



Fourth Quarter 2018 Earnings Call

March 7, 2019

Allen F. “Pete” Grum
President & CEO

Daniel P. Penberthy
Executive Vice President & CFO

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This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than historical facts, including but not limited to statements regarding the expected timing of the closing of the proposed transactions; the ability of the parties to complete the proposed transactions considering the various closing conditions, including receipt of necessary shareholder approvals and approval from the U.S. Small Business Administration (SBA); the intention of Rand Capital Corporation (“Rand Capital”, “Rand” or the “Company”) to elect to be become a regulated investment company for U.S. federal tax purposes; the intention to declare and pay a special cash and stock dividend upon the closing of the proposed transactions; the intention to pay a regular cash dividend after the completion of the proposed transactions; the expected benefits of the proposed transactions such as a lower expense-to-asset ratio for Rand Capital, increased net investment income, availability of additional resources, expanded access to and sourcing platform for new investments and streamlining of operations under the external management structure; the business strategy of originating additional income producing investments; the competitive ability and position of Rand Capital following completion of the proposed transactions; and any assumptions underlying any of the foregoing, are forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words “may,” “will,” “should,” “potential,” “intend,” “expect,” “endeavor,” “seek,” “anticipate,” “estimate,” “overestimate,” “underestimate,” “believe,” “could,” “project,” “predict,” “continue,” “target” or other similar words or expressions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, (1) that one or more closing conditions to the stock purchase may not be satisfied or waived, on a timely basis or otherwise, including that the SBA may not approve the proposed transactions or that the required approvals by the shareholders of Rand Capital may not be obtained; (2) the risk that the proposed transactions may not be completed in the time frame expected by parties, or at all; (3) the risk that Rand Capital may be unable to fulfill the conditions required in order to elect to be treated as a regulated investment company for U.S. tax purposes; (4) uncertainty of the expected financial performance of Rand Capital following completion of the proposed transactions; (5) failure to realize the anticipated benefits of the proposed transactions, including as a result of delay in completing the proposed transactions; (6) the risk that Rand Capital is unable to declare the special cash and stock dividend or pay quarterly dividends on a going forward basis; (7) the occurrence of any event that could give rise to termination of the stock purchase agreement; (8) the risk that shareholder litigation in connection with the proposed transactions may affect the timing or occurrence of the contemplated transactions or result in significant costs of defense, indemnification and liability; (9) evolving legal, regulatory and tax regimes; (10) changes in general economic and/or industry specific conditions; and (11) other risk factors as detailed from time to time in Rand Capital’s reports filed with the Securities and Exchange Commission (“SEC”), including Rand Capital’s annual report on Form 10-K for the year ended December 31, 2018, quarterly reports on Form 10-Q, current reports on Form 8-K and other documents filed with the SEC. Consequently, such forward-looking statements should be regarded as Rand Capital’s current plans, estimates and beliefs. Except as required by applicable law, Rand Capital assumes no obligation to update the forward-looking information contained in this presentation.



Fourth Quarter 2018 Highlights

- Received \$6 million SBIC funding commitment
- Invested \$1.1 million in Q4
- NAV of \$4.99 per share at December 31, 2018; up from \$4.84 at September 30, 2018
 - Driven by net appreciation in certain portfolio investments
- Investment income increased 76% over the prior-year fourth quarter, includes some non-recurring items
- Investment income net of expenses moved closer to breakeven goal
- Announced proposed investment of \$25 million by East Asset Management



2018 Highlights

- Invested \$2.5 million in one new portfolio company and eight existing portfolio companies during 2018:

• Centivo Corporation	\$ 200,000	}	Q1
• SciAps, Inc.	250,000		
• KnowledgeVision® Systems Inc.	775,000	—	Q2
• BeetNPath, LLC	140,000	—	Q3
• Empire Genomics, LLC	50,000	}	Q4
• Tilson Technology Management, Inc	100,000		
• Genicon Inc.	250,000		
• Tech 2000, Inc.	600,000		
• BeetNPath, LLC	122,628		

- Investment income increased 45% in 2018, includes some nonrecurring items
- Portfolio valued at \$34.7 million at year end



Tech 2000 Secures Financing for Growth



Headquarters

Herndon, VA

Revenue Stage

Expansion

November 2018

Initial Investment

\$610,777

Fair Value of Investment*

14% Term Note

Investment Vehicle

Description

A Cisco Training Partner offering training courses and certifications; have worked with Fortune 500 companies to develop and deliver solutions for more than 25 years.

Recent Business Activity

- Forefront of providing next generation learning and training solutions
- Backed by U.S Boston Capital Corporation
- Recent financing provides capital to continue to expand and leverage ongoing industry advancements

* Based on Rand's investment as of December 31, 2018



Learn more at <https://t2000inc.com/>

Knoa's Cloud Revenue Accelerated by 250%



Headquarters

New York, NY

Revenue Stage

Expansion

November 2012

Initial Investment

\$1.2 million

Fair Value of Investment*

7%

Equity Ownership*

Description

Leading provider of user experience management software; solutions generate unique insights for optimization of the end-user experience and improved efficiencies for enterprise applications from vendors including SAP, Oracle and others

Recent Business Activity

- 2018 cloud revenue accelerated by more than 250%
- Doubled the number of cloud customers in 2018 and closed on largest cloud deal in Knoa's history

* Based on Rand's investment as of December 31, 2018



Learn more at <http://www.knoa.com/>

Microcision Reports Strong Financial Results



Headquarters

Pennsauken Township, NJ

Revenue Stage

Expansion

September 2009

Initial Investment

\$2.5 million

Fair Value of Investment*

15%

Equity Ownership*

Description

Leading manufacturer of medical device implants and instrumentation; capabilities include complex turning, drilling, cross-drilling, threading and milling of small parts from all medical grade metals and plastics

Recent Business Activity

- Invested significantly in state-of-the-art CNC technology, training, information and tracking systems
- Strong financial results led to Rand increasing the fair value of its investment in Q4

* Based on Rand's investment as of December 31, 2018



Learn more at <https://www.microcision.com/>

Portfolio Companies: By Revenue Stage



Several portfolio companies approaching exit stage*



Portfolio Companies: By Investment Period



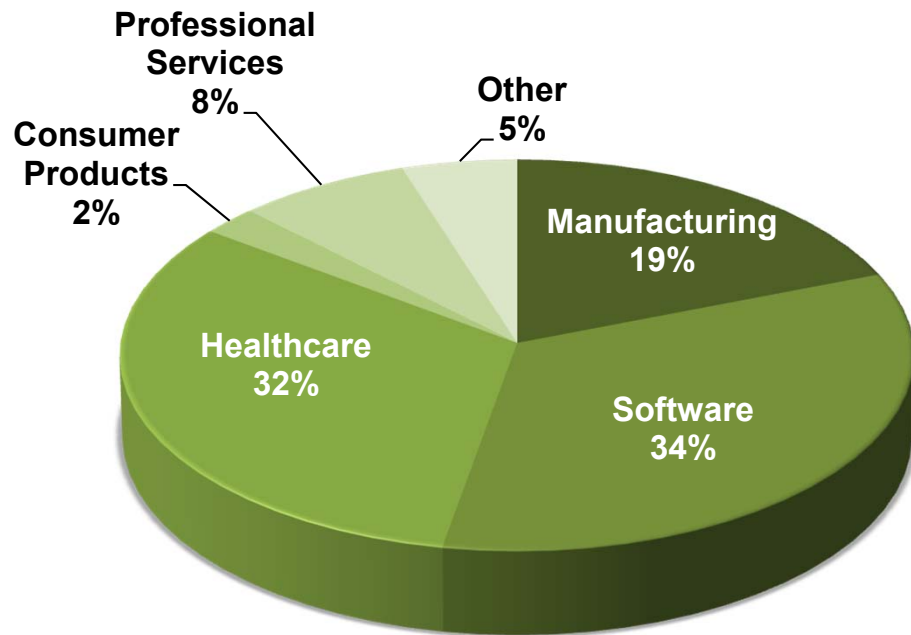
Average portfolio age is 5.6 years*



Diverse Portfolio Reflects Strategy

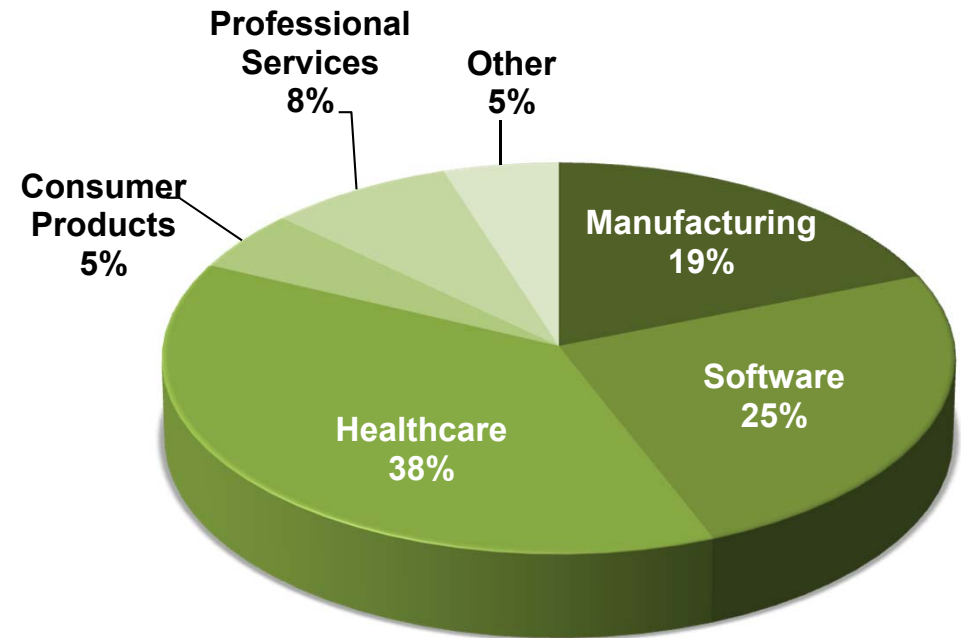
Investments by Industry Classification

December 31, 2018



Based on total investments at fair value of \$34.7 million as of December 31, 2018

December 31, 2017



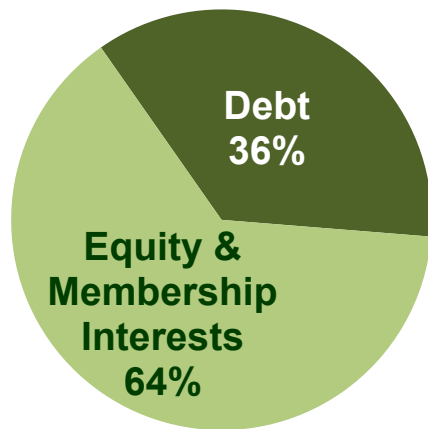
Based on total investments at fair value of \$32.3 million as of December 31, 2017



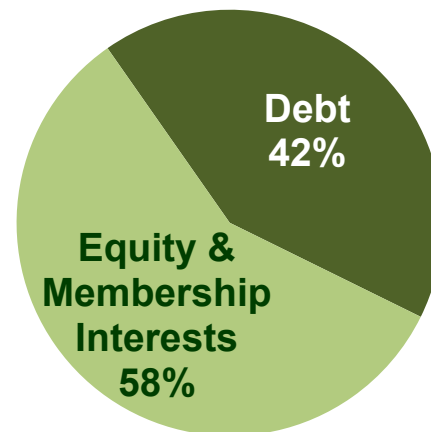
Equity Investment Focused, But Flexible

Growth Strategy

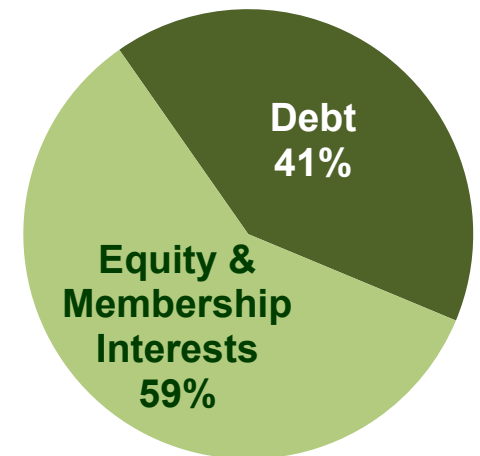
- Focused on capital appreciation and growing NAV
- Near-term objective to build investment income
- Flexibility: adjust investments to meet needs
- ~60% of 2018 investments were debt-related structure



2016



2017








2018



Top Five Investments in Portfolio

\$34.7 million total portfolio, 30 active companies

	Company	Investments at Fair Value (in millions)	Year Acquired	Industry	% of Total Portfolio
	Genicon	\$4.4	2015	Healthcare—Surgical Instrumentation	13%
	eHealth	\$3.5	2016	Healthcare—Clinical Record Imaging Systems	10%
	ACV Auctions	\$2.8	2016	Software—Live Mobile Auctions for Automobile Dealers	8%
	Tilson	\$2.6	2015	Professional Services—Cellular Info Systems, Construction, Mgmt	7%
	Microcision	\$2.5	2009	Manufacturer—Machined Medical Implants	7%
	TOTAL Top 5	\$15.8			46%

All values as of December 31, 2018, may not foot due to rounding



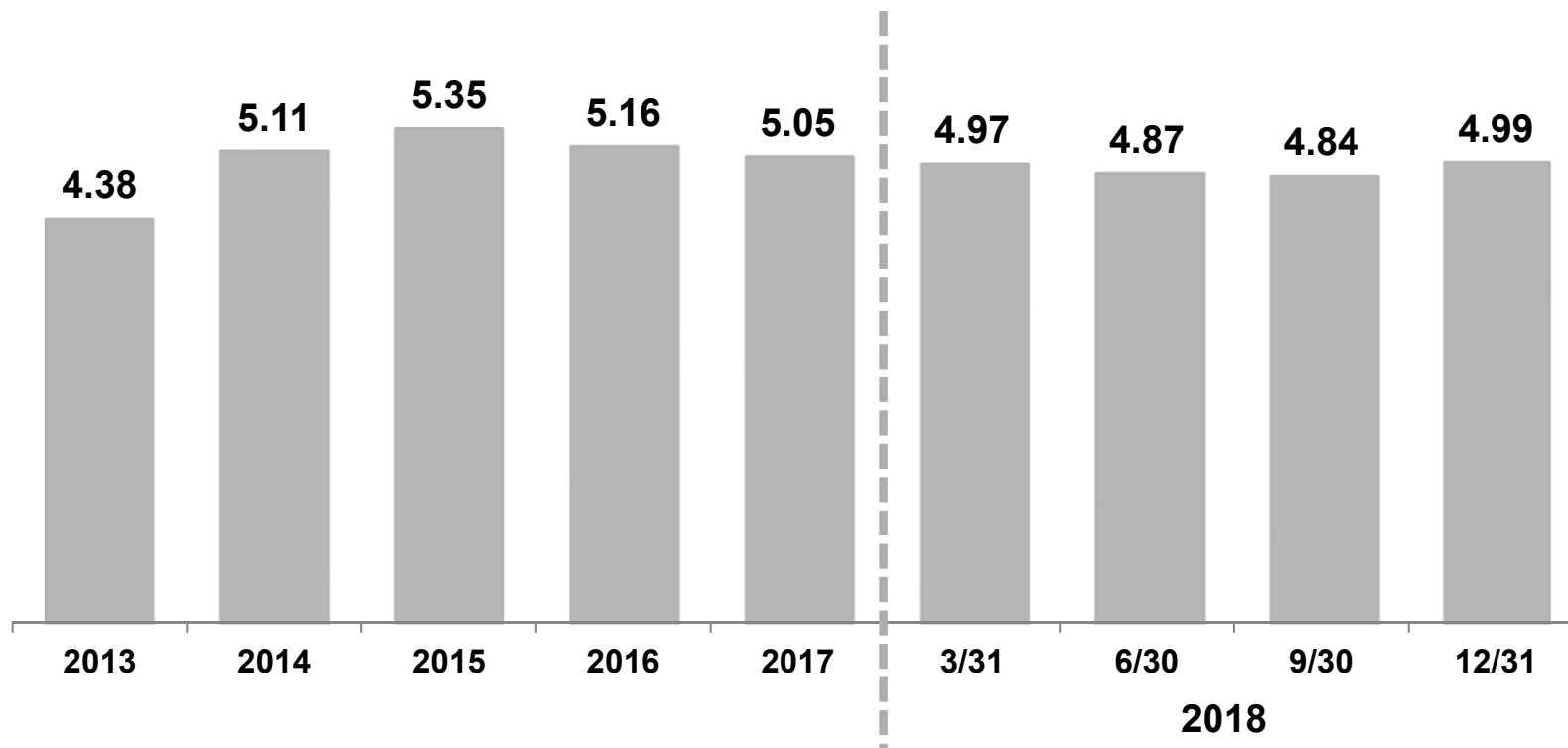


Financial Review

Daniel P. Penberthy
Executive Vice President & CFO

NAV Progression

(NAV per share, after tax)



Portfolio gains/losses drive changes in NAV



Financial Summary

(in thousands, except per share data)

	Q4 2018	Q4 2017	\$/% Δ	YTD 2018	YTD 2017	\$/% Δ
Investment income	\$ 668	\$ 380	\$290/76%	\$ 2,107	\$ 1,455	\$652/45%
Total expenses	684	448	\$236/53%	2,194	2,011	\$183/9%
Net investment loss before income taxes	(15)	(68)	\$53/78%	(87)	(556)	\$469/84%
Net realized and unrealized gain (loss) on investments	958	(53)	\$1,011/NM	(326)	(691)	\$365/53%
Net increase (decrease) in net assets from operations	937	226	\$711/315%	(394)	(711)	\$317/45%
Per share	\$0.15	\$0.04	\$0.11/275%	(\$0.06)	(\$0.11)	\$0.05/45%

- Q4 investment income increase driven by incremental interest, and dividends and other distributions
- Excluding bonus, Q4 expenses were up \$123 and full year expenses were up \$70; higher professional fees primarily due to the pending strategic investment announced January 25, 2019
- Net investment loss moving closer to breakeven goal
- Q4 NAV growth driven by net realized and unrealized gains on certain portfolio investments

NM: Not Meaningful



Strong Balance Sheet

At December 31, 2018

Value/share

\$0.44	\$2.8 million cash at Corporate
\$0.20	\$1.2 million cash in SBIC
\$5.48	\$34.7 million in portfolio investments
(\$1.38)	\$8.8 million in SBA borrowings (maturity 2022-2029)
<u>\$0.25</u>	\$1.6 million other assets & liabilities, net
<u>\$4.99</u>	Net Asset Value (NAV) per share





Closing

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President & CEO



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