Operator: Greetings, and welcome to the Rand Capital Corporation Fourth Quarter and Full Year 2019 Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions]

As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Ms. Karen Howard, Investor Relations for Rand Capital Corporation. Thank you, you may begin.

Karen Howard: Thank you, Melissa, and good afternoon, everyone. We appreciate your time today for Rand's Fourth Quarter 2019 Financial Results Conference Call.

On the line with me today are Pete Grum, our Chief Executive Officer, and Dan Penberthy, our Executive Vice President and Chief Financial Officer.

You should have a copy of the release that crossed the wire this morning, as well as the slides that will accompany our conversation. If not, they are available on our website at www.randcapital.com. If you look at the slide deck and turn to Slide 2, let me point out some important information. As you are likely aware, we may make some forward-looking statements during this presentation and also during the question-and-answer session. These statements apply to future events that are subject to risks and uncertainties, as well as other factors that could cause actual results to differ from where we are today. These risks and uncertainties and other factors are provided in the earnings release, as well as in other documents filed by the Company with the Securities and Exchange Commission. You can find that information on our website or at www.sec.gov

With that, let me now turn it over to Pete, who's going to give an update on the status of the transactions with East Asset management, and summarize our 2019 performance, including providing some color on the newest investments in our portfolio that were contributed by East. Then, Dan will follow with more details regarding the financials. Pete?

Pete Grum: Good afternoon, everyone. Thank you for your time today. We are happy to have this opportunity to summarize 2019, which proved to be a very exciting year.

If you can turn to **Slide 3**, I want to highlight the transaction with East Asset Management, or East as we refer to it, and the current status of the related activities. As you know, we closed on the transaction in November. We issued about 8.3 million shares of Rand's common stock to East in exchange for $25 million of assets. The $25 million consisted of approximately $9.5 million of investments, and about $15.5 million in cash.

We have also established Rand Capital Management, or RCM, to serve as the external registered investment advisor to Rand, so Rand employees have become employees of RCM. We also, during this part of the transaction, added two new Board members, Adam Gusky and Ben Godley, while two of our long-standing Board members finished their term, Jayne Rand and Ross Kenzie.

We are continuing the process to transform Rand into a regulated investment company, or RIC. Recall that one of the benefits of being a RIC is that our investment income and capital gains will no longer be subject to U.S. Federal income taxes. To accomplish this, we need to distribute our excess earnings of profits to our shareholders. Last week, our Board declared a special dividend of $23.7 million, or $1.62 per share, which will be payable in a combination of cash and shares of Rand common stock. As we've previously communicated, as an indication of confidence in our potential value, members of the Rand Board, Management and East intend to elect to receive an all-stock dividend. Shareholders as of the April 2nd record date will receive a mailer with the details. Included in there will be an election form, on which they can designate their preference for cash or stock, subject to a limitation. The limitation is that the total cash payout is limited to 20% of the total dividend. We expect the dividend will be distributed on or about May 11.

Once that process is complete, our Board expects to effect a reverse stock split that was approved by our shareholders at the 2019 Annual Meeting in December. Then going forward, to maintain our RIC status, our Board intends to establish an ongoing regular cash dividend policy.

Let's turn to **Slide 4** and I'll provide you with some of the 2019 operational highlights. Total assets grew by $24.3 million, or 64%, to a total of $64.8 million, benefiting from the $25 million East investment. We ended the year with $25.8 million of cash, some of which will be used for the dividend and for future investments.

In 2019, we invested $2.8 million of follow-on capital in six of our portfolio companies, which I will review on the next slide. At the end of the year, we sold our equity interest in Microcision LLC, and from that we received $1.5 million of proceeds and realized a $1.5 million pre-tax gain. Additionally, Microcision repaid $453,000 of principal to us. Then in the first quarter, we updated our $1.5 million subordinated note due from Microcision to reflect an 11% interest rate with a five-year maturity, and received a warrant for 5% of their equity.

Our 2019 investment income increased 29% over 2018, due to our investment focus on income-generating instruments, as well as some variations in non-recurring investment income in each period. At the end of the year, our NAV, or net asset value, decreased to $3.66 per share. While we benefited from the gain on the Microcision exit, the decline was impacted by an $0.83 per share dilutive effect of the shares issued to East.

Please turn to **Slide 5** and you'll see a summary of the six follow-on investments we made during 2019, as well as the assets contributed by East. Follow-on investments made during the fourth quarter were the $1.5 million to GoNoodle and $250,000 in Lumious, which was previously referred to as Tech 2000. I'll highlight the four companies contributed by East in the next few slides.

Slide 6 is a snapshot of the top five investments in our portfolio, based on our year-end portfolio value. Our total portfolio is valued at about $37 million, consisting of 32 active companies. The value of our top five investments consistently comprises about half of our portfolio. Compared with our top five at the end of the third quarter, ACV Auctions is now number one, valued at approximately $6.5 million, or 18% of our portfolio, driven by its innovative solutions and market penetration. Two of the assets contributed by East are now in our top five: Andretti at number two, and Filterworks at number four. I will touch on them in more detail in the next few slides.

Now turning to **Slide 7**, as I do each quarter, I want to take the opportunity to feature some of the companies within our portfolio and give you more insight to them. This quarter, I am featuring the four companies contributed by East, all of which include a subordinated note to provide current income.

Let's start with Andretti Indoor Karting & Games, referred to as AIKG. Headquartered in Orlando, Florida, the company offers go-karting, games, rides and excitement-filled activities all under one roof at each of its locations at Marietta, Georgia; Orlando, Florida; and San Antonio, Texas. They provide adventure activities such as zip lining, rock climbing and a rope obstacle course, and their venues also offer food and a full service bar, catering to parties, meetings and special events. Our investment consists of a term note with a 12% coupon and a 4% PIK, and as of December 31, we valued it at $4.4 million.

Turn to **Slide 8**. Let me tell you a little about Filterworks Acquisition USA, which is headquartered in Deerfield Beach, Florida. They are a licensed Florida general and mechanical contractor, providing spray booth equipment, frame repair machines and paint booth filter services. Since its founding in 1988, the Filterworks team has installed over 1,500 paint booths. Our investment includes a term note with 12% coupon and 2% PIK, as well as some Class A units. Collectively, our investment carries a fair market value of $2.9 million at year-end.

Slide 9 introduces us into Hilton Displays, Inc., referred to as HDI. This company, headquartered in Greenville, North Carolina, is a nationally recognized manufacturer of signage and branding products. They were formed in 1981 and have emerged as an industry leader with emphasis on primary brand identification, architectural, retail, interior wayfinding and digital display products. Our investment consists of a term loan with a 12% coupon and 2% PIK, valued at $1.2 million at year-end.

The last asset contributed by East is on **Slide 10**. Headquartered in Dallas, Texas, Mattison Avenue provides a new way of working in the beauty industry in an upscale, professional setting. They currently lease high quality salon suites in the Dallas, Houston and Tampa markets. Our investment consists of a promissory note with a 14% coupon and a 2% PIK, carrying a fair value of $1 million at December 31.

Please turn to **Slide 11**, and you will see the industry mix of our portfolio at the end of 2019 and 2018. The year-over-year comparisons show a more diverse portfolio at the end of 2019 with some significant changes during the year. The decrease in healthcare was affected by the sale of our equity interest in Microcision and a reduction in the value of Genicon. The growth in software was driven by the increased value of our investment in ACV Auctions. The growth in professional services was driven by an increased valuation of Tilson and the addition of Mattison Avenue from East. Entertainment and automotive are new to the pie, due to the East contributed assets of AIKG and Filterworks.

On **Slide 12** we describe our new targeted investment structure, as established by the Investment Committee of RCM. To support our desired RIC status, we will need to evolve our portfolio to be more cash-generating than it has historically been. Accordingly, we will place more emphasis on subordinated debt instruments with warrants or preferred equity. We will complement that with expansion capital, and we will continue to co-invest with institutional funds, typically as a minority owner. Current interest, combined with equity interests, will become more important to us. At year-end, as shown here, our $37 million portfolio consists of about 41% debt, 59% equity. Going forward, I anticipate that it will evolve into a higher portion of debt instruments.

Slide 13 is our updated investment criteria and targeted investment terms, as established by the Investment Committee of RCM. Our investment criteria includes companies more advanced in their evolution than our historic initial investments. We are looking for businesses with at least $2 million of revenue and positive EBITDA, facilitating their ability to generate cash flow. We want private businesses in the early-to-late stage, and we now have a little bit broader geographic area. As in the past, we are interested in strong management and differentiated product. We expect that the product will have already gained market acceptance.

With respect to our new targeted investment terms, we have increased the amounts of both our initial investment size and follow-ons to the levels noted here. We have targeted a five to seven-year hold period and, as in the past, we'll have some Board involvement for oversight.

Thank you, and next I'd like to turn it over to Dan Penberthy, our EVP and CFO, to cover the financial results.

Daniel Penberthy: Thanks, Pete, and good afternoon everyone.

If you can please turn to **Slide 15**, I'll start with the net asset value per share, or NAV. As Pete mentioned, we ended the year with a net asset value of $3.66 per share. As you can see on the chart, NAV decreased $0.73 per share over the last year. The decline is primarily attributable to the $0.83 per share dilutive effect of issuing the 8.3 million shares to East. This is partially offset by the gain on the sale of our equity investment in Microcision.

Slide 16 has a summary of our operating performance for the 2019 and 2018 fourth quarters and the full calendar years. Total investment income in the fourth quarter of 2019 was $985,000, up from $668,000 in the same period last year. The $317,000 increase, or 47%, included approximately $76,000 of incremental interest income, $70,000 of incremental dividend income and $170,000 of incremental, non-recurring fee income. For 2019, investment income was up 29% over 2018.

Our fourth quarter expenses were $726,000 in 2019 and $684,000 in 2018. Excluding the costs related to the East transaction, fourth quarter expenses were $645,000 in 2019 and $581,000 in 2018. The 2018 period benefited from a $50,000 bad debt recovery, I should note. I also want to point out that the 2019 fourth quarter includes costs for the base management fee payable to RCM, our newly established external registered investment advisor, of which we are now employees. Going forward into 2020, this will be a regular fee, and certain expenses previously incurred by Rand are now incurred by RCM. These would include such things as compensation and general office expenses.

For all of 2019, total expenses were $2.8 million. This compares with $2.2 million in 2018. Excluding costs related to the East transaction, total expenses were $2.2 million and $2.1 million in 2019 and 2018, respectively.

The net realized and unrealized gain on investments was $1.4 million and $1.0 million in the fourth quarters of 2019 and 2018 respectively. The 2019 gain was driven by the Microcision transaction, as Pete previously mentioned, as well as a favorable valuation adjustment of our portfolio holding in ACV Auctions. For the year, we had a $2.2 million net realized and unrealized loss. This compares with a $326,000 loss in 2018. The 2019 results were driven by unrealized losses recorded in the prior quarters, partially offset by the fourth quarter gain, as Pete mentioned.

To summarize, the 2019 fourth quarter resulted in an increase in net assets from operations of $0.13 per share, which compares with the $0.15 per share in the 2018 fourth quarter. The full year of 2019 and 2018 resulted in $0.30 and $0.06 losses per share, respectively.

As you can see on **Slide 17**, we do continue to hold a strong balance sheet which is well-positioned for growth. As a direct result from the East transaction, now we have a historically high level of cash at year-end. Cash represents $1.76 per share at year-end.

Our portfolio investments are also at an historic level. These are valued at $2.53 per share, and we had $0.75 per share that remains owed to the SBA for our previous debenture draws. We also have $0.12 per share of other assets, net of liabilities. This comprises our NAV per share of $3.66.

With that, Pete, shall we open the line up for questions?

Pete Grum: Yes.

Operator: Thank you. At this time, we'll now be conducting a question-and-answer session. [Operator Instructions] Once again, ladies and gentlemen, if you'd like to ask a question, please press star/one on your telephone keypad.

Thank you. There are no questions at this time. I'll turn the floor back to Management for any final comments.

Pete Grum: Thank you for your time and attention this afternoon, I know it's a tumultuous day in the market. I want to thank everyone and I appreciate your support. We're excited about 2020 and what it'll hold for Rand.

Thanks again and have a great day.

Operator: Thank you. That does conclude today's teleconference. You may disconnect your line at this time and have a wonderful day.