Operator: Greetings and welcome to the Rand Capital Corporation Third Quarter 2018 Financial Results. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Deborah Pawlowski, Investor Relations for Rand. Thank you, Ms. Pawlowski. You may begin.

Deborah Pawlowski: Thank you, and good afternoon, everyone. We certainly appreciate your time today and your interest in Rand. On the line with me are Pete Grum, our Chief Executive Officer, and Dan Penberthy, our Executive Vice President and Chief Financial Officer. Pete and Dan will be reviewing the results of the quarter that were released this morning. If you don't have a copy of that release, it is available on our website at randcapital.com. The slides that will accompany our discussion today are also posted on the website.

If you would turn to that deck, on Slide 2, I'll review the Safe Harbor Statement. 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 materially from what we state here 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. These documents can be found either on our website or at sec.gov.

With that, let me turn it over to Pete who is going to summarize the highlights for the quarter, as well as feature some of our portfolio companies, and then Dan is going to follow up with more details regarding the financials. Pete?

Allen F. "Pete" Grum: Thanks, Deb. Good afternoon, everyone. We're happy to have this opportunity to update you on Rand's third quarter. I'm going to start with Slide 3. At the end of the quarter our net asset value, or as we call it, NAV, was $4.84 per share, down slightly from $4.87 at the end of Q2. Most of this decline was due to a realized loss which we recorded on the sale of a portfolio company. It was slightly offset by an improved tax rate. The net result was the modest $0.03 decline on a per share basis.

During the quarter, our investments have been modest as we've been working, as you know, to secure additional capital from the United States Small Business Administration. That process continues. Accordingly, we only had one investment during the quarter. We invested $140,000 in the form of a convertible secured note to one of our existing portfolio companies, BeetNPath, the company that goes to market using the Grainful brand name. As you may recall, earlier this year we announced that they unveiled product reformulizations, an updated brand look and feel, and new packaging for their frozen entree product line. This additional capital supports their ongoing market penetration and growth. Our initial investment in BeetNPath was in 2014.

As you may know, our focus over the last couple of years is to invest in vehicles to build investment income, which has been evident in our investment income results over the past several quarters. In addition to that, this quarter we realized nonrecurring loan restructuring interest income. Combined, those factors resulted in a 66% increase in investment income over the prior quarter and a 34% increase for the nine-month period. Dan will go over the financial results later in the discussion.

If you turn to Slide 4, we've received feedback over time that people would be more interested in learning about our portfolio companies so, as I do each quarter, I want to take the opportunity to feature some of the companies within our portfolio as a way to give you more insight into them.

I'd like to start with Genicon, which is our largest investment at $4.2 million. Based in Winter Park, Florida near Orlando, Genicon is an industry leader in the design, production, and distribution of patented surgical instrumentation, focused exclusively on the laparoscopic surgery market. We currently categorize them in the expansion revenue stage, which includes companies with revenues between $5 million and $20 million.

The company has been experiencing significant growth. Specifically, revenue is up 38% over the prior year and they are gaining market penetration. There are several factors that are driving this success. They expanded or extended contracts with several customers, including the HealthTrust Purchasing Group; Vizient, which is the largest member-driven healthcare performance improvement company in the U.S.; and a German-based integrated delivery network organization called Helios.

Additionally, they developed and recently filed six new inventions with the U.S. patent and trademark office, and they recently registered and obtained market approval for other products by the Saudi Arabian food and drug administration. These actions are expected to be catalysts for further growth for the global market acceptance of their growing product offering. Currently, Genicon is producing at record levels, with fewer rejects and scrap, so they are progressing very well.

If I can ask you now to turn to Slide 5, the next company I would like to talk about is Tilson Technology Management. Headquartered in Portland, Maine, with offices in various cities around the U.S., this company provides network deployment and information system professional services to telecom, construction, utility and government clients, and successfully executes complex and challenging projects worldwide. We're very proud of the consistent success realized by this company and its management team. They were included in 2018 *Inc. 5000* list for the eighth year in a row. Only a fraction of companies make it to this more than once. Tilson is one within an elite group of less than 2% who have made the list eight times or more.

This year, they are again realizing exceptional revenue growth, expecting to be up over 50% in 2018 and about the same trajectory in 2019. This performance is being driven by Tilson's differentiated capability to be a leader in technology advancement. To support this growth, they have more than doubled their employment level in 2018. They have the skillset and culture to creatively figure out solutions in support of expanding 5G infrastructure deployment. They are a one-stop shop, enhancing their ability to win in this marketplace. As of September 30, 2018, our investment in Tilson was valued at $2.5 million and they are the fourth largest investment in our portfolio. They have progressed to the high traction revenue stage, which we define as companies with revenues in excess of $20 million.

Please now turn to Slide 6, the company which I'd like to discuss is GiveGab, based in Ithaca, New York. Included in the expansion revenue stage category, GiveGab is a non-profit giving platform providing a quick and easy way for fundraising professionals to raise money online. As you may recall, they acquired Kimbia earlier this year, and they now report that the integration is going extremely well. Synergies include adopting the best practices of platforms of each company to drive the growth of the combined organization. The company's 2018 giving transaction volume is on pace to grow at a rate of approximately 10 times over 2017, which grew five times over 2016. Over the past three years, GiveGab has expanded to partner with more than 150 giving days annually, while helping tens of thousands of not-for-profits raise approximately $500 million on GiveGab's platform in 2018 alone. As of September 30, 2018, Rand's investment in GiveGab was valued at approximately $616,000.

Please turn to Slide 7 and we'll look at the final company we've featured this quarter which is SciAps, based near Boston, Massachusetts. Our initial investment was $1 million in 2013, and in five years it has quickly grown from the startup phase, which we characterize as less than $1 million in revenue, to the expansion phase. SciAps is an instrumentation company producing portable analytic devices using x-ray fluorescent, or XRF; laser-induced breakdown spectroscopy, or LIBS; and RAMAN spectroscopy to identify compounds, minerals, and elements. As you would imagine, these are important technical requirements in this industry.

We are pleased to note that recently their LIBS analyzer was approved globally for measuring carbon and carbon equivalents for both pipeline inspections and refining. The company anticipates significant revenue opportunities. It's the only device of its type that has been approved for pipeline inspection applications. Additionally, they recently won a new distribution channel partner in China who switched to SciAps due to their superior breadth and more responsive consumer reports. At the end of September, Rand's investment in SciAps was valued at $2 million.

If we go to Slide 8, we've had this view before. It shows the logos of all the companies in our portfolio, characterized by revenue stage. You've seen this before with startups on the left, initial revenue expansion, and then what we call high traction on the right. The newest investment in our portfolio, Centivo, listed there as a startup, you may recall is a new high-value healthcare solution. I'm pleased to report that they reached a significant milestone in their early development. They have their first customer and enrollment seems to be going very well. We just started investing in Centivo a year ago.

Regarding the four companies we just featured, you can see Genicon, GiveGab, and SciAps are all within the expansion stage, and Tilson is to the far right, one of our companies in the high traction revenue stage. Compared with last quarter, we've removed Intrinsiq Materials because that was the company we previously talked about was sold during the quarter.

As I mentioned before, as companies progress to the right they may start to develop exit plans from our portfolio. It's virtually impossible to predict how quickly or slowly such transactions may progress as they are all dependent on market conditions.

Slide 9 is another way to look at our portfolio; these same company logos, but they are now categorized based on how long the company has been in our portfolio. We haven't added any new companies to our portfolio this year, and the average age of the companies in our portfolio is just under five years, and our normal investment period is approximately five years. As you can see, the majority of the companies sit at or above the five-year time horizon. Today, 17 companies are in there.

If we turn to Slide 10 you can see how diverse our portfolio is. The breakdown by industry category doesn't change drastically over time. Consistent with our strategy, we are and have been a diversified Company. We invest in almost all industries, with the exception of real estate, retail, and financial services. The year-over-year comparison as of September 30 shows slight increases in the professional services and software industries and a decrease in healthcare.

I'd ask you now to turn to Slide 11, where we dissect our portfolio into capital characteristics, with debt and equity being the two main choices. Our strategy has always been on capital appreciation to grow our net asset value. Accordingly, our portfolio is more heavily weighted towards equity as opposed to debt instruments. However, we adjust our investment objective depending on the mix of cash flow stream within our portfolio. As this slide illustrates, since 2015 we have trended to more debt. We're focused on building investment income to generate cash flow to cover our expenses. Consequently, at the end of this quarter, September 30, nearly 60% of our investments were in equity and about 40% in debt, which is virtually unchanged from the end of 2017.

I'd ask you to turn now to Slide 12. This is a snapshot of the top five investments in our portfolio at the end of September. Our portfolio is valued at over $32.2 million and includes 29 active companies. As these five are unchanged from the past couple of quarters, I won't go into a lot of detail, but it does give you a quick summary. The value of our top five investments consistently compromises about half of our portfolio and, as you can see, it's weighted towards healthcare, but each one of these companies sits in a different sector within the healthcare realm.

Our top investment continues to be Genicon, which we discussed recently. The second largest investment in our portfolio is eHealth. Based in Rochester, New York, they provide a proprietary electronic platform to aggregate patient clinical records and images to support medical referrals. Our initial investment into eHealth was in 2016. Rheonix follows next, which is based in Ithaca, New York. They are a developer of fully automated, sample-to-answer molecular testing solutions for use in a variety of innovative applications for different industries. Our initial investment in Rheonix goes back to 2009. Fourth is Tilson, which we've recently discussed, and number five is Outmatch. They're in the business of helping companies to be more productive and providing tools to facilitate hiring people who are right for the job. Based in Dallas, Texas we started investing in them in 2010.

Now I'd like to turn it over to Dan Penberthy, our Executive Vice President and Chief Financial Officer, to cover the financial results.

Daniel Penberthy: Thanks, Pete and good afternoon, everyone. If you could please turn to Slide 14, I'll start with the net asset value per share, or NAV. As Pete mentioned, we finished the quarter with a net asset value of $4.84 per share. As you can see on the chart, NAV declined $0.03 per share over the trailing quarter. This decrease is attributable primarily to a realized loss upon the sale of a portfolio company, Intrinsiq Material. That business had been underperforming and we did not realize any proceeds from the sale. We did benefit from a favorable tax rate for this quarter.

Please turn to Slide 15. Here, I summarize our operating performance for the third quarters of 2018 and 2017, and also the first nine months of both years. I'll take you through the key line items noted here. The first thing I want to point out is that our investment income line includes a nonrecurring item this quarter. The loans we had invested in Empire Genomics were modified this quarter and resulted in recording of interest that had not been accrued, as well as a debt modification fee. Those items, amounting to approximately $233,000 of investment income this quarter, were than capitalized into the loan balance as part of this debt modification. That was a significant portion of the $265,000 total increase in investment income that is noted in the table. The remaining balance represents a healthy 8% increase over the prior-year investment income. As we previously mentioned, we have been investing in more income-producing instruments over the past couple of years, and that has driven increased investment income.

On a year-to-date basis, investment income is up $364,000, or 34%. Excluding the nonrecurring item in the quarter which I previously described, year-to-date investment income is up 12%.

Our third quarter expenses of $448,000 are 2% above the same quarter of last year. The increase in expenses was due to higher professional services costs, partially offset by a bad debt recovery related to Empire Genomics. For the year, expenses are down $53,000, or 3%.

As I mentioned on the last slide, during the third quarter we recorded a realized loss on the sale of a portfolio company. This was Intrinsiq Material, for which we did not receive any proceeds upon its sale. Net of previously recorded unrealized losses, the third quarter was unfavorably impacted by $400,000 before taxes for this exit.

Also related to the debt restructuring that I had mentioned previously, we recorded the write-down of our investment in Empire Genomics of about $250,000 prior to taxes. However, recall that I'd previously described the $233,000 non-recurring investment income item a few minutes ago. Thinking about these two income statement lines together, the net unfavorable impact was only about $17,000 before taxes. Clearly, the two offset each other.

To summarize, the 2018 third quarter resulted in a decrease in net assets from operations of $0.03 per share, which was primarily driven by our loss upon the sale of Intrinsiq Material, partially offset by favorable tax rates due to the new U.S. tax legislation.

Please turn to Slide 16. Our balance sheet continues to remain strong. On a per share basis, we have $0.70 of cash at the end of the quarter. This includes $0.39 per share which resides at the corporate or parent level, and $0.31 per share in our SBIC, which is available for investing. Our portfolio investments are valued at $5.09 per share at the end of the quarter. Our portfolio growth has benefited from and has been partially funded by our past SBA leverage for which we have $1.27 per share due to the SBA as of the end of the quarter. We also have $0.32 per share of other assets net of liabilities. This all adds up to our net asset value, or NAV, per share of $4.84.

With that, I'll turn it back to Pete.

Allen F. "Pete" Grum: Thank you, Dan. Before we open the lines for questions, I want to say I hope you can see there's a lot of excitement going on with Rand, a lot of underlying value in our portfolio of companies. We, as a management team, are working hard to take the Company to the next level by securing additional capital and driving our growth strategy. And now I'd like to open up the line for questions.

Operator: Thank you. We will now be conducting a question-and-answer session. If you'd like to ask a question, you may press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. One moment while we poll for questions.

Our first question comes from the line of Brett Reiss with Janney Montgomery Scott. Please proceed with your question.

Brett Reiss: Hi, Pete. Hi, Dan. How are you doing?

Allen F. "Pete" Grum: Hi, Brett.

Brett Reiss: Your last comment that you're looking at securing additional capital to go to the next level, can you give us some more specificity on the variety of things you're looking at in that area?

Allen F. "Pete" Grum: It's a current thing, as we've talked about. Our partnership with the SBA is to obtain $6 million in additional leverage. It's been very frustrating. We've been working on this for some time, and as of our last conversation with them we've been told our application isn't processed, and that's what I was trying to refer to.

Brett Reiss: Okay. Are there any other things you're looking at?

Allen F. "Pete" Grum: We've had discussions about issuing convertibles, a variety of other capital market transactions. We have not found an underwriter that can accommodate that, but we do have some ongoing conversations.

Brett Reiss: If ultimately you go the SBA route and get the $6 million additional capital, how will that help us when we look at the Company a year or two down the road?

Allen F. "Pete" Grum: The $6 million would be invested in new investments, and generally the rate between what we're borrowing at, because it's SBA agency debt, compared to where reinvest, it is generally a positive. It's really 10-year, almost long-term, capital for us to deploy.

Brett Reiss: Okay, so we'd capture the arbitrage spread. Okay. If you go the convertible route, how will that benefit us?

Allen F. "Pete" Grum: It's been a concept that has come from some shareholders that we've talked to, and it's a way to raise additional capital. It's operational leverage, and then, as we grow, our fixed expenses for running the Company stay fairly flat.

Brett Reiss: Can you do both, or it's got to be either or?

Allen F. "Pete" Grum: I know we can do the SBA, assuming they want to work with us. The convertible note, I'm not sure. These are discussions that we've had, and there's a variety of ways to do that and I'm not sure whether they would require shareholder vote or what really goes into it, but I believe, on a conceptual basis, we could do both.

Brett Reiss: Okay. Is there anything else, other than these two avenues that can be on the table to try to just get some more sponsorship of the stock and just a better stock price?

Allen F. "Pete" Grum: We are open to any and all ideas. You may or may not know, but we have an investment banker that we work with from time to time. We get inquiries about various things and we have a fiduciary responsibility as management and as a Board to evaluate those, and we do evaluate.

Brett Reiss: All right. I'll drop back in queue. Thank you for answering my questions.

Allen F. "Pete" Grum: Thank you, Brett.

Operator: Our next question comes to the line of Brett Davidson, a Private Investor. Please proceed with your question.

Brett Davidson: Good afternoon. I've got a quick question regarding the changes in the new tax law regarding the qualified opportunity zones. Have you guys become familiar with that, and does that play any role in what Rand may be looking to do?

Allen F. "Pete" Grum: We are aware of them, and are trying to figure out how we can utilize these and whether they can be utilized and passed through to shareholders, or how they work. Or whether it would really just be at a corporate level with us taking proceeds and reinvesting them. As you know, the language on that legislation is being written, as we speak.

Brett Davidson: Yes. I believe they just came out with regulations in the past week or so, so guidance has come through on that, and I haven't had a chance to look at it, but I imagine it probably introduces more confusion than it clears up.

Allen F. "Pete" Grum: It's an interesting concept on the tax side.

Brett Davidson: Have you heard any rumblings from any of the investment companies, maybe looking to open a new facility and exploring using something like that?

Allen F. "Pete" Grum: I have not. I've had discussions with high net worth individuals, and specifically around Buffalo as far as where the zones are going to be and how they may roll some of their investments into it.

Brett Davidson: Very good. Thank you.

Allen F. "Pete" Grum: Thanks, Brett.

Operator: As a reminder, it's star, one to ask a question.

There are no further questions in the queue. I'd like to hand the call back to management for closing comments.

Allen F. "Pete" Grum: We appreciate you taking the time and learning more about Rand. In between these calls, if you want to pick up the phone and call us, we're always available. Thank you very much for your time.

Operator: Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time and have a wonderful day.