

May 2, 2019



Rand Capital Announces First Quarter 2019 Results

- ***eHealth Global Technologies, Inc. repaid \$3.5 million loan***
- ***Invested \$650,012 in two follow-on transactions during the first quarter***
- ***Net Asset Value per share grew to \$5.06 at March 31, 2019, up \$0.07 in the first quarter driven by net investment appreciation***
- ***Shareholder meeting scheduled for proposed transformational investment of \$25 million by East Asset Management; Rand Board of Directors unanimously recommends shareholders vote for proposed transactions***

BUFFALO, N.Y.--(BUSINESS WIRE)-- [Rand Capital Corporation](#) (Nasdaq:RAND) ("Rand"), a business development company, announced its results for the quarter ended March 31, 2019.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "We filed the definitive proxy statement and associated materials with the Securities and Exchange Commission that provides significant detail regarding the planned transformation of Rand Capital made possible by the proposed \$25 million investment by East Asset Management. The proxy statement details the thorough process followed by our Board of Directors to advance this opportunity to drive future value for our shareholders."

First Quarter 2019 Financial Highlights

- Reported \$5.06 net asset value (NAV) per share at March 31, 2019, compared with \$4.99 at December 31, 2018. The increase was primarily due to net appreciation in portfolio investments, mostly related to Rand's investment in Tilson Technology Management, Inc.
- Received the repayment of a \$3.5 million loan by eHealth Global Technologies, Inc.
- Supported two current portfolio companies with \$650,012 of follow-on equity investments:
 - Tilson Technology Management, Inc. \$500,012
 - KnowledgeVision Systems, Inc. \$150,000
- Investment income nearly doubled over the prior-year first quarter driven by both higher interest and nonrecurring loan repayment fee income
- Drew down \$2.25 million of new SBA leverage commitment to fund investment activity and operations; new debt carries 3.2% annual fixed rate interest through its maturity in 2029
- At March 31, 2019, portfolio fair value was \$32.5 million and consolidated cash was

\$8.7 million, of which \$1.9 million was available for corporate purposes and \$6.8 million is restricted to the SBIC.

During the quarter, Rand's portfolio company, eHealth Global Technologies, Inc., repaid its \$3.5 million loan from Rand with proceeds from its \$41 million recapitalization.

Daniel P. Penberthy, Rand's Executive Vice President, stated, "In 2016, we were introduced to eHealth by a co-investor with whom we had partnered on previous transactions. We made an initial investment of \$1.5 million in eHealth to support the company's strategic growth, including expansion of its electronic medical record retrieval business into additional health network systems. We invested an additional \$2 million during this short investment period as the company continued its growth trajectory. eHealth grew its employee count by over 30% during Rand's investment tenure, while Rand benefited from a strong yield on its investment."

Total investment income in the first quarter of 2019 nearly doubled to \$719,000 from \$363,000 in the same period last year. The increase included higher interest as well as approximately \$225,000 of nonrecurring fee income associated with the loan repayment by eHealth. Total expenses in the 2019 and 2018 first quarters were \$690,000 and \$589,000, respectively. Higher expenses reflected a \$125,000 increase in professional fees related mostly to the proposed strategic investment by East.

The net change in unrealized appreciation/depreciation on investments was approximately \$402,000 of net appreciation in the first quarter of 2019 compared with \$347,000 of net depreciation in the 2018 first quarter. The net appreciation in the 2019 quarter was driven by an increase in the valuation of the Company's investment in Tilson, partially offset by decreases in valuations of other portfolio companies.

Selected Portfolio Highlights

- [**Tilson Technology Management, Inc.**](#), which has been recognized for eight consecutive years on the Inc. 5000 list of fastest growing companies, provides network deployment and information system professional services to telecom, construction, utility and government clients. Tilson recently announced that it raised up to \$100 million in funding commitment to support the expansion of its nationwide network of infrastructure design-build services and to enable the spin-out and capitalization of its asset ownership affiliate, SQF, LLC. SQF maintains authority to own and develop telecommunications assets in public rights-of-way throughout the United States and is a leading pole owner and solutions provider for 5G. Supported by Tilson's real-estate entitlement, engineering, construction and operational capabilities, SQF provides customers with a range of infrastructure options, from single site design-build services to fully outsourced deployment and management nationwide. Including its additional investment and market value appreciation recorded in the first quarter, Rand's total investment in Tilson was valued at approximately \$5.0 million at March 31, 2019.
- [**KnowledgeVision Systems, Inc.**](#) is a leader in smart media creation, hosting and tracking technology. Its Knovio[®] video platform is used by more than 300,000 people worldwide in more than 2,000 companies and campuses to create, host, share, organize, collaborate around, and measure online media and presentation content. The company recently announced the launch of Knovio AutoNarrate, a feature for online

presentations that virtually eliminates searching for voice-over talent and time-consuming scheduling to help content creators deliver narrated presentations in multiple languages in seconds. The company believes that this feature represents an evolution in how training, human resources and corporate communications professionals deliver audio presentations. It gives companies an effective and flexible option to reach global audiences with translated content. Including its first quarter investment, at March 31, 2019, Rand's investment in KnowledgeVision was valued at approximately \$1.2 million.

As of March 31, 2019, Rand's portfolio consisted of 29 active companies. At that date, the portfolio was comprised of approximately 66% in equity investments and 34% in debt investments, compared with 60% in equity investments and 40% in debt investments at March 31, 2018.

Webcast and Conference Call

Rand will host a conference call and live webcast today, May 2, 2019, at 3:30 p.m. Eastern Time to review its financial condition and results for the 2019 first 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 "Investor Relations" heading. 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 "Investor Relations" heading.

A telephonic replay will be available from 6:30 p.m. ET on the day of the call through Thursday, May 9, 2019. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13689533. The webcast replay will be available in the Investors section at www.randcapital.com, where a transcript will also be posted once available.

ABOUT RAND CAPITAL

Rand Capital (Nasdaq:RAND) is a Business Development Company (BDC) with a wholly-owned subsidiary licensed by the U.S. Small Business Administration (SBA) as a Small Business Investment Company (SBIC). Rand focuses its equity investments in early or expansion stage companies and generally lends to more mature companies. Additional information can be found at the Company's website where it regularly posts information: <http://www.randcapital.com/>.

Safe Harbor Statement

This press release 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 release.

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.

FINANCIAL TABLES FOLLOW.

Rand Capital Corporation and Subsidiary Consolidated Statements of Financial Position

	March 31, 2019 (Unaudited)	December 31, 2018
<u>ASSETS</u>		
Investments at fair value:		
Control investments (cost of \$0 and \$99,500)	\$ -	\$ 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

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 at 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)
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

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

For the Quarter Ended	
March 31,	
2019	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
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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
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Interest on SBA obligations

99,124	77,569
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Bad debt expense

-	45,900
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Total expenses

689,735	588,564
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Net investment gain (loss) before income taxes

29,635	(225,755)
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Income tax expense (benefit)

6,868	(52,426)
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Net investment gain (loss)

22,767	(173,329)
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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 or appreciation on investments:

Affiliate investments	1,043,595	(250,000)
Non-Control/Non-Affiliate investments	(521,300)	(201,489)

Change in unrealized depreciation or appreciation before income tax expense (benefit)

522,296	(451,489)
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Deferred income tax expense (benefit)

120,779	(104,405)
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Net change in unrealized depreciation or appreciation on investments

401,517	(347,084)
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Net realized and unrealized gain (loss) on investments	432,648	(347,084)
Net increase (decrease) in net assets from operations	<u>\$ 455,415</u>	<u>\$ (520,413)</u>
Weighted average shares outstanding	6,321,988	6,321,988
Basic and diluted net increase (decrease) in net assets from operations per share	<u>\$ 0.07</u>	<u>\$ (0.08)</u>

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<https://www.businesswire.com/news/home/20190502005258/en/>

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Source: Rand Capital Corporation