

Rand Capital Invests \$2.2 Million in Second Quarter of 2016

BUFFALO, NY -- (Marketwired) -- 08/02/16 --

- **Net Asset Value per share of \$5.28 at quarter end**
- **Added eHealth Global Technologies to portfolio with \$1.5 million debt investment**
- **Provided \$0.7 million in loans as follow-on funding to support growth of five portfolio companies**
- **Strong cash position with \$14.4 million on hand; current priority to build investment income**

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 quarter ended June 30, 2016.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "While we have a strong balance sheet and sufficient capital, we are currently prioritizing debt instrument investments to generate interest income. Our goal is to replace the income previously generated from investments exited in the trailing first quarter. All of the follow-on and initial investments we made in the second quarter were loans."

He added, "We believe we have a straight-forward portfolio strategy:

- Identify investments with strong growth potential to drive capital appreciation,
- Balance the maturities of our investments to allow for staging of exits,
- And, make investments that provide dividend or interest income to support operating costs.

Our pipeline of investment opportunities is strong. And, we believe that with this approach, we can repeat the levels of growth and success we have had over the last five and ten year periods."

Second Quarter Highlights

- Reported \$5.28 net asset value (NAV) per share at June 30, 2016, up \$0.12 per share, or 2%, over June 30, 2015.
- Invested \$1.5 million in eHealth Global Technologies, Inc. during the quarter, a new addition to the Rand portfolio.
- Supported existing portfolio companies with approximately \$748,000 of loans during the quarter:
 - Empire Genomics, LLC: \$250,000
 - SciAps, Inc.: \$200,000
 - BeetNPath, LLC: \$150,000
 - Genicon, Inc.: \$100,000
 - Knoa Software, Inc.: \$ 48,466
- Made investments in the first half of 2016 that are expected to generate approximately \$375,000 in annualized interest income.
- Portfolio fair value was \$27.7 million and cash was \$14.4 million at the end of the 2016 second quarter.

Compared with the prior-year period, dividend and interest income was down \$0.5 million in the second quarter of 2016. The decline was the result of the sale in the first quarter of Gemcor, a large dividend and interest generating asset. Additionally, operating expenses in the current quarter were up \$104,723 compared with last year's second quarter, primarily due to higher professional fees related to evaluation of strategic options.

Selected portfolio highlights:

- **eHealth Global Technologies, Inc.** (<http://ehealthtechnologies.com/>), a new investment this quarter, is an industry-leading provider of clinically-informed referral services. The company's eHealth Connect[®] solution enhances patient and physician satisfaction by intelligently aggregating patients' clinical records to streamline referrals. The company's eHealth Connect[®] Image Exchange enables automated access to full diagnostic quality medical images within the context of an aggregated patient record. Rand provided \$1.5 million in a senior subordinated secured term loan.

- **SciAps, Inc.** (<http://sciaps.com/>), is a leading provider of handheld analytical instruments used in industrial, service/security, and mining markets to identify and analyze compounds, minerals and elements. Rand provided a \$200,000 subordinated convertible note in the second quarter, supporting the company's investments in new products and market penetration initiatives. This is the third follow-on since the initial investment in July 2013, and brings Rand's total investment in SciAps to approximately \$2.45 million at June 30, 2016.
- **Tilson Technology Management, Inc.** (<http://www.tilsonotech.com/>). Another rapidly growing company within the Rand portfolio, Tilson is an information technology professional services and network construction company. Tilson recently announced that it was selected to manage the construction of security, communications and other elements for the final construction stages of a new US Embassy near Oslo, Norway. Tilson's headcount has approximately doubled in each of the past two years to support its growth initiatives. As of June 30, 2016, Rand's investment in Tilson was valued at \$0.6 million in series B preferred shares issued in January 2015.

As of June 30, 2016, Rand's portfolio consisted of 31 active businesses. The portfolio is comprised of approximately 68% in equity investments and 32% in debt investments, compared with 77% in equity investments and 23% in debt investments at the same time last year.

Capital Allocation Priorities and Growth Strategy

Rand's priority for its capital is investment in its portfolio. However, the Company also maintains a share repurchase program which was authorized by the Board of Directors in October 2015. Under the program, the Company may repurchase up to approximately 465,000 shares through October 22, 2016. 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 advantage 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.

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.

FINANCIAL TABLES FOLLOW

Rand Capital Corporation and Subsidiary Consolidated Statements of Financial Position

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Investments at fair value:		

Control investments (cost of \$99,500 and \$1,141,472, respectively)	\$ 1,512,000	\$ 13,916,472
Affiliate investments (cost of \$16,708,952 and \$17,663,217, respectively)	12,824,154	14,662,219
Non-Control/Non-affiliate investments (cost of \$13,468,832 and \$8,606,053, respectively).	<u>13,321,933</u>	<u>8,253,709</u>
Total investments, at fair value (cost of \$30,277,284 and \$27,410,742, respectively)	27,658,087	36,832,400
Cash	14,376,673	5,844,795
Interest receivable (net of allowance: \$122,000 at 6/30/16 and 12/31/15)	254,801	215,224
Deferred tax asset	633,086	-
Prepaid income taxes	-	65,228
Other assets	<u>1,650,534</u>	<u>1,604,413</u>
Total assets	<u><u>\$ 44,573,181</u></u>	<u><u>\$ 44,562,060</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)

Liabilities:

Debentures guaranteed by the SBA (net of debt issuance costs)	\$ 7,814,073	\$ 7,800,373
Income tax payable	1,417,888	-
Deferred tax liability	-	2,361,186
Profit sharing and bonus payable	1,593,659	282,000
Accounts payable and accrued expenses	249,177	238,911
Deferred revenue	<u>60,336</u>	<u>25,930</u>
Total liabilities	<u>11,135,133</u>	<u>10,708,400</u>

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 6/30/16 and 12/31/15	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,261,104)	(24,580)
Undistributed net realized gain on investments	26,629,373	18,262,401
Net unrealized (depreciation) appreciation on investments	(1,750,823)	5,795,237
Treasury stock, at cost; 534,496 shares as of 6/30/16 and 12/31/15	<u>(1,447,491)</u>	<u>(1,447,491)</u>
Total stockholders' equity (net assets) (per share 6/30/16: \$5.28, 12/31/15: \$5.35)	33,438,048	33,853,660
Total liabilities and stockholders' equity	<u><u>\$ 44,573,181</u></u>	<u><u>\$ 44,562,060</u></u>

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

	<u>For the Quarter Ended</u>		<u>For the Six Months Ended June</u>	
	<u>June 30,</u>		<u>30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<i>Investment income:</i>				
Interest from portfolio companies:				
Control investments	\$ -	\$ 20,275	\$ 11,828	\$ 42,420
Affiliate investments	94,614	96,522	159,575	211,651
Non-Control/Non-Affiliate investments	<u>68,527</u>	<u>66,422</u>	<u>129,632</u>	<u>115,222</u>
Total interest from portfolio companies	<u>163,141</u>	<u>183,219</u>	<u>301,035</u>	<u>369,293</u>
Interest from other investments:				
Non-Control/Non-Affiliate investments	<u>18,648</u>	<u>8,369</u>	<u>21,709</u>	<u>15,190</u>

Total interest from other investments	<u>18,648</u>	<u>8,369</u>	<u>21,709</u>	<u>15,190</u>
Dividend and other investment income:				
Control investments	-	491,208	-	903,359
Affiliate investments	<u>33,232</u>	<u>29,061</u>	<u>80,797</u>	<u>58,429</u>
Total dividend and other investment income	<u>33,232</u>	<u>520,269</u>	<u>80,797</u>	<u>961,788</u>
Fee income:				
Control investments	-	2,000	2,000	4,000
Affiliate investments	<u>1,167</u>	<u>416</u>	<u>1,862</u>	<u>1,833</u>
Non-Control/Non-Affiliate investments	<u>4,318</u>	<u>4,251</u>	<u>7,234</u>	<u>8,167</u>
Total fee income	<u>5,485</u>	<u>6,667</u>	<u>11,096</u>	<u>14,000</u>
Total investment income	<u>220,506</u>	<u>718,524</u>	<u>414,637</u>	<u>1,360,271</u>
Operating expenses:				
Salaries	<u>155,437</u>	<u>149,555</u>	<u>310,875</u>	<u>299,110</u>
Bonus and profit sharing	-	-	1,411,659	-
Employee benefits	<u>36,711</u>	<u>29,394</u>	<u>126,222</u>	<u>59,801</u>
Directors' fees	<u>47,380</u>	<u>29,300</u>	<u>94,755</u>	<u>51,050</u>
Professional fees	<u>86,288</u>	<u>20,433</u>	<u>151,048</u>	<u>93,502</u>
Stockholders and office operating	<u>61,542</u>	<u>55,717</u>	<u>124,036</u>	<u>115,114</u>
Insurance	<u>6,258</u>	<u>6,300</u>	<u>17,518</u>	<u>17,554</u>
Corporate development	<u>16,055</u>	<u>14,400</u>	<u>31,525</u>	<u>31,381</u>
Other operating	<u>2,375</u>	<u>2,224</u>	<u>5,975</u>	<u>5,874</u>
	<u>412,046</u>	<u>307,323</u>	<u>2,273,613</u>	<u>673,386</u>
Interest on SBA obligations	<u>77,570</u>	<u>77,569</u>	<u>155,139</u>	<u>151,891</u>
Total operating expenses	<u>489,616</u>	<u>384,892</u>	<u>2,428,752</u>	<u>825,277</u>
Net investment (loss) income before income taxes	<u>(269,110)</u>	<u>333,632</u>	<u>(2,014,115)</u>	<u>534,994</u>
Income tax (benefit) expense	<u>(114,564)</u>	<u>101,920</u>	<u>(777,591)</u>	<u>173,987</u>
Net investment (loss) income	<u>(154,546)</u>	<u>231,712</u>	<u>(1,236,524)</u>	<u>361,007</u>
Net realized gain on investments:				
Control investments	-	-	13,176,313	-
Non-Control/Non-Affiliate investments	<u>168,140</u>	<u>131,181</u>	<u>168,140</u>	<u>262,925</u>
Net realized gain before income taxes	<u>168,140</u>	<u>131,181</u>	<u>13,344,453</u>	<u>262,925</u>
Income tax expense	<u>34,520</u>	<u>42,591</u>	<u>4,977,481</u>	<u>89,742</u>
Net realized gain on investments	<u>133,620</u>	<u>88,590</u>	<u>8,366,972</u>	<u>173,183</u>
Net change in unrealized depreciation or appreciation on investments:				
Control investments	-	-	(11,362,500)	-
Affiliate investments	<u>(325,000)</u>	<u>(193,436)</u>	<u>(747,800)</u>	<u>(193,436)</u>
Non-Control/Non-Affiliate investments	<u>69,444</u>	<u>(73,219)</u>	<u>69,444</u>	<u>(127,728)</u>
Change in unrealized depreciation or appreciation before income taxes	<u>(255,556)</u>	<u>(266,655)</u>	<u>(12,040,856)</u>	<u>(321,164)</u>
Deferred income tax benefit	<u>(78,390)</u>	<u>(89,449)</u>	<u>(4,494,796)</u>	<u>(109,618)</u>
Net decrease in unrealized depreciation or appreciation on investments	<u>(177,166)</u>	<u>(177,206)</u>	<u>(7,546,060)</u>	<u>(211,546)</u>
Net realized and unrealized (loss) gain on investments	<u>(43,546)</u>	<u>(88,616)</u>	<u>820,912</u>	<u>(38,363)</u>
Net (decrease) increase in net assets from operations	<u>\$ (198,092)</u>	<u>\$ 143,096</u>	<u>\$ (415,612)</u>	<u>\$ 322,644</u>
Weighted average shares outstanding	<u>6,328,538</u>	<u>6,328,538</u>	<u>6,328,538</u>	<u>6,328,538</u>

**Basic and diluted net (decrease)
increase in net assets from operations
per share**

\$ (0.03) \$ 0.02 \$ (0.07) \$ 0.05

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