

Rand Capital Announces First Quarter 2017 Results

BUFFALO, NY -- (Marketwired) -- 04/27/17 --

- **Filed a formal license application in April with the U.S. Small Business Administration ("SBA") to establish new Small Business Investment Company ("SBIC") fund in support of strategic growth plan**
- **Invested \$450,000 in three follow-on transactions during the first quarter**
- **Net Asset Value per share was \$5.10 at March 31**

[Rand Capital Corporation](#) (NASDAQ: RAND) ("Rand"), a venture capital company which invests in early stage and emerging growth businesses with unique product, service or technology concepts, announced its results for the quarter ended March 31, 2017.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "We continued to advance our long-term strategic growth plan with the filing of our formal license application with the SBA. The proposed new fund will become our primary investing vehicle and we will begin investing from the fund under the terms of the SBA's pre-licensing investment protocols prior to receiving our formal approval."

The Company previously announced that it had filed its license application to the SBA to form a new SBIC. The application was filed pursuant to the "Green Light" letter received from the SBA in December 2016 which invited Rand to continue its license application process. The combination of Rand's capital contribution of \$7.5 million and the expected \$15.0 million of SBA debentures creates Rand's second SBIC fund with \$22.5 million in available investment capital.

Mr. Grum continued, "Our current portfolio of 33 companies continues to mature and several companies are analyzing various approaches to monetize their enterprise value. Although I cannot predict the timing of these exits, we are working with the companies to assist with their processes and enhance the likelihood of transactions."

First Quarter 2017 Financial Highlights

- Reported \$5.10 net asset value (NAV) per share at March 31, 2017, compared with \$5.16 at December 31, 2016. Lower NAV reflects net unrealized loss on investments.
- Supported three current portfolio companies with \$450,000 of debt investments during the quarter:
- Genicon, Inc. \$300,000
- Mercantile Adjustment Bureau, LLC \$100,000
- KnowledgeVision Systems, Inc. \$ 50,000
- Investment income increased 69% over the prior year period.
- At March 31, 2017, portfolio fair value was \$27.6 million and cash was \$10.7 million, or approximately 33% of net assets.

Mr. Grum concluded, "With the exit of Gemcor and the receipt of a debt instrument repayment last year, we are actively seeking and investing in instruments that provide current investment income to offset our expenses. In the first quarter, our investment income increased to approximately \$329,000 from approximately \$194,000. We will continue on this path with the goal to have our investment income cover our expenses on an annual basis."

Total expenses in the first quarter were approximately \$516,000.

Selected portfolio highlights:

- [Genicon, Inc.](#) produces patented surgical instrumentation focused exclusively on laparoscopic, or minimally invasive, surgery. Genicon has been on a solid path of growth. Rand provided a \$300,000 promissory note in the first quarter of 2017, supporting the company's global growth initiatives. This is Rand's fifth follow-on since the initial investment in April 2015, bringing its total investment in Genicon to \$3.0 million as of March 31, 2017.
- [SciAps, Inc.](#) develops portable analytical instruments which identify virtually any compound, mineral or element on earth. A customer recently announced a major breakthrough with the first use of handheld LIBS (laser-induced breakdown spectroscopy) to directly measure lithium in geological samples in Western Australia. SciAps recently successfully raised \$1.9 million of capital to support its ongoing product development and growth initiatives. Rand holds a \$2.1 million investment in SciAps as of March 31, 2017.
- [eHealth Global Technologies, Inc.](#) is the industry-leading provider of clinically-informed referral services. The

company serves more than half of the top 100 hospitals in the U.S. as well as the leading health information exchanges. The company recently announced that it plans to expand and add 84 jobs over the next three years, including customer service and research and development jobs. These investments will support eHealth's ability to digitally organize the growing volume of electronic medical records, facilitating advanced patient care services. Rand holds a \$1.5 million investment in eHealth as of March 31, 2017.

As of March 31, 2017, Rand's portfolio consisted of 33 companies. At that date, the portfolio was comprised of approximately 63% in equity investments and 37% in debt investments, compared with 75% in equity investments and 25% in debt investments at the same time last year.

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: <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

	March 31, 2017 (Unaudited)	December 31, 2016
ASSETS		
Investments at fair value:		
Control investments (cost of \$99,500 and \$99,500, respectively)	\$ 99,500	\$ 99,500
Affiliate investments (cost of \$17,947,514 and \$17,589,623, respectively)	13,963,865	13,605,974
Non-Control/Non-Affiliate investments (cost of \$14,046,954 and \$13,941,907, respectively).	13,519,410	13,795,007
Total investments, at fair value (cost of \$32,093,968 and \$31,631,030, respectively)	27,582,775	27,500,481
Cash	10,689,392	12,280,140
Interest receivable (net of allowance: \$161,000 at 3/31/17 and 12/31/16)	368,140	324,237
Deferred tax asset	1,437,250	1,165,164
Other assets	726,643	1,148,508
Total assets	\$ 40,804,200	\$ 42,418,530
LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)		
Liabilities:		
Debentures guaranteed by the SBA, net	\$ 7,834,623	\$ 7,827,773
Profit sharing and bonus payable	132,000	1,270,052
Income tax payable	391,119	320,008
Accounts payable and accrued expenses	136,465	324,537

Deferred revenue	<u>40,111</u>	46,797
Total liabilities	<u>8,534,318</u>	9,789,167

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 3/31/17 and 12/31/16

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Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,693,112)	(1,577,848)
Undistributed net realized gain on investments	27,127,054	27,127,054
Net unrealized depreciation on investments	(2,963,048)	(2,718,831)
Treasury stock, at cost; 541,046 shares as of 3/31/17 and 12/31/16	<u>(1,469,105)</u>	<u>(1,469,105)</u>
Total stockholders' equity (net assets) (per share 3/31/17: \$5.10, 12/31/16: \$5.16)	<u>32,269,882</u>	32,629,363
Total liabilities and stockholders' equity (net assets)	<u>\$ 40,804,200</u>	<u>\$ 42,418,530</u>

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

	<u>For the Quarter Ended</u>	
	<u>March 31,</u>	
	<u>2017</u>	<u>2016</u>
Investment income:		
Interest from portfolio companies:		
Control investments	\$ -	\$ 11,828
Affiliate investments	136,757	64,962
Non-Control/Non-Affiliate investments	<u>109,334</u>	<u>61,104</u>
Total interest from portfolio companies	<u>246,091</u>	<u>137,894</u>
Interest from other investments:		
Non-Control/Non-Affiliate investments	<u>10,975</u>	<u>3,061</u>
Total interest from other investments	<u>10,975</u>	<u>3,061</u>
Dividend and other investment income:		
Affiliate investments	62,373	47,565
Non-Control/Non-Affiliate investments	<u>2,512</u>	<u>-</u>
Total dividend and other investment income	<u>64,885</u>	<u>47,565</u>
Fee income:		
Control investments	-	2,000
Affiliate investments	917	695
Non-Control/Non-Affiliate investments	<u>5,769</u>	<u>2,916</u>
Total fee income	<u>6,686</u>	<u>5,611</u>
Total investment income	<u>328,637</u>	<u>194,131</u>
Expenses:		
Salaries	165,413	155,438
Bonus and profit sharing	-	1,411,659
Employee benefits	52,370	89,511
Directors' fees	34,875	47,375
Professional fees	84,002	64,760
Stockholders and office operating	67,210	62,494
Insurance	11,302	11,260
Corporate development	21,708	15,470
Other operating	<u>1,960</u>	<u>3,600</u>
Total expenses	<u>438,840</u>	<u>1,861,567</u>
Interest on SBA obligations	77,569	77,569
Total expenses	<u>516,409</u>	<u>1,939,136</u>
Net investment loss before income taxes	<u>(187,772)</u>	<u>(1,745,005)</u>
Income tax benefit	<u>(72,508)</u>	<u>(663,027)</u>
Net investment loss	<u>(115,264)</u>	<u>(1,081,978)</u>
Net realized gain on investments:		

Control investments	-	13,176,313
Net realized gain before income tax expense	-	13,176,313
Income tax expense	-	4,942,961
Net realized gain on investments	-	8,233,352
Net change in unrealized depreciation or appreciation on investments:		
Control investments	-	(11,362,500)
Affiliate investments	-	(422,800)
Non-Control/Non-Affiliate investments	(380,644)	-
Change in unrealized depreciation or appreciation before income tax benefit	(380,644)	(11,785,300)
Deferred income tax benefit	(136,427)	(4,416,406)
Net change in unrealized depreciation or appreciation on investments	(244,217)	(7,368,894)
Net realized and unrealized (loss) gain on investments	(244,217)	864,458
Net decrease in net assets from operations	\$ (359,481)	\$ (217,520)
Weighted average shares outstanding	6,321,988	6,328,538
Basic and diluted net decrease in net assets from operations per share	\$ (0.06)	\$ (0.04)

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