

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

	<u>June 30, 2017 (Unaudited)</u>	<u>December 31, 2016</u>
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

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

LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)

Liabilities:

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

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)	31,634,545	32,629,363
Total liabilities and stockholders' equity (net assets)	\$ 39,819,487	\$ 42,418,530

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	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
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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>

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