

March 8, 2017



Rand Capital Announces Fourth Quarter and Full Year 2016 Results

BUFFALO, NY -- (Marketwired) -- 03/08/17 --

- ***2016 included sale of Gemcor, Rand's largest exit, generating \$14 million in proceeds***
- ***Invested \$5.9 million in four new portfolio companies and twelve follow-on transactions in eight portfolio companies during the year***
- ***Net Asset Value per share was \$5.16 at December 31***
- ***Recently received "green light" letter from SBA in support of strategic plan to continue strong growth of Rand's capital base***

[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 and full year ended December 31, 2016.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "The 'green light' letter we recently received from the SBA authorizes us to file a formal application for a new fund. Over the past fourteen years, we have provided capital to over 50 companies through our partnership with the SBA. This new proposed fund enables us to use some of the cash we received from the Gemcor exit combined with additional leverage to create a \$22.5 million fund. We will use the fund to advance our investment strategy focus on privately-held, early stage and emerging growth businesses with proven management teams."

Mr. Grum continued, "We reflect on 2016 as a year of significant progress. Early in the year with the sale of our Gemcor investment, we realized the largest exit in our history. During our 12-year holding period, Gemcor grew to be a strong provider of cash flow to Rand in the form of dividend and investment income. Accordingly, our near-term investment focus is on rebuilding cash dividends and interest to fund our ongoing operating expenses."

He added, "There are holdings in our portfolio that could represent exits over the next several years, but in the meantime, the incremental capital from the proposed new fund will enable us to expand our portfolio. Our pipeline of investment opportunities remains robust."

Fourth Quarter and Full Year 2016 Financial Highlights

- Reported \$5.16 net asset value (NAV) per share at December 31, 2016, compared with \$5.35 per share at December 31, 2015; decrease due to lower net investment income and lower net realized and unrealized gains in 2016

- Realized approximately \$14 million of net pre-tax proceeds in 2016 from the sale of Gemcor, Rand's largest exit
- For the full year, completed 16 investment transactions across 12 portfolio companies totaling \$5.9 million
- Investments made in 2016 are estimated to generate approximately \$350,000 in annualized interest income
- Portfolio fair value of \$27.5 million and cash of \$12.3 million at December 31, 2016

Dividend and other investment income was down approximately \$553,000 in the fourth quarter of 2016, compared with the 2015 fourth quarter. Consistent with the second and third quarter results, the decline was primarily the result of the 2016 first quarter sale of Gemcor. Partially offsetting that decline was an approximately \$100,000 increase in interest from portfolio companies in the fourth quarter. The increase reflects the recent debt investments. Additionally, operating expenses in the current quarter were down approximately \$110,000 compared with last year's fourth quarter.

Net realized and unrealized (loss) gain on investments was down approximately \$656,000 compared with the prior-year fourth quarter primarily due to the recognition of an unrealized gain on the Company's Gemcor investment in last year's fourth quarter.

Selected portfolio highlights:

- ***Tilson Technology Management, Inc.*** (<http://www.tilsontech.com/>) is an information technology professional services and network construction company. Having grown 500% since 2011, Tilson has been on the Inc. 5000 List of America's fastest-growing private companies for six consecutive years. They have partnered with Verizon Wireless in numerous regions, providing the know-how and resources necessary to get nodes deployed quickly in rights-of-way. Additionally, they have been licensed as a contract provider by several states for services such as electronics and telecom construction. Rand initially invested \$600,000 in series B preferred shares in January 2015. Rand made additional investments of \$200,000 in Series C convertible preferred shares and \$200,000 in a subordinated promissory note in the third quarter of 2016.
- ***PostProcess Technologies LLC*** (<http://postprocess.com/>) provides innovative solutions for the post-processing of additive manufactured parts. The company is the first and only provider of automated and intelligent post-processing for 3D-printed parts. Their technology increases the consistency, throughput and productivity of the third step of 3D printing -- post-processing. Rand provided a \$300,000 promissory note in the third quarter of 2016, supporting the company's product development and global growth initiatives.

Mr. Grum stated, "2016 was another robust year of investment activity. We made new investments in four diverse companies and follow-on investments in eight of our portfolio holdings, for a total of nearly \$6 million. Additionally, our proposed new fund will provide us a strong capital base for further growth."

As of December 31, 2016, Rand's portfolio consisted of 33 companies. At year end, the

portfolio was comprised of approximately 64% in equity investments and 36% in debt investments, compared with 85% in equity investments and 15% in debt investments at the same time last year.

Share Repurchase Program and Growth Strategy

Rand maintains a share repurchase program which has been approved by the Board of Directors through October 2017. During 2016, the Company purchased 6,550 shares; approximately 459,000 shares remain authorized for repurchase under the program.

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 early stage or emerging growth companies 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: <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

	December 31,	
	2016	2015
ASSETS		
Investments at fair value:		

Control investments (cost of \$99,500 and \$1,141,472, respectively)	\$ 99,500	\$ 13,916,472
Affiliate investments (cost of \$17,589,623 and \$17,663,217, respectively)	13,605,974	14,662,219
Non-Control/Non-affiliate investments (cost of \$13,941,907 and \$8,606,053, respectively)	13,795,007	8,253,709
Total investments, at fair value (cost of \$31,631,030 and \$27,410,742, respectively)	27,500,481	36,832,400
Cash	12,280,140	5,844,795
Interest receivable (net of allowance: \$161,000 at 12/31/16 and \$122,000 at 12/31/15)	324,237	215,224
Deferred tax asset	1,165,164	-
Prepaid income taxes	-	65,228
Other assets	1,148,508	1,604,413
Total assets	\$ 42,418,530	\$ 44,562,060

LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)

Liabilities:

Debentures guaranteed by the SBA (net of debt issuance costs)	\$ 7,827,773	\$ 7,800,373
Profit sharing and bonus payable	1,270,052	282,000
Income tax payable	320,008	-
Deferred tax liability	-	2,361,186
Accounts payable and accrued expenses	324,537	238,911
Deferred revenue	46,797	25,930
Total liabilities	9,789,167	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 at 12/31/16 and 6,328,538 at 12/31/15	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,577,848)	(24,580)
Undistributed net realized gain on investments	27,127,054	18,262,401
Net unrealized (depreciation) appreciation on investments	(2,718,831)	5,795,237
Treasury stock, at cost; 541,046 shares at 12/31/16 and 534,496 shares at 12/31/15	(1,469,105)	(1,447,491)
Total stockholders' equity (net assets) (per share 12/31/16: \$5.16, 12/31/15: \$5.35)	32,629,363	33,853,660
Total liabilities and stockholders' equity	\$ 42,418,530	\$ 44,562,060

Rand Capital Corporation and Subsidiary

Consolidated Statements of Operations

	For the Quarter Ended December 31,		For the Year Ended December 31,	
	2016	2015	2016	2015
Investment income:				
Interest from portfolio companies:				
Control investments	\$ -	\$ 16,321	\$ 11,828	\$ 77,077
Affiliate investments	130,632	75,806	403,850	388,135
Non-Control/Non-Affiliate investments	111,448	49,363	351,475	225,897
Total interest from portfolio companies	242,080	141,490	767,153	691,109
Interest from other investments:				
Non-Control/Non-Affiliate investments	11,456	3,329	45,139	22,048
Total interest from other investments	11,456	3,329	45,139	22,048
Dividend and other investment income:				
Control investments	-	371,628	-	1,735,934
Affiliate investments	39,101	221,674	188,908	345,913
Non-Control/Non-Affiliate investments	1,013	-	4,024	-
Total dividend and other investment income	40,114	593,302	192,932	2,081,847
Fee income:				
Control investments	-	2,000	2,000	8,000
Affiliate investments	1,917	1,416	5,862	4,666
Non-Control/Non-Affiliate investments	5,768	4,250	18,772	16,667
Total fee income	7,685	7,666	26,634	29,333
Total investment income	301,335	745,787	1,031,858	2,824,337
Operating expenses:				
Salaries	155,437	149,555	621,749	598,220
Bonus and profit sharing	(26,607)	122,500	1,385,052	122,500
Employee benefits	9,844	30,391	174,796	117,937
Directors' fees	42,615	40,000	184,750	129,000
Professional fees	101,837	74,990	339,823	202,194

Stockholders and office operating	52,749	65,601	227,631	222,431
Insurance	6,258	6,132	32,134	32,086
Corporate development	15,093	14,190	64,412	62,553
Other operating	11,944	14,357	21,414	23,330
	369,170	517,716	3,051,761	1,510,251
Interest on SBA obligations	77,567	77,568	310,276	307,028
Bad debt expense	39,000	-	39,000	-
Total expenses	485,737	595,284	3,401,037	1,817,279
Net investment (loss) income before income taxes	(184,402)	150,503	(2,369,179)	1,007,058
Income tax expense (benefit)	17,614	(98,129)	(815,911)	164,156
Net investment (loss) income	(202,016)	248,632	(1,553,268)	842,902
Net realized (loss) gain on sales and dispositions of investments:				
Control investments	31,250	-	14,620,063	-
Affiliate investments	(650,000)	(300,000)	(650,000)	(300,000)
Non-Control/Non-Affiliate investments	-	(5,394)	168,140	257,531
Net realized (loss) gain before income taxes	(618,750)	(305,394)	14,138,203	(42,469)
Income tax (benefit) expense	(230,793)	(104,238)	5,273,550	(14,496)
Net realized (loss) gain on sales and dispositions of investments	(387,957)	(201,156)	8,864,653	(27,973)
Net change in unrealized depreciation or appreciation on investments:				
Control investments	-	4,100,000	(12,775,000)	4,100,000
Affiliate investments	567,160	(1,986,004)	(846,651)	(2,429,440)
Non-Control/Non-Affiliate investments	-	(534,373)	69,444	(340,801)
Change in unrealized depreciation or appreciation before income taxes	567,160	1,579,623	(13,552,207)	1,329,759
Deferred income tax expense (benefit)	192,958	736,021	(5,038,139)	644,469

Net increase (decrease) in unrealized depreciation or appreciation on investments	374,202	843,602	(8,514,068)	685,290
Net realized and unrealized (loss) gain on investments	(13,755)	642,446	350,585	657,317
Net (decrease) increase in net assets from operations	\$ (215,771)	\$ 891,078	\$ (1,202,683)	\$ 1,500,219
Weighted average shares outstanding	6,321,988	6,328,538	6,325,792	6,328,538
Basic and diluted net (decrease) increase in net assets from operations per share	\$ (0.03)	\$ 0.14	\$ (0.19)	\$ 0.24

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