

# Rand Capital Invests \$2.0 Million During Third Quarter of 2016

BUFFALO, NY -- (Marketwired) -- 11/02/16 --

- **Added two new technology companies to portfolio**
- **Provided follow-on capital to support growth of four existing portfolio companies**
- **Strong cash position with \$11.7 million at quarter end; building investment income remains priority**
- **Net Asset Value per share was \$5.20 at September 30**

[Rand Capital Corporation](#) (NASDAQ: RAND) ("Rand"), a venture capital company whose focus is primarily to make equity investments in companies with emerging product, service or technology concepts, announced its results for the quarter ended September 30, 2016.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "Our growth strategy is centered on building value in our portfolio. To that end, we made solid progress during the quarter by putting more of our cash to work. We expanded our portfolio with two new investments, both of which are technology-oriented companies located in Western New York. PostProcess Technologies provides automated and intelligent post-processing solutions for 3D printed parts. ACV Auctions offers a unique user application for the used-car dealer industry. We also provided additional capital to four portfolio companies that are successfully advancing their growth strategies."

He noted, "While we are always focused on long-term capital appreciation, our current investment priority is to fund debt instruments or dividend-paying companies to build investment income in support of our operating expenses. Approximately 60% of our third quarter investments were in the form of debt instruments."

## **Third Quarter Highlights**

- Reported \$5.20 net asset value (NAV) per share at September 30, 2016, down \$0.01 per share from September 30, 2015, due to unrealized depreciation on certain investments and lower net investment income
- Invested \$300,000 in PostProcess Technologies LLC and \$163,000 in ACV Auctions, Inc. during the quarter, new additions to the Rand portfolio
- Supported existing portfolio companies with approximately \$1.5 million of capital during the quarter:
  - GENICON, Inc. \$600,000
  - Intrinsic Materials, Inc. \$421,546
  - Tilson Technology Management, Inc. \$400,000
  - SciAps, Inc. \$100,000
- In line with goal to grow investment income in the near term, year-to-date 2016 investments are expected to generate in excess of \$400,000 in annualized interest income
- Portfolio fair value of \$27.6 million and cash of \$11.7 million at the end of the 2016 third quarter

Dividend and other investment income was down approximately \$455,000 in the third quarter of 2016, compared with the 2015 third quarter. Consistent with the second quarter comparison, the decline was primarily the result of the 2016 first quarter sale of Gemcor, a large dividend and interest generating asset. Additionally, operating expenses in the current quarter were up approximately \$90,000 compared with last year's third quarter, primarily due to higher professional fees related to the evaluation of strategic options. Finally, net realized and unrealized losses were approximately \$510,000 higher than those in last year's third quarter, resulting from the Company's review and adjustment to the market value of certain investments in its portfolio.

## **Selected portfolio highlights:**

- **GENICON, Inc.** (<http://geniconendo.com/>) is recognized as an emerging leader in the design, production and distribution of patented surgical instrumentation focused exclusively on laparoscopic, or minimally invasive, surgery. Value obtained through cutting edge design and focus "by surgeons, for surgeons" is believed to be what differentiates GENICON from others in the industry. Rand provided a \$0.6 million term loan in the third quarter, supporting the company's product development and global growth initiatives. This is the fourth follow-on since the initial investment in April 2015, and brings Rand's total investment in GENICON to approximately

\$2.7 million at September 30, 2016.

- **Rhēonix, Inc.** (<http://rheonix.com/>) develops fully automated microfluidic-based molecular assays. Rhēonix has developed the Encompass *Optimum*™ platform, a highly customizable technology believed to have unmatched versatility and affordability for use in research laboratories. The platform performs fully automated, complex molecular assays in an easy-to-use and economical format on the Rhēonix CARD® cartridge. Recent business advancements include expansion in food and beverage testing with the introduction of a unique workstation specific to the industry and also the launch of revolutionary technology for rapid detection of beer spoilers. As of September 30, 2016, Rhēonix was Rand's highest valued investment at approximately \$2.9 million, consisting of common and preferred shares. Its initial investment was made in October 2009.
- **ACV Auctions, Inc.** (<https://www.acvauctions.com/>), a new investment this quarter, is an advanced mobile platform that enables used car dealers to view, bid and purchase car inventory via online auctions. These auctions are conducted from franchise dealer lots and last just 20 minutes, saving dealers time and money. The company recently raised \$5 million in venture funding, of which Rand invested \$163,000 for preferred shares.

Mr. Grum stated, "Several of our portfolio companies are maturing well and we believe could reach an exit stage over the next two to five years. These include Rhēonix, SciAps, Outmatch, SocialFlow, Microcision and Genicon. With successful exits and strong returns on our invested capital, we expect that net asset value can grow at, or above, the 10% compound annual growth rate that we achieved over the last five years."

As of September 30, 2016, Rand's portfolio consisted of 33 businesses. At the end of the third quarter, the portfolio was comprised of approximately 64% in equity investments and 36% in debt investments, compared with 82% in equity investments and 18% in debt investments at the same time last year.

#### **Capital Allocation Emphasis and Growth Strategy**

Rand's priority for allocating capital continues to be investment in its portfolio. The Board of Directors has also authorized a share repurchase program, under which the Company purchased approximately 6,550 shares during the third quarter of 2016. Approximately 459,000 shares remain authorized for repurchase under the program, which was recently extended by the Board through October 19, 2017. Rand will opportunistically use its capital to repurchase shares as a means of returning capital to shareholders.

Rand's growth strategy is to increase net asset value by capitalizing on maturing investments and leveraging those returns for further investment. Rand invests in companies at various stages of maturity with new or unique products or services that offer competitive advantages and compelling future potential.

#### **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 equity investments in early or expansion stage companies and generally lends to more mature companies. Rand looks for strong leadership who is 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 future net asset value growth, investment returns and opportunities as well as Rand's plans for utilizing proceeds from sales of portfolio companies 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, 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.*

#### **Rand Capital Corporation and Subsidiary Consolidated Statements of Financial Position**

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**September 30,**

<b>ASSETS</b>	<b>2016 (Unaudited)</b>	<b>December 31, 2015</b>
Investments at fair value:		
Control investments (cost of \$99,500 and \$1,141,472, respectively)	\$ 99,500	\$ 13,916,472
Affiliate investments (cost of \$18,239,623 and \$17,663,217, respectively)	13,688,814	14,662,219
Non-Control/Non-affiliate investments (cost of \$13,936,867 and \$8,606,053, respectively).	13,789,967	8,253,709
Total investments, at fair value (cost of \$32,275,990 and \$27,410,742, respectively)	27,578,281	36,832,400
Cash	11,708,164	5,844,795
Interest receivable (net of allowance: \$122,000 at 9/30/16 and 12/31/15)	312,523	215,224
Deferred tax asset	1,087,252	-
Prepaid income taxes	-	65,228
Other assets	2,607,195	1,604,413
<b>Total assets</b>	<b>\$ 43,293,415</b>	<b>\$ 44,562,060</b>

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

**Liabilities:**

Debtentures guaranteed by the SBA (net of debt issuance costs)	\$ 7,820,923	\$ 7,800,373
Income tax payable	826,983	-
Deferred tax liability	-	2,361,186
Profit sharing and bonus payable	1,593,659	282,000
Accounts payable and accrued expenses	153,233	238,911
Deferred revenue	53,483	25,930
Total liabilities	10,448,281	10,708,400

**Stockholders' equity (net assets):**

Common stock, \$.10 par; shares authorized 10,000,000; shares issued 6,863,034; shares outstanding of 6,321,988 as of 9/30/16 and 6,328,538 as of 12/31/15	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,375,832)	(24,580)
Undistributed net realized gain on investments	27,515,011	18,262,401
Net unrealized (depreciation) appreciation on investments	(3,093,033)	5,795,237
Treasury stock, at cost; 541,046 shares as of 9/30/16 and 534,496 as of 12/31/15	(1,469,105)	(1,447,491)
Total stockholders' equity (net assets) (per share 9/30/16: \$5.20, 12/31/15: \$5.35)	32,845,134	33,853,660
<b>Total liabilities and stockholders' equity</b>	<b>\$ 43,293,415</b>	<b>\$ 44,562,060</b>

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

	<b>For the Quarter Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investments	\$ -	\$ 18,336	\$ 11,828	\$ 60,756
Affiliate investments	113,643	100,678	273,218	312,329

Non-Control/Non-Affiliate investments	<b>110,395</b>	61,312	<b>240,027</b>	176,534
Total interest from portfolio companies	<b>224,038</b>	180,326	<b>525,073</b>	549,619
Interest from other investments:				
Non-Control/Non-Affiliate investments	<b>11,974</b>	3,529	<b>33,683</b>	18,719
Total interest from other investments	<b>11,974</b>	3,529	<b>33,683</b>	18,719
Dividend and other investment income:				
Control investments	-	460,947	-	1,364,306
Affiliate investments	<b>69,010</b>	65,810	<b>149,807</b>	124,239
Non-Control/Non-Affiliate investments	<b>3,011</b>	-	<b>3,011</b>	-
Total dividend and other investment income	<b>72,021</b>	526,757	<b>152,818</b>	1,488,545
Fee income:				
Control investments	-	2,000	<b>2,000</b>	6,000
Affiliate investments	<b>2,083</b>	1,417	<b>3,945</b>	3,250
Non-Control/Non-Affiliate investments	<b>5,770</b>	4,250	<b>13,004</b>	12,417
Total fee income	<b>7,853</b>	7,667	<b>18,949</b>	21,667
<b>Total investment income</b>	<b>315,886</b>	718,279	<b>730,523</b>	2,078,550
<b>Operating expenses:</b>				
Salaries	<b>155,437</b>	149,555	<b>466,312</b>	448,665
Bonus and profit sharing	-	-	<b>1,411,659</b>	-
Employee benefits	<b>38,730</b>	27,745	<b>164,952</b>	87,546
Directors' fees	<b>47,380</b>	37,950	<b>142,135</b>	89,000
Professional fees	<b>86,938</b>	33,702	<b>237,986</b>	127,204
Stockholders and office operating	<b>50,846</b>	41,716	<b>174,882</b>	156,830
Insurance	<b>8,358</b>	8,400	<b>25,876</b>	25,954
Corporate development	<b>17,794</b>	16,982	<b>49,319</b>	48,363
Other operating	<b>3,495</b>	3,099	<b>9,470</b>	8,973
	<b>408,978</b>	319,149	<b>2,682,591</b>	992,535
Interest on SBA obligations	<b>77,570</b>	77,569	<b>232,709</b>	229,460
Total operating expenses	<b>486,548</b>	396,718	<b>2,915,300</b>	1,221,995
<b>Net investment (loss) income before income taxes</b>	<b>(170,662)</b>	321,561	<b>(2,184,777)</b>	856,555
Income tax (benefit) expense	<b>(55,934)</b>	88,298	<b>(833,525)</b>	262,285
<b>Net investment (loss) income</b>	<b>(114,728)</b>	233,263	<b>(1,351,252)</b>	594,270
<b>Net realized gain on investments:</b>				
Control investments	<b>1,412,500</b>	-	<b>14,588,813</b>	-
Non-Control/Non-Affiliate investments	-	-	<b>168,140</b>	262,925
Net realized gain before income taxes	<b>1,412,500</b>	-	<b>14,756,953</b>	262,925
Income tax expense	<b>526,862</b>	-	<b>5,504,343</b>	89,742
Net realized gain on investments	<b>885,638</b>	-	<b>9,252,610</b>	173,183
<b>Net change in unrealized depreciation or appreciation on investments:</b>				
Control investments	<b>(1,412,500)</b>	-	<b>(12,775,000)</b>	-

Affiliate investments Non-Control/Non-	<b>(666,011)</b>	(250,000)	<b>(1,413,811)</b>	(443,436)
Affiliate investments	-	321,300	<b>69,444</b>	193,572
Change in unrealized depreciation or appreciation before income taxes	<b>(2,078,511)</b>	71,300	<b>(14,119,367)</b>	(249,864)
Deferred income tax (benefit) expense	<b>(736,301)</b>	18,066	<b>(5,231,097)</b>	(91,552)
Net (decrease) increase in unrealized depreciation or appreciation on investments	<b>(1,342,210)</b>	53,234	<b>(8,888,270)</b>	(158,312)
<b>Net realized and unrealized (loss) gain on investments</b>	<b>(456,572)</b>	53,234	<b>364,340</b>	14,871
<b>Net (decrease) increase in net assets from operations</b>	<b>\$ (571,300)</b>	\$ 286,497	<b>\$ (986,912)</b>	\$ 609,141
<b>Weighted average shares outstanding</b>	<b>6,325,299</b>	6,328,538	<b>6,327,074</b>	6,328,538
<b>Basic and diluted net (decrease) increase in net assets from operations, per share</b>	<b>\$ (0.09)</b>	\$ 0.05	<b>\$ (0.16)</b>	\$ 0.10

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