



First Quarter 2019 Financial Results

May 2, 2019

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Important Information



Cautionary Statement Regarding Forward-Looking Statements

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”) and Rand Capital SBIC, Inc. (“Rand SBIC”) to elect to be taxed as a regulated investment companies for U.S. federal tax purposes; the intention to declare and pay a special cash and stock dividend after 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 and/or Rand SBIC 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 the board of directors of Rand Capital is unable or unwilling to declare and pay 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, later filed quarterly reports on Form 10-Q, the definitive proxy statement for the proposed transactions 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.

Additional Information and Where to Find It

This communication may be deemed to be solicitation material in respect of solicitation of proxies from shareholders of Rand Capital in respect of the proposed transactions. Rand Capital has filed the definitive proxy statement in respect of the proposed transactions, which was first sent or made available to shareholders on or about April 18, 2019. INVESTORS OF RAND CAPITAL ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT AND OTHER RELEVANT DOCUMENTS CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTIONS AND RELATED MATTERS. Investors may obtain the definitive proxy statement and other documents filed by Rand Capital with the SEC from the SEC’s website at www.sec.gov or from Rand Capital’s website at www.randcapital.com. Investors and security holders may also obtain free copies of the definitive proxy statement and other documents filed with the SEC from Rand Capital by calling Investor Relations at 716-843-3908.

Participants in the Solicitation

Rand Capital and its directors, executive officers, employees and other persons may be deemed to be participants in the solicitation of proxies from the shareholders of Rand Capital in respect of the proposed transactions. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of Rand Capital shareholders in connection with the proposed transactions is set forth in the definitive proxy statement filed with the SEC, which can be obtained free of charge from the sources indicated above.

Key 2019 Developments



- Filed definitive proxy statement for proposed \$25 million investment by East Asset Management
- Announced intention of Rand management and East to elect to receive all stock in proposed special dividend, increasing cash available to other shareholders
- Received \$3.5 million loan repayment from eHealth Global Technologies
- Made follow-on investments in two current portfolio companies
 - Tilson Technology Management, Inc. \$500,012
 - KnowledgeVision Systems, Inc. \$150,000
- NAV of \$5.06 per share at 3/31/2019; up from \$4.99 at 12/31/2018
 - Driven by net appreciation in portfolio investments
 - Investment income increased 98% over the prior-year first quarter*
- Drew down \$2.25 million of SBA leverage commitment

* includes nonrecurring loan repayment fee income in the amount of \$225,000 received during the three months ended March 31, 2019

Key Transaction Terms



Strategic Investment

- East Asset Management, LLC (“EAM” or “East”) to strategically invest \$25 million in Rand
- Consideration will include a combination of cash and yielding assets
- EAM receives approximately 8.3 million shares of Rand common stock
- Purchase price of \$3.00 per share, represents a 33% premium to closing price on 1/24/19

Externalize Management

- Externalized management: establishment of Rand Capital Management LLC (“RCM”)
- Expected to reduce expense-to-asset ratios for Rand
- Maintains continuity of leadership while expanding available investment resources

Fee Structure

- Base management fee: 1.5% of total assets, other than cash and cash equivalents
- Net investment income incentive fee: 20% above 7% hurdle rate (with full catch-up provision, subject to total return requirement beginning two years and three months after the effective date)
- Net realized capital gains incentive fee: 20% of cumulative net capital gains

Intention to Qualify For and Elect “RIC” status

- Proposed Regulated Investment Company (“RIC”) election eliminates corporate-level U.S. federal income tax on annual earnings timely distributed to shareholders
- Requires certain initial conditions: includes distribution of accumulated earnings & profits
- Supports establishment of regular dividend

Income Producing Assets

- New assets contributed by EAM immediately accretive to net investment income
- Focus on income producing investments to support cash dividend for shareholders
- Rand determines whether to accept or reject the assets

The Transformation of Rand



WHY SUPPORT THE PROPOSALS MADE BY THE BOARD?

\$25 million strategic investment by East Asset Management enables:

- **Improved market valuation:** \$3.00 purchase price represents a 33% premium to the closing price of \$2.26 per share on January 24, 2019, the day prior to the announcement of the transactions
 - A testament to the overwhelmingly positive market reception of the transaction
 - A 19% premium to VWAP* of RAND over the 1-year period prior to that date.
- **Reduced operating expense ratio** with planned externalization of management provides a direct and tangible expected benefit to shareholders
- **Increased scale and current income** with infusion of capital and income producing assets
- **Expected Special Dividend** distribution of \$1.50 per share with election of regulated investment company (“RIC”) status
 - *Eliminates corporate-level U.S. federal tax for the Company on ordinary income or capital gains distributed to shareholders*
- **Expected ongoing regular dividends**, subject to board approval

Positioned for growth moving forward:

- Plan to build portfolio of income producing assets and grow capital base over time
- Anticipate greater total return to shareholders

*VWAP is the volume weighted average price, which is the average price of a security throughout the day based on both volume and price

Shareholders Benefit from Transformation



Tax Benefits and Special Dividend

Eliminate corporate-level U.S. federal income taxes

- Rand intends to elect RIC tax treatment. A RIC is a “pass-through entity” that avoids corporate-level U.S. federal income tax
- Requires distribution of accumulated earnings and profits estimated at \$22 million, which is expected to be distributed by a Special Dividend in a ratio of 20% cash and 80% stock^{1,2}

Expect to declare a \$1.50 per share Special Dividend

- Approximately \$0.78 in cash and \$0.72 in stock dividend available for all shareholders other than East, Rand directors and management who intend to elect 100% stock distribution²
- Distribution is taxable as a dividend, regardless if received in cash or stock

Future Dividends

Structured for expected ongoing regular dividends

- Reduced operating expense ratio expected to improve earnings power
- RIC entities must distribute >90% of their income to qualify

Valuation

Expect improved capital market perception

- Greater scale with increase in total net asset value and expected increase in market capitalization
- BDCs that are RICs historically have traded at higher valuation multiples than non-RIC BDCs
- Broader investor audience as income producing stock

1. Special dividend amount and ratio of cash and stock are subject to final review of required distribution in order to elect RIC status post-closing and the aggregate amount of cash and stock available for distribution, as well as the individual and collective elections by shareholders

2. Figures are estimates based on values as of April 18, 2019 and are subject to change; East, each member of the Board and management intend to elect to receive all stock, which will be approximately 3.6 million shares



Externalization of Management

- Expected to reduce annual expenses as a percentage of portfolio assets
- Leverages talent and enhances investment decision processes
 - *Current management team to be employed by RCM*
- Broadens potential pipeline of investment opportunities
 - *Access to a network of family offices*
- Creates new investment committee with added talent from East

Expanding investment portfolio¹

- New portfolio investments with a fair value of \$11.6 million contributed to portfolio
 - *Rand management and board evaluated assets and determined a fair value*
 - *Recently originated assets by respected lenders*
 - *Assets are income producing with ~12% yield*
 - *If agreed upon value of assets are lower or higher at time of close, the difference will be an adjustment to cash*

1. Further details regarding the contributed assets can be found in the definitive proxy statement at “The Stock Purchase Transaction – Contributed Investment Assets”

The Alternative: Destroying Value



User-Friendly Phone Book (“USFB”) Suggests Liquidating the Portfolio

- Destruction of shareholder value
 - *Likely realizable value of assets in a liquidation expected to be less than \$3.00 per share*
- Eliminates future return potential
- Eliminates special dividend at \$1.50 per share for shareholders and expected future dividend income

USFB Providing Factual Inaccuracies and Misleading, Unsupported Statements

- Suggests timing of announcement was “opportunistic” relative to Company’s stock price
 - *Approved agreements at regularly scheduled Board meeting. In person board meeting needed to approve investment management agreement under requirements of Investment Company Act of 1940, as amended.*
- *“Hometown discount”* undefined and unsubstantiated
- States *“shareholders could receive 66% greater return by simply liquidating assets”* without any basis
- Provides erroneous statement that management is paid *“approximately \$1 million per year in compensation”*
- Inaccurately states the CFO was added to board following the death of a board member
- Repeatedly stated their plans to distribute a “white” proxy card when RAND’s proxy card had already been distributed and was white

The Future: Creating Value



Investment of \$25 million from East purchase of Rand stock

- Cash infusion of ~\$13.4 million; \$4.4 million¹ to be used for expected Special Dividend
- Contributed income producing portfolio assets of ~\$11.6 million; yielding ~12%²

Planned Special Dividend of \$1.50 per share to Rand shareholders³

Anticipated ongoing regular dividends

- Expects to shift investment strategy towards more investment in interest yielding assets
- Expected to reduce operating expense ratio driving earnings for dividends

Stronger financial model with externalization of management

- Expected to reduce asset-to-expense ratio going forward

1. The distribution of cash will be prorated if shareholders elect to receive more than \$4.4 million in cash

2. Further details regarding the contributed assets can be found in the proxy at "The Stock Purchase Transaction - Contributed Investment Assets"

3. If the Board takes action to approve the special dividend, each shareholder will have the option of requesting their special dividend in the form of cash and/or stock

Tilson Raising Capital to Fund Further Growth



Headquarters

Portland, ME

Revenue Stage

High Traction

January 2015

Initial Investment

\$5.0 million

Fair Value of Investment*

11%

Equity Ownership

Description

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.

Recent Business Activity

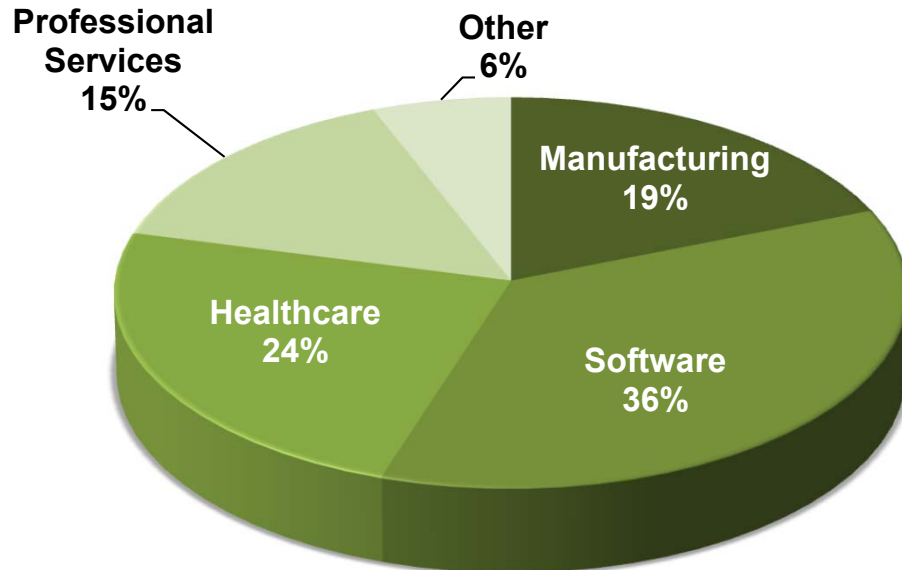
- Raising up to \$100 million in funding to support its expansion
- Will utilize capital to continue growth:
 - Nationwide network infrastructure design-build services
 - Spin-out and capitalization of its asset ownership affiliate, SQF, LLC

* Based on Rand's investment as of March 31, 2019

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

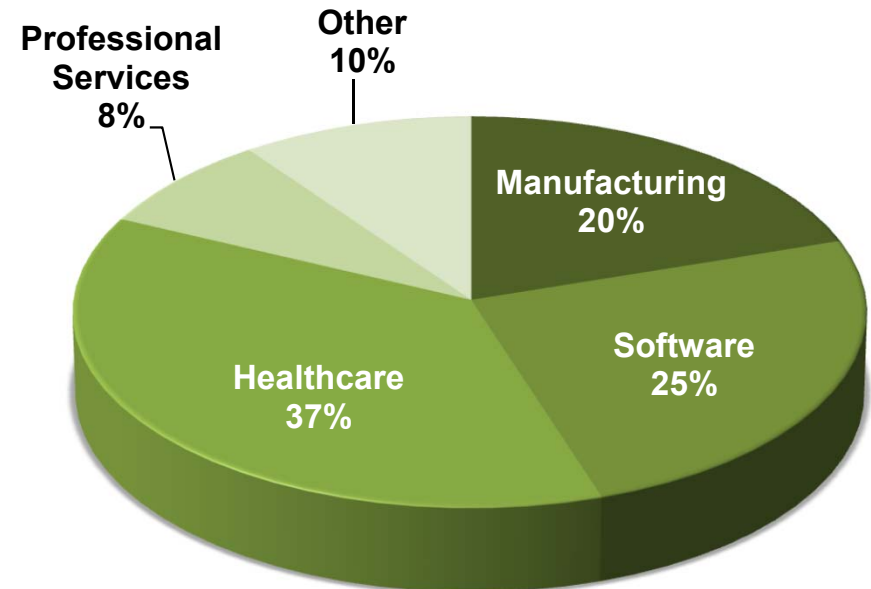
Investments by Industry Classification

March 31, 2019



*Based on total investments
at fair value of \$32.5 million
as of March 31, 2019*

March 31, 2018



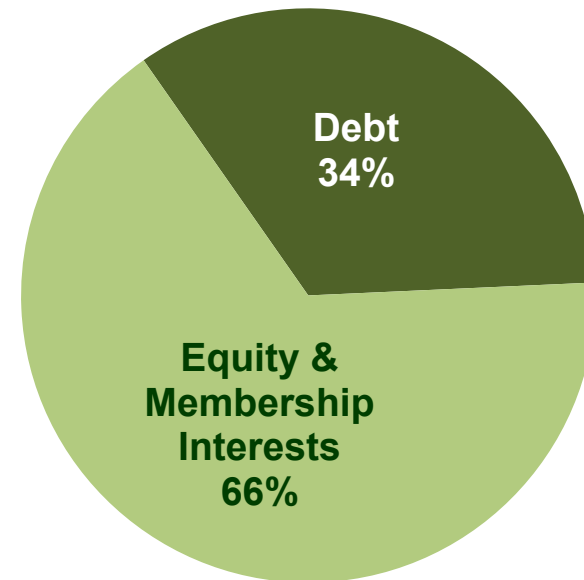
*Based on total investments
at fair value of \$32.2 million
as of March 31, 2018*

Building Portfolio of Income Producing Assets



- Flexibility: adjust investments to meet needs
- Building investment income to cover operating expenses
- Include equity for upside potential

Portfolio Asset Mix








\$32.5 million
March 31, 2019

Top Five Investments in Portfolio



\$32.5 million total portfolio, 29 active companies

Company	Investments at Fair Value (in millions)	Year Acquired	Industry	% of Total Portfolio
 Tilson	\$5.0	2015	Professional Services— Cellular Info Systems, Construction, Mgmt	15%
 Genicon	\$4.5	2015	Healthcare—Surgical Instrumentation	14%
 ACV Auctions	\$2.8	2016	Software—Live Mobile Auctions for Automobile Dealers	9%
 Microcision	\$2.5	2009	Manufacturer—Machined Medical Implants	8%
 Rheonix	\$2.2	2009	Healthcare—Molecular Testing Devices	7%
TOTAL Top 5	\$17.0			53%

All values as of March 31, 2019, may not foot due to rounding



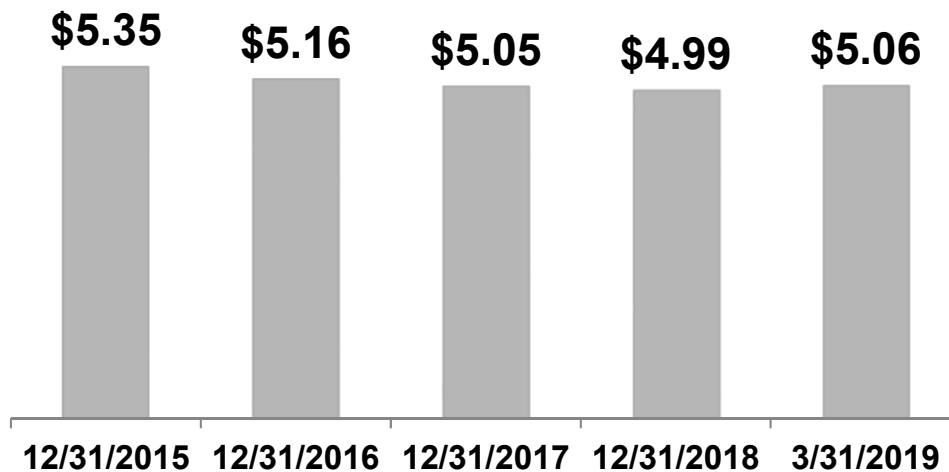
Financial Review

Daniel P. Penberthy
Executive Vice President & CFO

Net Asset Value Per Share



(NAV per share, after tax)



- NAV improvement in the quarter from year-end 2018 driven primarily by fair value appreciation of Tilson Technology reflecting new investments
- More than offset declines in fair value of other assets

Portfolio gains/losses drive changes in NAV

Financial Summary



(in thousands, except per share data)

	Q1 2019	Q1 2018	\$/% Δ
Investment income	\$ 719	\$ 363	\$356/98%
Total expenses	690	589	\$101/17%
Net investment gain (loss) before income taxes	29	(226)	\$255/NM
Net realized and unrealized gain (loss) on investments	433	(347)	\$780/NM
Net increase (decrease) in net assets from operations	455	(520)	\$975/NM
Per share	\$0.07	(\$0.08)	\$0.15/NM

- Q1 2019 investment income increase driven by incremental interest and nonrecurring \$225,000 fee income associated with the eHealth loan repayment
- Q1 2019 expenses included \$125,000 of incremental professional fees associated proposed investment by East
- The Q1 2019 net appreciation of investments was driven by an increase in the valuation of the Tilson investment, partially offset by decreases in valuations of other companies

Strong Balance Sheet



At March 31, 2019

Value/share

\$0.31	\$1.9 million cash at Corporate
\$1.07	\$6.8 million cash in SBIC
\$5.14	\$32.5 million in portfolio investments
(\$1.74)	\$11.0 million in SBA borrowings (maturity 2022-2029)
<u>\$0.28</u>	\$1.8 million other assets & liabilities, net
<u>\$5.06</u>	Net Asset Value (NAV) per share



First Quarter 2019 Earnings Call

May 2, 2019