatment of cancer, aiming to develop safer and more efficacious cancer medication. In June 2017, the company went public (NASDAQ: ATNX) through an initial public offering at \$11 per share. Athenex has been a Rand portfolio company since 2014. At June 30, 2017, Rand held approximately 46,000 restricted common shares, valued at \$614,000. The shares were valued at a discount due to restrictions on the sale of the shares.
- [**eHealth Global Technologies, Inc.**](#) is the industry-leading provider of clinically-informed referral services. The company serves more than half of the top 100 hospitals in the U.S. as well as the leading health information exchanges. During the second quarter, Rand funded a \$2 million loan to eHealth in support of its ongoing growth. The company plans to add 84 new jobs over the next three years, in accordance with its plans to digitally organize the growing volume of electronic medical records. At June 30, 2017, Rand's investment in eHealth was \$3.5 million, making it the second largest investment in Rand's portfolio on a cost basis.
- [**GENICON, Inc.**](#) is recognized as an emerging leader in the design, production, and distribution of patented surgical instrumentation focused exclusively on laparoscopic, or minimally invasive, surgery. During the second quarter, Rand replaced \$2 million of previously outstanding promissory notes and adding \$1 million of new debt capital, resulting in a \$3 million investment during the quarter. GENICON plans to invest in tooling for new product lines and expand its production capacity. At June 30, 2017, GENICON represents the largest investment in the Rand portfolio, at \$4 million on a cost basis.

As of June 30, 2017, Rand's portfolio consisted of 29 active companies. At that date, the portfolio was comprised of approximately 59% in equity investments and 41% in debt investments, compared with 68% in equity investments and 32% in debt investments at the same time last year. The change in investment mix reflects Rand's current strategy to increase investment income to cover operating expenses.

Webcast and Conference Call

Rand will host a conference call and live webcast today, August 7, 2017, at 1:30 p.m. Eastern Time to review its financial condition and results for the 2017 second quarter, as well as its strategy and outlook. The review will be accompanied by a slide presentation which will be available on Rand's website at www.randcapital.com under the heading "Investor Relations." A question-and-answer session will follow the formal presentation.

Rand's conference call can be accessed by calling (201) 689-8263. Alternatively, the webcast can be monitored on Rand's website at www.randcapital.com under the heading "Investor Relations."

A telephonic replay will be available from approximately 4:30 p.m. Eastern Time today

through Monday, August 14, 2017. To listen to the archived call, dial (412) 317-6671, and enter conference ID number 13666555. A transcript of the call will be placed on Rand's website, once available.

ABOUT RAND CAPITAL

Rand Capital (NASDAQ: RAND) provides investors the ability to participate in venture capital opportunities through an investment in the Company's stock. Rand is a Business Development Company (BDC), and its first wholly-owned subsidiary is licensed by the U.S. Small Business Administration (SBA) as a Small Business Investment Company (SBIC). Its second SBIC is undergoing the approval process with the SBA. Rand focuses its equity investments in early or expansion stage companies and generally lends to more mature companies. Rand looks for strong leadership who is bringing to market new or unique products, technologies or services that have a high potential for growth. Additional information can be found at the Company's website where it regularly posts information: <http://www.randcapital.com/>.

Safe Harbor Statement

This news release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning future net asset value growth, investment returns and opportunities as well as Rand's plans for utilizing proceeds from sales of portfolio companies when and if received. These statements involve known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the portfolio companies' markets, competitor responses, and market acceptance of their products and services and other factors disclosed in the Corporation's periodic reports filed with the Securities and Exchange Commission. Consequently, such forward-looking statements should be regarded as the Corporation's current plans, estimates and beliefs. The Corporation assumes no obligation to update the forward-looking information contained in this release.

FINANCIAL TABLES FOLLOW

Rand Capital Corporation and Subsidiaries Consolidated Statements of Financial Position

| | June 30, 2017 (Unaudited) | December 31, 2016 |
|---|--|------------------------------|
| ASSETS | | |
| Investments at fair value: | | |
| Control investments (cost of \$99,500 and \$99,500, respectively) | \$ 99,500 | \$ 99,500 |
| Affiliate investments (cost of \$19,341,212 and \$17,589,623, respectively) | 14,691,888 | 13,605,974 |
| Non-Control/Non-Affiliate investments (cost of \$16,052,007 and \$13,941,907, respectively) | 15,471,799 | 13,795,007 |
| | 15,471,799 | 13,795,007 |

| | | |
|--|-----------------------------|-----------------------------|
| Total investments, at fair value (cost of \$35,492,719 and \$31,631,030, respectively) | 30,263,187 | 27,500,481 |
| Cash | 6,590,994 | 12,280,140 |
| Interest receivable (net of allowance: \$161,000) | 373,835 | 324,237 |
| Deferred tax asset | 1,684,327 | 1,165,164 |
| Prepaid income taxes | 298,630 | - |
| Other assets | 608,514 | 1,148,508 |
| Total assets | <u>\$ 39,819,487</u> | <u>\$ 42,418,530</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)

Liabilities:

| | | |
|---------------------------------------|-------------------------|-------------------------|
| Debentures guaranteed by the SBA, net | \$ 7,841,473 | \$ 7,827,773 |
| Profit sharing and bonus payable | 132,000 | 1,270,052 |
| Income tax payable | - | 320,008 |
| Accounts payable and accrued expenses | 164,294 | 324,537 |
| Deferred revenue | 47,175 | 46,797 |
| Total liabilities | <u>8,184,942</u> | <u>9,789,167</u> |

Stockholders' equity (net assets):

| | | |
|--|-----------------------------|-----------------------------|
| Common stock, \$.10 par; shares authorized 10,000,000; shares issued 6,863,034; shares outstanding of 6,321,988 as of 6/30/17 and 12/31/16 | 686,304 | 686,304 |
| Capital in excess of par value | 10,581,789 | 10,581,789 |
| Accumulated net investment loss | (1,851,733) | (1,577,848) |
| Undistributed net realized gain on investments | 27,127,054 | 27,127,054 |
| Net unrealized depreciation on investments | (3,439,764) | (2,718,831) |
| Treasury stock, at cost; 541,046 shares | (1,469,105) | (1,469,105) |
| Total stockholders' equity (net assets) (per share \$5.00 at 6/30/17; \$5.16 at 12/31/16) | <u>31,634,545</u> | <u>32,629,363</u> |
| Total liabilities and stockholders' equity (net assets) | <u>\$ 39,819,487</u> | <u>\$ 42,418,530</u> |

**Rand Capital Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited)**

| | For the Quarter Ended June 30, | For the Six Months Ended June 30, |
|---------------------------|---|--|
| | 2017 | 2016 |
| Investment income: | | |

Interest from
portfolio companies:

| | | | | | | | | |
|---|----|----------------|----|---------|----|----------------|----|---------|
| Control investments | \$ | - | \$ | - | \$ | - | \$ | 11,828 |
| Affiliate investments | | 137,243 | | 94,614 | | 274,000 | | 159,575 |
| Non-Control/Non-Affiliate investments | | 140,397 | | 68,527 | | 249,731 | | 129,632 |
| Total interest from portfolio companies | | 277,640 | | 163,141 | | 523,731 | | 301,035 |

Interest from other
investments:

| | | | | | | | | |
|---------------------------------------|--|--------------|--|--------|--|---------------|--|--------|
| Non-Control/Non-Affiliate investments | | 6,859 | | 18,648 | | 17,834 | | 21,709 |
| Total interest from other investments | | 6,859 | | 18,648 | | 17,834 | | 21,709 |

Dividend and other
investment income:

| | | | | | | | | |
|--|--|---------------|--|--------|--|----------------|--|--------|
| Affiliate investments | | 53,024 | | 33,232 | | 115,397 | | 80,797 |
| Non-Control/Non-Affiliate investments | | 2,681 | | - | | 5,193 | | - |
| Total dividend and other investment income | | 55,705 | | 33,232 | | 120,590 | | 80,797 |

Fee income:

| | | | | | | | | |
|---------------------------------------|--|--------------|--|-------|--|---------------|--|--------|
| Control investments | | - | | - | | - | | 2,000 |
| Affiliate investments | | 3,167 | | 1,167 | | 4,084 | | 1,862 |
| Non-Control/Non-Affiliate investments | | 5,768 | | 4,318 | | 11,537 | | 7,234 |
| Total fee income | | 8,935 | | 5,485 | | 15,621 | | 11,096 |

**Total investment
income**

| | | | | | | | | |
|--|--|----------------|--|---------|--|----------------|--|---------|
| | | 349,139 | | 220,506 | | 677,776 | | 414,637 |
|--|--|----------------|--|---------|--|----------------|--|---------|

Expenses:

| | | | | | | | | |
|--------------------------|--|----------------|--|---------|--|----------------|--|-----------|
| Salaries | | 165,413 | | 155,437 | | 330,826 | | 310,875 |
| Bonus and profit sharing | | - | | - | | - | | 1,411,659 |
| Employee benefits | | 47,699 | | 36,711 | | 100,069 | | 126,222 |

| | | | | |
|--|------------------|-----------|--------------------|--------------|
| Directors' fees | 36,374 | 47,380 | 71,249 | 94,755 |
| Professional fees | 178,193 | 86,288 | 262,195 | 151,048 |
| Stockholders and office operating | 80,725 | 61,542 | 147,935 | 124,036 |
| Insurance | 6,258 | 6,258 | 17,560 | 17,518 |
| Corporate development | 11,609 | 16,055 | 33,317 | 31,525 |
| Other operating | 3,323 | 2,375 | 5,283 | 5,975 |
| | 529,594 | 412,046 | 968,434 | 2,273,613 |
| Interest on SBA obligations | 77,569 | 77,570 | 155,138 | 155,139 |
| Total expenses | 607,163 | 489,616 | 1,123,572 | 2,428,752 |
| Net investment loss before income taxes | (258,024) | (269,110) | (445,796) | (2,014,115) |
| Income tax benefit | (99,403) | (114,564) | (171,911) | (777,591) |
| Net investment loss | (158,621) | (154,546) | (273,885) | (1,236,524) |
| Net realized gain on sales and dispositions of investments: | | | | |
| Control investments | - | - | - | 13,176,313 |
| Non-Control/Non-Affiliate investments | | 168,140 | - | 168,140 |
| Net realized gain before income tax expense | - | 168,140 | - | 13,344,453 |
| Income tax expense | - | 34,520 | - | 4,977,481 |
| Net realized gain on investments | - | 133,620 | - | 8,366,972 |
| Net change in unrealized depreciation or appreciation on investments: | | | | |
| Control investments | - | - | - | (11,362,500) |
| Affiliate investments | (665,675) | (325,000) | (665,675) | (747,800) |
| Non-Control/Non-Affiliate investments | (52,664) | 69,444 | (433,308) | 69,444 |
| Change in unrealized depreciation or appreciation before income tax benefit | (718,339) | (255,556) | (1,098,983) | (12,040,856) |
| Deferred income tax benefit | (241,623) | (78,390) | (378,050) | (4,494,796) |

| | | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| Net change in unrealized depreciation or appreciation on investments | <u>(476,716)</u> | <u>(177,166)</u> | <u>(720,933)</u> | <u>(7,546,060)</u> |
| Net realized and unrealized (loss) gain on investments | <u>(476,716)</u> | <u>(43,546)</u> | <u>(720,933)</u> | <u>820,912</u> |
| Net decrease in net assets from operations | <u>\$ (635,337)</u> | <u>\$ (198,092)</u> | <u>\$ (994,818)</u> | <u>\$ (415,612)</u> |
| Weighted average shares outstanding | 6,321,988 | 6,328,538 | 6,321,988 | 6,328,538 |
| Basic and diluted net decrease in net assets from operations per share | <u>\$ (0.10)</u> | <u>\$ (0.03)</u> | <u>\$ (0.16)</u> | <u>\$ (0.07)</u> |

Contacts:

Company:

Allen F. ("Pete") Grum

President and CEO

Phone: 716.853.0802

Email: pgrum@randcapital.com

Investors:

Deborah K. Pawlowski / Karen L. Howard

Kei Advisors LLC

Phone: 716.843.3908 / 716.843.3942

Email: dpawlowski@keiadvisors.com / khoward@keiadvisors.co

Source: Rand Capital Corporation