

August 6, 2019



Rand Capital Corporation

Rand Capital Announces Second Quarter 2019 Results

- ***Net Asset Value per share was \$4.85 at June 30, 2019.***
- ***Continued progress toward completion of \$25 million investment in Rand by East Asset Management. Transaction expected to close in second half of 2019, subject to remaining regulatory approval.***
- ***Invested \$250,000 in a follow-on transaction during the second quarter.***

BUFFALO, N.Y.--(BUSINESS WIRE)-- [Rand Capital Corporation](#) (Nasdaq:RAND) ("Rand"), a business development company, announced its results for the quarter and six months ended June 30, 2019.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "We are proceeding with the steps necessary to complete the \$25 million investment in Rand by East Asset Management ("East") following approval of the transactions by our shareholders on May 16. Rand Capital Management has finished its process to become a Registered Investment Adviser and the Securities and Exchange Commission has deemed its registration as effective. The final regulatory consent that is needed as a condition to closing on the East transaction is approval from the U.S. Small Business Administration. We continue to expect to close in the second half of 2019."

Second Quarter 2019 Financial Highlights

- Reported \$4.85 net asset value (NAV) per share at June 30, 2019, compared with \$5.06 at March 31, 2019. The sequential decrease was primarily due to net depreciation in certain portfolio investments in accordance with the Company's valuation policy and higher expenses related to the East transaction.
- Supported a current portfolio company, Genicon, Inc., with a \$250,000 follow-on investment in the form of a promissory note.
- Investment income increased 41% and 68% over the prior-year second quarter and first six months, respectively, driven by a nonrecurring dividend and higher interest income in the second quarter as well as nonrecurring loan repayment fee income in the six-month period.
- At June 30, 2019, portfolio fair value was \$31.2 million and consolidated cash was \$8.6 million, of which \$1.4 million is available for corporate purposes and \$7.2 million is restricted to the SBIC.

Total investment income in the second quarter of 2019 increased 41% to \$583,000 from \$413,000 in the same period last year. The increase was driven by a \$194,000 nonrecurring dividend and higher interest income. Total expenses in the 2019 and 2018 second quarters were \$824,000 and \$474,000, respectively. Higher expenses reflected a \$329,000 increase in professional fees and shareholder expenses related primarily to the East transaction process.

The Company recorded a \$433,000 realized pre-tax loss during the 2019 second quarter primarily resulting from its investment in a company that ceased doing business, reflecting the reclassification of an unrealized loss previously recorded. Rand also recorded pre-tax net unrealized depreciation of \$1.1 million and \$756,000 in the second quarters of 2019 and 2018, respectively.

Total investment income increased 68% to \$1.3 million for the six months ended June 30, 2019, compared with \$776,000 in the same 2018 period. The growth resulted from the Company's investment focus on income-generating instruments as well as a \$194,000 nonrecurring dividend and \$225,000 of nonrecurring loan repayment fee income realized in the 2019 period. Total expenses for the first six months of 2019 and 2018 were \$1.5 million and \$1.1 million, respectively, with the increase primarily related to the East transaction process.

Pre-tax realized losses were \$392,000 in the first six months of 2019, driven by the second quarter loss noted above. Pre-tax net unrealized depreciation on investments was \$600,000 and \$1.2 million in the first six months of 2019 and 2018, respectively.

Selected Portfolio Highlights

- [Tilson Technology Management, Inc.](#) is on a mission to build America's information infrastructure. The company recently reported that its CEO, Joshua Broder, testified before the U.S. House of Representatives Workforce Subcommittee on the importance of training and apprenticeship programs to meet current and future hiring needs as the industry moves toward 5G and next-generation technologies. The hearing, entitled, "Mind the Skills Gap: Apprenticeships and Training Programs," focuses on new ways private industry and the government can partner together to meet ever-growing workforce demands as businesses grow and compete. Tilson is currently hiring an average of 35 new team members per month across 23 offices nationwide to support its continued growth of nationwide network infrastructure design-build services. As one of the first companies in the U.S. to participate in the Telecommunications Industry Registered Apprenticeship Program (TIRAP), a program supporting career development of the telecommunications workforce, Tilson currently has almost 80 Tower Climbing Technicians I/II, Antenna and Line Lead and Foremen registered in the program. At June 30, 2019, Tilson was Rand's highest valued investment, at approximately \$5.0 million.
- [OutMatch Holdings, LLC](#) empowers companies to make the best decisions about their people, from hiring and development to leadership and culture. OutMatch recently announced that they joined forces with The Devine Group to become one company under the name OutMatch. The deal brought together two exceptional companies, client bases, and product offerings to further strengthen OutMatch as the clear leader in predictive talent analytics. The combination drives innovation for OutMatch and The Devine Group clients alike, offering the scalable, integrated OutMatch platform including pre-hire assessments and employee development, as well as culture analytics and video interviewing from OutMatch's recent acquisitions of Pomello and Wepow. The addition of the video interviewing technology provided by Wepow further intensified OutMatch's platform of predictive talent solutions. At June 30, 2019, Rand's investment in OutMatch was valued at approximately \$2.1 million.
- [SciAps, Inc.](#) is an instrumentation company specializing in portable analytical

instruments. The company's mission is to provide durable, field-tested, portable instruments to identify any compound, any mineral, any element – anyplace on the planet. Founded in 2013 by industry experts, the company's revenue continues to double every year and the company also continues to innovate core handheld technologies for in-field measurements of elements, chemicals and minerals. For example, the company makes a highly disruptive handheld LIBS analyzer (laser induced breakdown spectroscopy). It is the world's only handheld analyzer capable of measuring carbon content in stainless steel, and carbon content in carbon equivalents. It has replaced a much larger, heavier technology in the energy industry (pipelines and refining), as well as the steel manufacturing and fabrication industries across multiple sectors. The flagship LIBS analyzer also analyzes carbon and other elements in geochemical and agricultural samples and is the only handheld capable of in-field lithium measurements for mineral exploration serving the world's increasing demand for lithium batteries. SciAps's latest offering, a handheld RAMAN technology, is complementary to LIBS, providing chemical and mineral identification capability and allowing the company to enter the billion dollar global safety and security market segments. At June 30, 2019, Rand's investment in SciAps was valued at approximately \$1.6 million.

As of June 30, 2019, Rand's portfolio consisted of 28 active companies. At that date, the portfolio was comprised of approximately 65% in equity investments and 35% in debt investments, compared with 58% in equity investments and 42% in debt investments at June 30, 2018. The change was attributable to the repayment of a large loan by a portfolio company in 2019.

Webcast and Conference Call

Rand will host a conference call and live webcast today, August 6, 2019, at 1:30 p.m. Eastern Time to review its financial condition and results for the 2019 second 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 4:30 p.m. ET on the day of the call through Tuesday, August 13, 2019. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13692268. 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 currently focuses its equity investments in early or expansion stage companies and generally lends to more mature companies. The Company seeks investment opportunities in businesses with strong leaders who 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: <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 approval from the U.S. Small Business Administration (“SBA”); the intention of Rand Capital 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 release.

FINANCIAL TABLES FOLLOW.

Rand Capital Corporation and Subsidiary
Consolidated Statements of Financial Position

	June 30, 2019 (Unaudited)	December 31, 2018
<u>ASSETS</u>		
Investments at fair value:		
Control investments (cost of \$0 and \$99,500, respectively) \$	-	\$ 99,500
Affiliate investments (cost of \$21,313,526 and \$20,708,659, respectively)	18,302,106	17,026,091
Non-Control/Non-Affiliate investments (cost of \$14,154,010 and \$17,483,984, respectively)	12,939,939	17,541,213
Total investments, at fair value (cost of \$35,467,536 and \$38,292,143, respectively)	31,242,045	34,666,804
Cash and cash equivalents	8,646,007	4,033,792
Interest receivable (net of allowance of \$166,413 and \$161,000, respectively)	119,717	145,532
Deferred tax asset	842,218	525,198
Prepaid income taxes	503,067	1,138,708
Other assets	346,010	11,690
Total assets	<u>\$41,699,064</u>	<u>\$ 40,521,724</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)

Liabilities:

Debentures guaranteed by the SBA (net of debt issuance costs)	\$10,768,075	\$ 8,554,443
Profit sharing and bonus payable	-	125,000
Accounts payable and accrued expenses	264,529	245,758
Deferred revenue	34,407	72,336
Total liabilities	11,067,011	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 6/30/19 and 12/31/18	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,786,085)	(1,665,552)
Undistributed net realized gain on investments	25,920,065	26,221,443
Net unrealized depreciation on investments	(3,300,915)	(2,830,692)
Treasury stock, at cost: 541,046 shares	(1,469,105)	(1,469,105)

Total stockholders' equity (net assets) (per share -
6/30/19: \$4.85; 12/31/18: \$4.99)

30,632,053 31,524,187

**Total liabilities and stockholders' equity (net
assets)**

\$41,699,064 \$ 40,521,724

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

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Investment income:				
Interest from portfolio companies:				
Affiliate investments	\$ 206,036	\$ 175,990	\$ 414,751	\$ 323,026
Non-Control/Non-Affiliate investments	109,453	139,710	306,703	290,022
Total interest from portfolio companies	315,489	315,700	721,454	613,048
Interest from other investments:				
Non-Control/Non-Affiliate investments	53,538	7,735	71,349	12,845
Total interest from other investments	53,538	7,735	71,349	12,845
Dividend and other investment income:				
Affiliate investments	207,060	76,266	241,685	127,049
Non-Control/Non-Affiliate investments	-	2,676	-	6,058
Total dividend and other investment income	207,060	78,942	241,685	133,107
Fee income:				
Affiliate investments	3,606	4,416	7,853	7,583
Non-Control/Non-Affiliate investments	3,353	6,725	260,075	9,744
Total fee income	6,959	11,141	267,928	17,327
Total investment income	583,046	413,518	1,302,416	776,327
Expenses:				
Salaries	181,500	169,875	363,000	339,749
Employee benefits	40,167	45,251	103,099	108,996
Directors' fees	28,624	28,624	57,248	63,499

Professional fees	111,273	37,341	337,928	139,028
Stockholders and office operating	319,506	64,599	380,761	129,038
Insurance	10,969	6,900	20,570	18,888
Corporate development	14,866	10,646	33,326	26,442
Other operating	1,225	2,424	2,809	5,115
	708,130	365,660	1,298,741	830,755
Interest on SBA obligations	110,534	77,269	209,658	154,838
Bad debt expense	5,413	30,741	5,413	76,641
Total expenses	824,077	473,670	1,513,812	1,062,234
Net investment loss before income taxes	(241,031)	(60,152)	(211,396)	(285,907)
Income tax benefit	(97,731)	(22,384)	(90,863)	(74,810)
Net investment loss	(143,300)	(37,768)	(120,533)	(211,097)
Net realized gain (loss) on sales and dispositions of investments:				
Control investments	39,893	-	80,393	-
Affiliate investments	(472,632)	-	(472,632)	-
Net realized loss on sales and dispositions before income taxes	(432,739)	-	(392,239)	-
Income tax benefit	(100,230)	-	(90,861)	-
Net realized loss on sales and dispositions of investments	(332,509)	-	(301,378)	-
Net change in unrealized depreciation or appreciation on investments:				
Affiliate investments	(372,448)	(306,441)	671,148	(556,441)
Non-Control/Non-Affiliate investments	(750,000)	(450,000)	(1,271,300)	(651,489)
Change in unrealized depreciation or appreciation before income taxes	(1,122,448)	(756,441)	(600,152)	(1,207,930)
Deferred income tax benefit	(250,708)	(162,915)	(129,929)	(267,320)
Net change in unrealized depreciation or appreciation on investments	(871,740)	(593,526)	(470,223)	(940,610)
Net realized and unrealized loss on investments	(1,204,249)	(593,526)	(771,601)	(940,610)
Net decrease in net assets from operations	\$(1,347,549)	\$ (631,294)	\$ (892,134)	\$(1,151,707)
Weighted average shares outstanding	6,321,988	6,321,988	6,321,988	6,321,988
Basic and diluted net decrease in net assets from operations per share	\$ (0.21)	\$ (0.10)	\$ (0.14)	\$ (0.18)

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