



# **Rand Capital Achieved Fifth Consecutive Year of Record Year-End Net Asset Value and Made Record Investments of \$7.0 Million in 2015**

BUFFALO, NY -- (Marketwired) -- 03/10/16 -- Rand Capital Corporation (NASDAQ: RAND)

- ***Net asset value per share of \$5.35 at year end, up 5% over prior year end***
- ***Total portfolio value of \$36.8 million, up 22% over 2014 year end***
- ***Cash proceeds of approximately \$14 million from sale of Gemcor, Rand's largest portfolio company, anticipated to occur in the first quarter of 2016***
- ***10-year compound annual growth in net asset value per share of 13.5% through year-end 2015***

Rand Capital Corporation (NASDAQ: RAND) ("Rand"), a venture capital company that makes primarily equity investments in companies with emerging product, service or technology concepts, announced its results for the 2015 fourth quarter and full year ended December 31, 2015.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "2015 was an exciting year for Rand on several fronts. First, we invested a record-breaking \$7.0 million in promising opportunities, expanding our portfolio and offering equity appreciation potential. Second, we achieved record-breaking investment income of \$2.8 million driven by the strong financial performance of our largest portfolio company, Gemcor. Third, we reached a record level of net asset value. Finally, subsequent to year end, we signed an agreement for the sale of Gemcor, one of our most successful portfolio companies to date, with the transaction expected to close in the first quarter of 2016. While we are pleased with these results, we are even more excited about the potential inherent in our existing portfolio and future investments as we effectively put additional capital to work."

## ***Fourth Quarter and Full Year 2015 Financial Highlights***

- Achieved \$5.35 net asset value (NAV) per share at December 31, 2015, up \$0.24 per share, or 5%, over December 31, 2014
- Invested \$200,000 during the quarter with a follow-on investment in BeetNPath, LLC
- Completed 23 financing transactions across 16 portfolio companies totaling \$7.0 million in 2015
- Increased investment portfolio fair value by 22% over prior year end, to \$36.8 million at 2015 year end
- Announced expected sale of Gemcor in first quarter of 2016

## ***Strong Fourth Quarter Results in Record Year-end Net Asset Value***

- Rand recorded \$4.1 million of pretax unrealized gain relating to its investment in **Gemcor II, LLC** ([www.gemcor.com](http://www.gemcor.com)), a Buffalo-area based, global leader in the development and manufacture of automated fastening systems used by virtually every airframe manufacturer throughout the world. The gain was based on the signed agreement for the sale of Gemcor, announced on January 5, 2016. Rand made its initial investment in Gemcor in 2004. Its equity cost basis is currently \$625,000 and it expects to receive gross cash proceeds of approximately \$14 million upon completion of the Gemcor sale, anticipated in the first quarter of 2016. At December 31, 2015, Gemcor represented approximately 38% of Rand's total portfolio, with a fair value of \$13.8 million.
- In the fourth quarter, Rand made a \$200,000 follow-on investment in **BeetNPath, LLC** ([www.grainful.com](http://www.grainful.com)), an Ithaca, NY-based creator of frozen entrees and side dishes made from 100% whole grain steel cut oats. This investment took the form of Series A-2 Preferred Shares, following Rand's initial investment in 2014.
- In accordance with its valuation policy, Rand also recorded unrealized market value net write-downs of \$2.5 million in the fourth quarter of 2015. This included write-downs of \$0.6 million for both **Intrinsiq Materials, Inc.** ([www.intrinsiqmaterials.com](http://www.intrinsiqmaterials.com)) and **First WaveProducts Group, LLC** ([www.firstwaveproducts.com](http://www.firstwaveproducts.com)) as well as \$0.5 million for **SciAps, Inc.** ([www.sciaps.com](http://www.sciaps.com)). The Company determines the fair value of each of its investments in good faith, based on the specific facts and circumstances of each portfolio company, while applying a consistent valuation process. If the factors which led to the reductions in valuation are overcome in future periods, the valuations may be restored.

As of December 31, 2015, Rand's portfolio was valued at \$36.8 million and consisted of 31 businesses. A diversified group of investments, the portfolio includes approximately 50% in manufacturing, 22% in software, 14% in healthcare and 14% in a diverse group of other industry categories. The portfolio is comprised of approximately 85% in equity investments and 15% in debt investments.

### ***Liquidity and Capital Resources***

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

Cash on hand at December 31, 2015 was \$5.8 million. The primary use of cash is for follow-on and new investments to grow the Company's portfolio and net asset value as well as to fund the company's operations.

### ***Strategy Update and Outlook***

Rand's strategy has been to expand its net asset value by capitalizing on maturing investments and leveraging the returns to invest in early-stage companies with new or unique products or services that offer competitive advantage and strong growth potential. The Company's unique advantages are its focus on equity appreciation within its portfolio, its ability to provide smaller investments, its network of investment partners and growing opportunities in the undercapitalized, but strengthening markets of upstate New York and surrounding regions.

Mr. Grum concluded, "The 10-year compound annual growth rate of Rand's net asset value

per share was 13.5% through the end of 2015. Capitalizing on this success, our growth strategy now entails broadening our network and geographic reach as we evaluate a growing pipeline of investment opportunities. Our goal is to achieve double-digit growth of our net asset value per share on average over the next five to ten years. We are also more committed than ever to being proactive about keeping our investors informed of the progress of our portfolio companies. We continue to be focused on maximizing shareholder value as we drive Rand to the next level."

### **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](http://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 the expected timing and completion of the Gemcor sale transaction, the expected cash proceeds of the transaction to Rand and Rand's plans for those proceeds when and if received. These statements involve known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, the satisfaction or performance by the parties or otherwise of all conditions to closing of the Gemcor sale, and the timing and opportunity for investments of the sale proceeds among others. 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**

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Investments at fair value:		
Control investments (cost of \$1,141,472 and \$1,347,300, respectively)	<b>\$ 13,916,472</b>	\$ 10,022,300
Affiliate investments (cost of \$17,663,217 and \$15,188,935, respectively)	<b>14,662,219</b>	14,617,378
Non-affiliate investments (cost of \$8,606,053 and \$5,677,241, respectively)	<b>8,253,709</b>	5,665,698

Total investments, at fair value (cost of \$27,410,742 and \$22,213,476, respectively)	<b>36,832,400</b>	30,305,376
Cash	<b>5,844,795</b>	13,230,717
Interest receivable (net of allowance: 2015: \$122,000 and 2014: \$128,311)	<b>215,224</b>	165,094
Prepaid income taxes	<b>65,228</b>	-
Other assets	<b>1,804,040</b>	1,824,800
<b>Total assets</b>	<b>\$ 44,761,687</b>	<b>\$ 45,525,987</b>

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

**Liabilities:**

Debentures guaranteed by the SBA	<b>\$ 8,000,000</b>	\$ 8,000,000
Income tax payable	<b>-</b>	2,065,795
Deferred tax liability	<b>2,361,186</b>	1,838,351
Profit sharing and bonus payable	<b>282,000</b>	953,490
Accounts payable and accrued expenses	<b>238,911</b>	290,646
Deferred revenue	<b>25,930</b>	24,264
<b>Total liabilities</b>	<b>10,908,027</b>	13,172,546

**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 12/31/15 and 12/31/14	<b>686,304</b>	686,304
Capital in excess of par value	<b>10,581,789</b>	10,581,789
Accumulated net investment gain (loss)	<b>(24,580)</b>	(867,482)
Undistributed net realized gain on investments	<b>18,262,401</b>	18,290,374
Net unrealized appreciation on investments	<b>5,795,237</b>	5,109,947
Treasury stock, at cost; 534,496 shares as of 12/31/15 and 12/31/14	<b>(1,447,491)</b>	(1,447,491)
<b>Total stockholders' equity (net assets) (per share: 2015: \$5.35, 2014: \$5.11)</b>	<b>33,853,660</b>	32,353,441
<b>Total liabilities and stockholders' equity</b>	<b>\$ 44,761,687</b>	<b>\$ 45,525,987</b>

**Rand Capital Corporation and Subsidiary  
Consolidated Statements of Operations**

	<b>For the Quarter Ended December 31,</b>		<b>For the Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investments	<b>\$ 16,321</b>	\$ 23,799	<b>\$ 77,077</b>	\$ 112,218
Affiliate investments	<b>75,806</b>	106,163	<b>388,135</b>	481,649

Non-Control/Non-Affiliate investments	<b>49,363</b>	58,761	<b>225,897</b>	195,681
Total interest from portfolio companies	<b>141,490</b>	188,723	<b>691,109</b>	789,548
Interest from other investments:				
Non-Control/Non-Affiliate investments	<b>3,329</b>	3,765	<b>22,048</b>	14,288
Total interest from other investments	<b>3,329</b>	3,765	<b>22,048</b>	14,288
Dividend and other investment income:				
Control investments	<b>371,628</b>	514,824	<b>1,735,934</b>	1,549,185
Affiliate investments	<b>221,674</b>	108,658	<b>345,913</b>	198,723
Non-Control/Non-Affiliate investments	-	-	-	2,531
Total dividend and other investment income	<b>593,302</b>	623,482	<b>2,081,847</b>	1,750,439
Fee income:				
Control investments	<b>2,000</b>	2,000	<b>8,000</b>	12,000
Affiliate investments	<b>1,416</b>	4,399	<b>4,666</b>	8,866
Non-Control/Non-Affiliate investments	<b>4,250</b>	3,251	<b>16,667</b>	9,334
Total fee income	<b>7,666</b>	9,650	<b>29,333</b>	30,200
<b>Total investment income</b>	<b>745,787</b>	825,620	<b>2,824,337</b>	2,584,475
<b>Operating expenses:</b>				
Salaries	<b>149,555</b>	147,669	<b>598,220</b>	590,675
Bonus and profit sharing	<b>122,500</b>	981,979	<b>122,500</b>	936,344
Employee benefits	<b>30,391</b>	80,621	<b>117,937</b>	169,808
Directors' fees	<b>40,000</b>	24,000	<b>129,000</b>	112,500
Professional fees	<b>74,990</b>	38,504	<b>202,194</b>	164,740
Stockholders and office operating	<b>65,601</b>	24,066	<b>222,431</b>	133,505
Insurance	<b>6,132</b>	8,100	<b>32,086</b>	35,709
Corporate development	<b>14,190</b>	22,549	<b>62,553</b>	64,490
Other operating	<b>14,357</b>	13,475	<b>23,330</b>	19,116
	<b>517,716</b>	1,340,963	<b>1,510,251</b>	2,226,887
Interest on SBA obligations	<b>77,568</b>	70,439	<b>307,028</b>	266,099
Bad debt expense	-	-	-	6,311
Total operating expenses	<b>595,284</b>	1,411,402	<b>1,817,279</b>	2,499,297
<b>Net investment gain (loss) before income taxes</b>	<b>150,503</b>	(585,782)	<b>1,007,058</b>	85,178
Income tax (benefit) expense	<b>(98,129)</b>	(28,738)	<b>164,156</b>	63,343
<b>Net investment gain (loss)</b>	<b>248,632</b>	(557,044)	<b>842,902</b>	21,835

**Net realized (loss) gain  
on sales and dispositions of  
investments:**

Affiliate investments	(300,000)	-	(300,000)	(617,619)
Non-Control/Non-				
Affiliate investments	(5,394)	8,302,495	257,531	7,855,556
Net realized (loss) gain before income taxes	(305,394)	8,302,495	(42,469)	7,237,937
Income tax (benefit) expense	(104,238)	2,833,809	(14,496)	2,470,453
Net realized (loss) gain on sales and dispositions of investments	(201,156)	5,468,686	(27,973)	4,767,484

**Net increase (decrease)  
in unrealized appreciation on  
investments:**

Control investments	4,100,000	-	4,100,000	5,336
Affiliate investments	(1,986,004)	(300,000)	(2,429,440)	(270,020)
Non-Control/Non-				
Affiliate investments	(534,373)	(1,138,254)	(340,801)	(97,160)
Change in unrealized appreciation before income taxes	1,579,623	(1,438,254)	1,329,759	(361,844)
Deferred income tax expense (benefit)	736,021	(494,488)	644,469	(114,006)
Net increase (decrease) in unrealized appreciation on investments	843,602	(943,766)	685,290	(247,838)

**Net realized and  
unrealized gain on  
investments**

642,446	4,524,920	657,317	4,519,646
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**Net increase in net assets  
from operations**

\$ 891,078	\$ 3,967,876	\$ 1,500,219	\$ 4,541,481
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**Weighted average shares  
outstanding**

6,328,538	6,338,411	6,328,538	6,391,175
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**Basic and diluted net  
increase in net assets from  
operations per share**

\$ 0.14	\$ 0.63	\$ 0.24	\$ 0.71
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Source: Rand Capital Corporation