

April 18, 2019



Rand Capital Corporation

# Rand Capital Files Definitive Proxy Statement and Responds to Public Letter from Shareholder

***Board of Directors unanimously recommends shareholders support the transformational transactions related to East Asset Management's \$25 million investment***

BUFFALO, N.Y.--(BUSINESS WIRE)-- [Rand Capital Corporation](#) (NASDAQ: RAND) ("Rand" or "Rand Capital"), a business development company, today filed its definitive proxy statement with the Securities and Exchange Commission and recommends to its shareholders to vote "FOR" all five proposals set forth in the proxy statement. Rand also announced today that its special meeting of shareholders to seek approval of the five proposals set forth in the proxy statement will be held on May 16, 2019.

Rand shareholders who have questions about the definitive proxy statement or voting their shares should contact Alliance Advisors, LLC, which is assisting Rand with the solicitation of proxies, toll-free at 1-844-853-0931.

In addition, the Board of Directors published this letter:

April 18, 2019

Mr. Bruce Howard  
Chief Executive Officer  
User-Friendly Phone Book, LLC  
10200 Grogans Mill Road, Suite 440  
The Woodlands, TX 77380-1134

## **Re: Rand Capital Corporation's Proposed Transactions**

Dear Mr. Howard:

The Board of Directors of Rand has diligently evaluated the transactions we are proposing to shareholders, including the \$25 million investment by East Asset Management ("East"). We have carefully reviewed your comments and, while we very much appreciate the input of shareholders, we strongly disagree with your conclusions. We believe the transaction is in the best interest of all shareholders and enables a future that we expect will be demonstrably better than if we were to maintain the status quo.

Rand's management and our financial advisor had several meetings and calls with you or your representatives over the last eight months. During that period, you or your representatives have been unable or unwilling to suggest alternatives to the East transaction that would create more value for our shareholders. By default, you are

suggesting to maintain the status quo.

You are incorrect in your understanding regarding the termination fee. It only applies in the event of a superior proposal, not in the event of a failed shareholders' vote.

Additionally, a more thorough review of the proxy statement provides understanding on the process regarding the fair value of the contributed assets.

The transactions are transformational for Rand, expected to create both near- and long-term value for shareholders, and best position Rand for future growth.

We believe shareholders benefit from the following:

- **Market Value Appreciation:** The \$3.00 per share purchase price by East was a 33% premium to the market price on the day prior to the announcement of the transaction.
- **Initial Cash and Stock Dividend:** The planned Special Dividend of \$1.50 per share and the ability to receive a portion of the dividend in cash.
- **Total Return Potential:** The opportunity to receive an ongoing dividend consistent with the election of regulated investment company ("RIC") filing status with the IRS.
- **More Efficient Financial Platform:**
  - Elimination of corporate-level income tax as a RIC.
  - Expected reduction in operating expense ratio by externalizing management.
  - More income producing investments with the contributed assets.
- **Expected Improved Capital Markets Position:** The \$25 million investment provides greater scale.

We are committed to the future potential of Rand. As a demonstration of our belief, Rand's board and management, as well as East, intend to take the proposed Special Dividend in stock. We believe this is a strong indication of our confidence in the future of Rand and has the effect of increasing the amount of cash available to all other shareholders. We welcome ongoing conversation with our shareholders and reiterate our support for the transactions.

Sincerely,

/s/ Erland E. Kailbourne  
Chairman of the Board

/s/ Allen F. Grum  
President and Chief Executive Officer

## About Rand Capital

Rand Capital (Nasdaq: RAND) is a Business Development Company (BDC) with a wholly-owned subsidiary licensed by the U.S. Small Business Administration (SBA) as a Small Business Investment Company (SBIC). Rand currently focuses its equity investments in

early or expansion stage companies and generally lends to more mature companies. The Company seeks investment opportunities in businesses with strong leaders who are 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/>.

## **About East Asset Management**

East Asset Management (EAM), formed in 2010, is dedicated to investing in private & public market securities and has formed multiple investment vehicles that provide capital to a variety of industries including energy, media, real estate, hospitality, sports and entertainment. EAM has developed a unique and proprietary network for sourcing investment opportunities, including opportunities in the private credit/current yield space, leveraging both its in-house and affiliated investment talent and capabilities. EAM is an entity owned by Terry and Kim Pegula, owners of Pegula Sports & Entertainment: the management company streamlining key business areas across all Pegula family-owned sports and entertainment properties including the Buffalo Bills, Buffalo Sabres, Buffalo Bandits, Rochester Americans, Harborcenter, Black River Entertainment, ADPRO Sports, PicSix Creative agency and numerous hospitality properties.

## **Cautionary Statement Regarding Forward-Looking Statements**

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than historical facts, including but not limited to statements regarding the expected timing of the closing of the proposed transactions; the ability of the parties to complete the proposed transactions considering the various closing conditions, including receipt of necessary shareholder approvals and approval from the U.S. Small Business Administration ("SBA"); the intention of Rand Capital and Rand Capital SBIC, Inc. ("Rand SBIC") to elect to be taxed as a regulated investment companies for U.S. federal tax purposes; the intention to declare and pay a special cash and stock dividend after the closing of the proposed transactions; the intention to pay a regular cash dividend after the completion of the proposed transactions; the expected benefits of the proposed transactions such as a lower expense-to-asset ratio for Rand Capital, increased net investment income, availability of additional resources, expanded access to and sourcing platform for new investments and streamlining of operations under the external management structure; the business strategy of originating additional income producing investments; the competitive ability and position of Rand Capital following completion of the proposed transactions; and any assumptions underlying any of the foregoing, are forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue," "target" or other similar words or expressions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, (1) that

one or more closing conditions to the stock purchase may not be satisfied or waived, on a timely basis or otherwise, including that the SBA may not approve the proposed transactions or that the required approvals by the shareholders of Rand Capital may not be obtained; (2) the risk that the proposed transactions may not be completed in the time frame expected by parties, or at all; (3) the risk that Rand Capital and/or Rand SBIC may be unable to fulfill the conditions required in order to elect to be treated as a regulated investment company for U.S. tax purposes; (4) uncertainty of the expected financial performance of Rand Capital following completion of the proposed transactions; (5) failure to realize the anticipated benefits of the proposed transactions, including as a result of delay in completing the proposed transactions; (6) the risk that the board of directors of Rand Capital is unable or unwilling to declare and pay the special cash and stock dividend or pay quarterly dividends on a going forward basis; (7) the occurrence of any event that could give rise to termination of the stock purchase agreement; (8) the risk that shareholder litigation in connection with the proposed transactions may affect the timing or occurrence of the contemplated transactions or result in significant costs of defense, indemnification and liability; (9) evolving legal, regulatory and tax regimes; (10) changes in general economic and/or industry specific conditions; and (11) other risk factors as detailed from time to time in Rand Capital's reports filed with the Securities and Exchange Commission ("SEC"), including Rand Capital's annual report on Form 10-K for the year ended December 31, 2018, later filed quarterly reports on Form 10-Q, the definitive proxy statement for the proposed transactions and other documents filed with the SEC. Consequently, such forward-looking statements should be regarded as Rand Capital's current plans, estimates and beliefs. Except as required by applicable law, Rand Capital assumes no obligation to update the forward-looking information contained in this release.

### **Additional Information and Where to Find It**

This communication may be deemed to be solicitation material in respect of solicitation of proxies from shareholders of Rand Capital in respect of the proposed transactions. Rand Capital has filed the definitive proxy statement in respect of the proposed transactions, which was first sent or made available to shareholders on or about April 18, 2019. INVESTORS OF RAND CAPITAL ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT AND OTHER RELEVANT DOCUMENTS CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTIONS AND RELATED MATTERS. Investors may obtain the definitive proxy statement and other documents filed by Rand Capital with the SEC from the SEC's website at [www.sec.gov](http://www.sec.gov) or from Rand Capital's website at [www.randcapital.com](http://www.randcapital.com). Investors and security holders may also obtain free copies of the definitive proxy statement and other documents filed with the SEC from Rand Capital by calling Investor Relations at 716-843-3908.

### **Participants in the Solicitation**

Rand Capital and its directors, executive officers, employees and other persons may be deemed to be participants in the solicitation of proxies from the shareholders of Rand Capital in respect of the proposed transactions. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of Rand Capital shareholders in connection with the proposed transactions is set forth in the definitive proxy statement filed with the SEC, which can be obtained free of charge from the sources

indicated above.

View source version on businesswire.com:

<https://www.businesswire.com/news/home/20190418005071/en/>

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Source: Rand Capital Corporation