



Second Quarter 2019 Financial Results

August 6, 2019

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President & CEO

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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 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; (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.

Second Quarter 2019 Key Developments








- Continued progress toward completion of \$25 million investment in Rand by East Asset Management (“East”)
 - Received shareholder approval at special meeting in May
 - Rand Capital Management deemed effective as registered investment adviser by SEC in July
 - Working with U.S. Small Business Administration to obtain approval
 - Expect transactions to close in second half of 2019, pending SBA approval
- NAV of \$4.85 per share at 6/30/2019, down from \$5.06 at 3/31/2019
 - Decrease primarily due to net depreciation in certain portfolio investments and higher expenses for East transaction
 - Investment income increased 41% and 68% over the prior-year quarter and year-to-date periods, respectively*
- Made \$250,000 follow-on investment in a current portfolio company – Genicon, Inc.

* 2019 investment income includes a \$194,000 nonrecurring dividend in Q2 and \$225,000 nonrecurring loan repayment fee income in Q1

Top Five Investments in Portfolio



\$31.2 million total portfolio, 28 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	16%
 Genicon	\$4.1	2015	Healthcare—Surgical Instrumentation	13%
 ACV Auctions	\$2.8	2016	Software—Live Mobile Auctions for Automobile Dealers	9%
 Microcision	\$2.6	2009	Manufacturer—Machined Medical Implants	8%
 Rheonix	\$2.2	2009	Healthcare—Molecular Testing Devices	7%
TOTAL Top 5	\$16.7			53%

All values as of June 30, 2019, may not foot due to rounding

Tilson Offers Expertise to Support 5G



January 2015

Initial Investment

\$5.0 million

Fair Value of Investment*

9%

Equity Ownership

Headquarters

Portland, ME

Description

Provides network deployment construction and information system services management for cellular, fiber optic and wireless systems providers

Recent Business Activity

- CEO Josh Broder testified before U.S. House of Representatives Workforce Subcommittee
 - Importance of training and apprenticeship programs as the industry moves toward 5G and next-generation technologies
 - Private industry and government can partner to meet ever-growing workforce demands
 - Tilson currently hiring ~35 new team members per month
 - One of first companies to participate in Telecommunications Industry Registered Apprenticeship Program (TIRAP)

* Based on Rand's investment as of June 30, 2019

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



Headquarters

Dallas, TX

Description

Web-based predictive employee selection and reference checking that empowers companies to make the best decisions about their people, from hiring and development to leadership and culture

Recent Business Activity

- Recently joined forces with The Devine Group to become one company under the name OutMatch
 - Strengthens OutMatch as the clear leader in predictive talent analytics
 - Drives innovation offering the scalable, integrated OutMatch platform that includes pre-hire assessments, employee development, culture analytics and video interviewing
 - Leverages OutMatch's recent acquisitions of Pomello and Wepow

November 2010

Initial Investment

\$2.1 million

Fair Value of Investment*

4%

Equity Ownership

* Based on Rand's investment as of June 30, 2019

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



July 2013

Initial Investment

\$1.6 million

Fair Value of Investment*

6%

Equity Ownership

** Based on Rand's investment as of June 30, 2019*

Headquarters

Woburn, MA

Description

Instrumentation company specializing in portable analytical instruments whose mission is to provide durable, field-tested portable instruments to identify any compound, any mineral, any element – anyplace on the planet

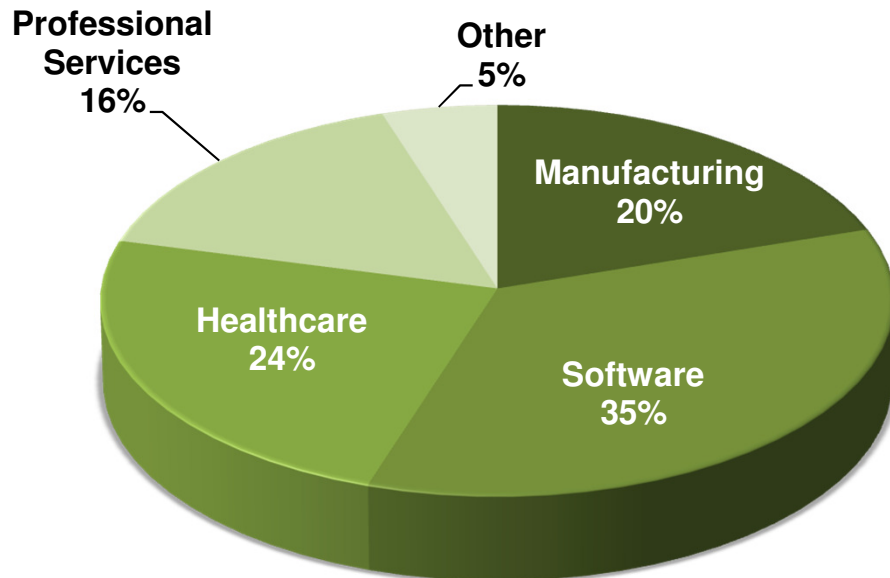
Recent Business Activity

- Revenue continues to double each year, driven by innovative core handheld technologies for in-field measurements
- World's only handheld analyzer capable of measuring carbon content in stainless steel, and carbon content in carbon equivalents
- Flagship LIBS analyzer is the only handheld capable of in-field lithium measurements of mineral exploration
- Handheld RAMAN provides chemical and mineral ID capability for global safety and security markets

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

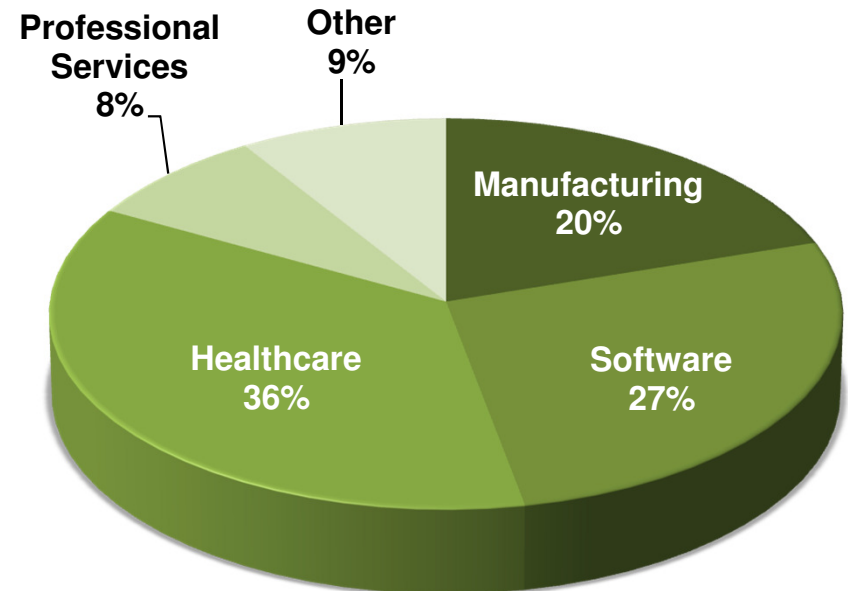
Investments by Industry Classification

June 30, 2019



*Based on total investments
at fair value of \$31.2 million
as of June 30, 2019*

June 30, 2018



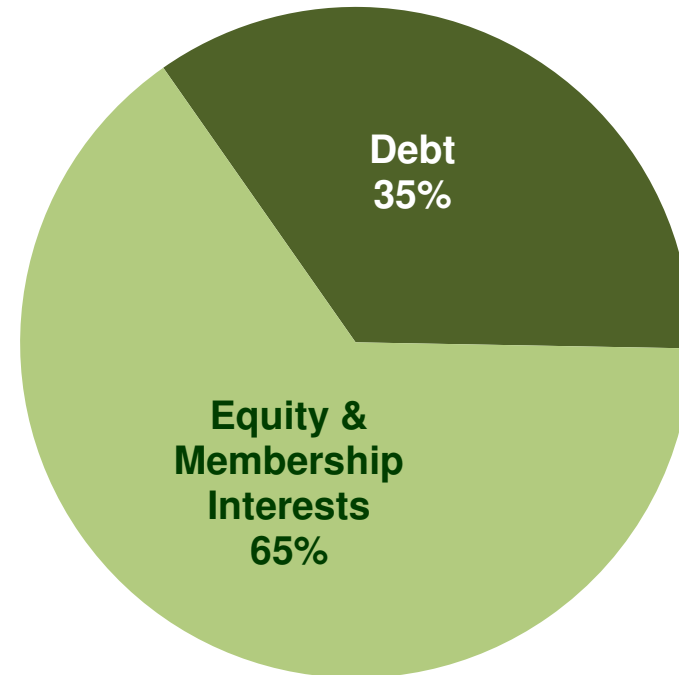
*Based on total investments
at fair value of \$32.3 million
as of June 30, 2018*

Building Balanced Portfolio



Portfolio Asset Mix

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



\$31.2 million
June 30, 2019



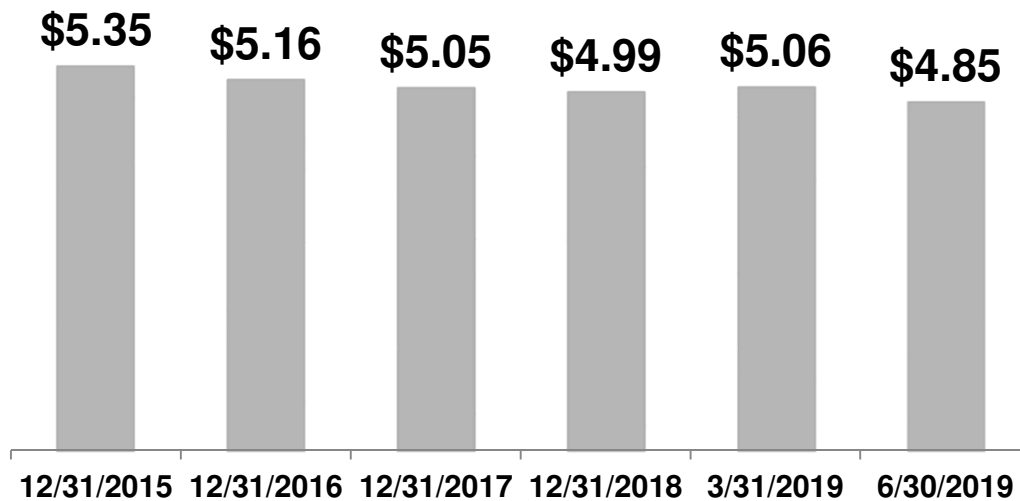
Financial Review

Daniel P. Penberthy
Executive Vice President & CFO

Net Asset Value Per Share



(NAV per share, after tax)



- NAV decline in the quarter driven primarily by fair value reductions for Social Flow, Genicon and BeetNPath, and higher operating expenses for East transaction
- Partially offset by higher dividend and interest income

Portfolio gains/losses drive changes in NAV

Financial Summary



(in thousands, except per share data)

	Q2 2019	Q2 2018	\$/% Δ	YTD 2019	YTD 2018	\$/% Δ
Investment income	\$ 583	\$ 413	\$170/41%	\$ 1,302	\$ 776	\$526/68%
Total expenses	824	474	\$350/74%	1,514	1,062	\$452/43%
Net investment loss before income taxes	(241)	(60)	\$(181)/NM	(211)	(286)	\$75/26%
Net realized and unrealized loss on investments	(1,204)	(594)	\$(610)/NM	(772)	(941)	\$169/18%
Net decrease in net assets from operations	(1,348)	(631)	\$(717)/NM	(892)	(1,152)	\$260/23%
Per share	\$(0.21)	\$(0.10)	\$(0.11)/NM	\$(0.14)	\$(0.18)	\$0.04/22%

- Investment income increase in Q2 2019 driven by nonrecurring \$194,000 dividend; year-to-date increase also includes nonrecurring \$225,000 fee income associated with the eHealth loan repayment in Q1
- Higher expenses in both the quarter and year-to-date periods of 2019 were primarily due to fees associated with the East transaction
- The Q2 2019 net depreciation of investments was primarily driven by decreases in the valuations of Social Flow, Genicon and BeetNPath

Strong Balance Sheet



At June 30, 2019

Value/share

\$0.22	\$1.4 million cash at Corporate
\$1.14	\$7.2 million cash in SBIC
\$4.94	\$31.2 million in portfolio investments
(\$1.74)	\$11.0 million in SBA borrowings (maturity 2022-2029)
<u>\$0.29</u>	\$1.8 million other assets & liabilities, net
<u>\$4.85</u>	Net Asset Value (NAV) per share



Supplemental Information

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 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



Second Quarter 2019 Earnings Call

August 6, 2019