

Rand Capital Makes \$2.1 Million of Investments in 2015 Second Quarter; Net Asset Value Increased to \$5.16 Per Share

- **Active quarter for follow-on investments totaling \$1.6 million in seven portfolio companies**
- **Added additional medical device manufacturer to portfolio with \$500,000 investment**
- **Total assets of \$43.0 million, up 14% from 2014 second quarter**

BUFFALO, N.Y., Aug. 4, 2015 (GLOBE NEWSWIRE) -- Rand Capital Corporation (NASDAQ:RAND) ("Rand"), a business development company that makes venture capital investments in companies with emerging product, service or technology concepts, announced its results for the quarter ended June 30, 2015.

Second Quarter 2015 Financial Highlights

- Achieved \$5.16 net asset value (NAV) per share at June 30, 2015, up \$0.73 per share, or 16%, over June 30, 2014
- Provided \$1.6 million as follow-on investments in seven portfolio companies, with the largest additional investments made in SocialFlow, Rheonix, and SciAps
- Made initial investment of \$500,000 in GENICON, a medical device manufacturer and distributor focused exclusively on laparoscopic surgery
- Investment portfolio fair value now totals \$34.3 million

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "The second quarter was an active quarter of investing for us. Our conviction to our portfolio companies and their growth opportunities led to our further financial support of several of them this quarter, as well as an addition to the portfolio. We like the progress we are seeing in these companies and recognize the follow-on investments will help to support their continued development."

Investment Activity and Portfolio Overview

Highlights of several of this quarter's largest investments follow:

- New to the Rand portfolio, GENICON (<http://geniconendo.com/>) is a recognized emerging leader in the design, production, and distribution of patented surgical instrumentation focused exclusively on laparoscopic surgery. Product concepts originate from a distinguished panel of general, gynecologic, urologic and pediatric surgeons. The panel provides oversight on product design to meet the needs of a global surgeon client base. Research & development by mechanical and electrical engineers with significant experience in medical device design and manufacturing advance the development process. Rand has a \$0.5 million equity investment in

GENICON.

- SocialFlow, Inc. (<http://www.socialflow.com/>) handles social publishing for the largest and most influential publishers in the world including Facebook, Twitter, and LinkedIn while also solving complex social media problems for brand marketers and providing data-driven solutions for optimized, cost effective social media marketing campaigns. SocialFlow was recently selected as an ad-tech partner for Pinterest's Marketing Developer Partners program. Rand now holds a \$1.75 million investment in SocialFlow.
- SciAps, Inc. (<http://sciaps.com/>) is an instrumentation company that provides durable, field-tested, portable analytical instruments to identify virtually any compounds, minerals and elements on the planet. The recent infusion of capital allows the company to develop proprietary laser technology aimed at a tenfold improvement in analyzer performance and vertical integration of key components. Additionally, the company intends to pursue new markets that have emerged for its industry-leading handheld laser induced breakdown spectrometer, including geochem, food and agriculture. Rand holds a \$2.0 million investment in SciAps as of June 30, 2015.

Additional follow-on investments were provided to Rheonix, Inc., Mezmeriz, Inc., Teleservices Solutions Holdings, LLC, Intrinsiq Materials, Inc., and OnCore Golf Technology, Inc. At \$2.8 million, Rheonix is Rand's largest investment on a cost basis.

As of June 30, 2015, Rand's portfolio consisted of 31 businesses valued at \$34.3 million. It was comprised of approximately 46% in manufacturing, 21% in software, 11% in healthcare and 22% in a diverse group of other industry categories. The portfolio included approximately 23% in debt investments and 77% in equity investments.

Liquidity and Capital Resources

Rand is focused on increasing net asset value through capital appreciation and maintaining sufficient income to drive operational leverage.

Cash on hand at June 30, 2015 was \$6.5 million. The primary use of cash is for follow-on and new investments to grow the Company's portfolio and net asset value.

Strategy and Outlook

Rand's strategy is to invest in small-to-mid-sized companies with new or unique products or services that offer competitive advantage and strong growth potential. It focuses primarily on upstate New York and Northeast businesses to more efficiently enable the Rand team to work closely with senior management and boards of portfolio companies.

Mr. Grum concluded, "We are realizing solid success with the investments we have made and plan to replicate our approach to keep growing the portfolio. Historically, over the past decade we achieved a net asset value per share compound annual growth rate of approximately 14.5%. We believe we have the momentum to continue to achieve solid returns over the long-term. To achieve our goal, our rate of investment has accelerated over the last three years while we maintained our investment discipline."

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 wholly-owned subsidiary is licensed by the U.S. Small Business Administration (SBA) as a Small Business Investment Company (SBIC). Rand focuses its investments in early or expansion stage companies with strong leadership that are 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: 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. These statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Corporation to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the valuation of the Corporation's portfolio, the timing and opportunity for investments or divestitures as well as 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 Subsidiary Consolidated Statements of Financial Position

| | June 30, | December |
|--|-----------------------------|-----------------------------|
| | 2015 | 31, |
| | 2014 | 2014 |
| | (Unaudited) | |
| ASSETS | | |
| Investments at fair value: | | |
| Control investments (cost of \$1,248,221 and \$1,347,300, respectively) | \$ 9,923,221 | \$ 10,022,300 |
| Affiliate investments (cost of \$18,139,387 and \$15,188,935, respectively) | 17,374,393 | 14,617,378 |
| Non-affiliate investments (cost of \$7,100,532 and \$5,677,241, respectively) | 6,961,261 | 5,665,698 |
| Total investments, at fair value (cost of \$26,488,140 and \$22,213,476, respectively) | 34,258,875 | 30,305,376 |
| Cash | 6,520,170 | 13,230,717 |
| Interest receivable (net of allowance: \$122,000 at 6/30/15 and \$128,311 at 12/31/14) | 207,441 | 165,094 |
| Prepaid income taxes | 148,807 | -- |
| Other assets | 1,817,277 | 1,824,800 |
| Total assets | <u>\$ 42,952,570</u> | <u>\$ 45,525,987</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)**Liabilities:**

| | | |
|---|---------------------|--------------|
| Debentures guaranteed by the SBA | \$ 8,000,000 | \$ 8,000,000 |
| Income tax payable | -- | 2,065,795 |
| Deferred tax liability | 1,862,464 | 1,838,351 |
| Profit sharing and bonus payable - officers | 194,740 | 953,490 |
| Accounts payable and accrued expenses | 184,017 | 290,646 |
| Deferred revenue | 35,264 | 24,264 |
| Total liabilities | 10,276,485 | 13,172,546 |

Commitments and contingencies

Stockholders' equity (net assets):

| | | |
|--|----------------------|---------------|
| Common stock, \$.10 par; shares authorized 10,000,000; shares issued 6,863,034; shares outstanding of 6,328,538 as of 6/30/15 and 12/31/14 | 686,304 | 686,304 |
| Capital in excess of par value | 10,581,789 | 10,581,789 |
| Accumulated net investment (loss) | (506,475) | (867,482) |
| Undistributed net realized gain on investments | 18,463,557 | 18,290,374 |
| Net unrealized appreciation on investments | 4,898,401 | 5,109,947 |
| Treasury stock, at cost; 534,496 shares as of 6/30/15 and 12/31/14 | (1,447,491) | (1,447,491) |
| Total stockholders' equity (net assets) (per share 6/30/15: \$5.16, 12/31/14: \$5.11) | 32,676,085 | 32,353,441 |
| Total liabilities and stockholders' equity | \$ 42,952,570 | \$ 45,525,987 |

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

| | For the Quarter Ended June 30, | | For the Six Months Ended June 30, | |
|---|--------------------------------------|-----------|---|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| Investment income: | | | | |
| Interest from portfolio companies: | | | | |
| Control investments | \$ 20,275 | \$ 29,460 | \$ 42,420 | \$ 61,759 |
| Affiliate investments | 96,522 | 130,517 | 211,651 | 253,373 |
| Non-Control/Non-Affiliate investments | 66,422 | 41,320 | 115,222 | 79,344 |
| Total interest from portfolio companies | 183,219 | 201,297 | 369,293 | 394,476 |
| Interest from other investments: | | | | |
| Non-Control/Non-Affiliate investments | 8,369 | 3,031 | 15,190 | 8,197 |
| Total interest from other investments | 8,369 | 3,031 | 15,190 | 8,197 |

| | | | | |
|---|------------------------|-----------------------|-------------------------|-------------------------|
| Dividend and other investment income: | | | | |
| Control investments | 491,208 | 399,895 | 903,359 | 682,981 |
| Affiliate investments | 29,061 | 59,232 | 58,429 | 90,065 |
| Non-Control/Non-Affiliate investments | -- | 2,531 | -- | 2,531 |
| Total dividend and other investment income | <u>520,269</u> | <u>461,658</u> | <u>961,788</u> | <u>775,577</u> |
| Fee income: | | | | |
| Control investments | 2,000 | 2,500 | 4,000 | 6,000 |
| Affiliate investments | 416 | 1,767 | 1,833 | 2,700 |
| Non-Control/Non-Affiliate investments | 4,251 | 1,306 | 8,167 | 2,556 |
| Total fee income | <u>6,667</u> | <u>5,573</u> | <u>14,000</u> | <u>11,256</u> |
| Total investment income | <u>718,524</u> | <u>671,559</u> | <u>1,360,271</u> | <u>1,189,506</u> |
| Operating expenses: | | | | |
| Salaries | 149,555 | 147,669 | 299,110 | 295,338 |
| Bonus and profit sharing | -- | (45,635) | -- | (45,635) |
| Employee benefits | 29,394 | 24,689 | 59,801 | 62,756 |
| Directors' fees | 29,300 | 55,500 | 51,050 | 74,250 |
| Professional fees | 20,433 | 44,021 | 93,502 | 100,512 |
| Stockholders and office operating | 55,717 | 55,361 | 115,114 | 85,650 |
| Insurance | 6,300 | 7,500 | 17,554 | 19,909 |
| Corporate development | 14,400 | 16,431 | 31,381 | 27,556 |
| Other operating | 2,224 | 1,979 | 5,874 | 3,256 |
| | <u>307,323</u> | <u>307,515</u> | <u>673,386</u> | <u>623,592</u> |
| Interest on SBA obligations | 77,569 | 68,137 | 151,891 | 126,417 |
| Bad debt expense | -- | -- | -- | 6,311 |
| Total operating expenses | <u>384,892</u> | <u>375,652</u> | <u>825,277</u> | <u>756,320</u> |
| Investment income before income taxes | <u>333,632</u> | <u>295,907</u> | <u>534,994</u> | <u>433,186</u> |
| Income tax expense | <u>101,920</u> | <u>48,712</u> | <u>173,987</u> | <u>97,843</u> |
| Net investment income | <u>231,712</u> | <u>247,195</u> | <u>361,007</u> | <u>335,343</u> |
| Net Realized gain (loss) on investments: | | | | |
| Affiliate investments | -- | -- | -- | (778,253) |
| Non-Control/Non-Affiliate investments | 131,181 | (444,172) | 262,925 | (446,939) |
| Net realized gain (loss) before income taxes | 131,181 | (444,172) | 262,925 | (1,225,192) |
| Income tax expense (benefit) | 42,591 | (142,701) | 89,742 | (422,226) |
| Net realized gain (loss) on investments | <u>88,590</u> | <u>(301,471)</u> | <u>173,183</u> | <u>(802,966)</u> |
| Net (decrease) increase in unrealized appreciation on investments: | | | | |
| Affiliate investments | (193,436) | (356,900) | (193,436) | 29,980 |
| Non-Control/Non-Affiliate investments | (73,219) | 1,236,251 | (127,728) | 1,236,251 |
| Change in unrealized appreciation before income taxes | (266,655) | 879,351 | (321,164) | 1,266,231 |
| Deferred income tax (benefit) expense | (89,449) | 305,299 | (109,618) | 448,445 |
| Net (decrease) increase in unrealized appreciation on investments | <u>(177,206)</u> | <u>574,052</u> | <u>(211,546)</u> | <u>817,786</u> |
| Net realized and unrealized (loss) gain on investments | <u>(88,616)</u> | <u>272,581</u> | <u>(38,363)</u> | <u>14,820</u> |

| | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Net increase in net assets from operations | <u>\$ 143,096</u> | <u>\$ 519,776</u> | <u>\$ 322,644</u> | <u>\$ 350,163</u> |
| Weighted average shares outstanding | 6,328,538 | 6,411,892 | 6,328,538 | 6,411,892 |
| Basic and diluted net increase in net assets per share from operations | <u>\$ 0.02</u> | <u>\$ 0.08</u> | <u>\$ 0.05</u> | <u>\$ 0.05</u> |

Rand Capital Corporation and Subsidiary
Top Five Portfolio Companies at June 30, 2015
(Unaudited)

| Company | Industry | Fair Value | % of Total Assets |
|------------------|-------------------------------------|-------------------|--------------------------|
| Gemcor II, LLC | Manufacturing – Aerospace Machinery | \$9,823,721 | 23% |
| Rheonix, Inc. | Health Care – Testing Devices | \$2,916,474 | 7% |
| SciAps, Inc. | Manufacturing – Instrumentation | \$2,004,710 | 5% |
| Microcision LLC | Manufacturing – Medical Products | \$1,891,964 | 4% |
| SocialFlow, Inc. | Software – Social Publishing | \$1,750,000 | 4% |
| TOTAL | | | 43% |

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Source: Rand Capital Corporation