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Rand Capital Corporation

Rand Capital Reports First Quarter 2016 Net Asset Value of \$5.31 per Share

BUFFALO, NY -- (Marketwired) -- 05/04/16 --

Rand Capital Corporation (NASDAQ: RAND)

- Invested \$1.65 million during the quarter. Added one new portfolio company. Provided follow-on funding for three other portfolio companies
- Received proceeds, net of escrow, of \$13.8 million from sale of Gemcor

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 March 31, 2016.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "The Gemcor sale transaction was a major milestone for Rand. We believe this exit substantiates our strategy and capabilities. We are an active, involved investor in our portfolio companies and a patient provider of capital. We realized an annual internal rate of return of approximately 64% on this asset, which we had nurtured for nearly 12 years. The proceeds provide us with new capital to put to work for the benefit of our portfolio of growing enterprises, as well as new investment opportunities."

First Quarter Highlights

- Reported \$5.31 net asset value (NAV) per share at March 31, 2016, up \$0.17 per share, or 3%, over March 31, 2015
- Closed on sale of largest portfolio company, Gemcor, expected to yield gross proceeds of \$15.2 million, amounting to approximately \$10 million after deducting taxes and expenses
- Invested \$200,000 in ClearView Social, Inc. during the quarter, a new addition to the Rand portfolio
- Supported existing portfolio companies with \$1.45 million of investments during the quarter:
 - Genicon, Inc. \$1.0 million
 - Empire Genomics, LLC \$0.3 million
 - OnCore Golf Technology, Inc. \$0.15 million
- Portfolio fair value was \$25.7 million and cash was \$17.9 million at the end of the 2016 first quarter

Portfolio Continues to Evolve

- Portfolio value declined \$11.2 million and cash increased \$12.1 million during the quarter, driven by the Gemcor exit. Cash proceeds, net of a \$1.4 million escrow, were \$13.8 million, pre-tax. The available cash balance after taxes will be used primarily to

fund additional new and follow-on investments.

- **ClearView Social** (<http://clearviewsocial.com/>), a new investment this quarter, is a global internet solution for law firms to share legal content with their lawyers' networks, helping to grow their businesses. Rand's \$200,000 investment was part of a \$500,000 raise for ClearView's seed financing round.
- **Genicon** (<http://geniconendo.com/>) is an emerging leader in the design, production, and distribution of patented surgical instrumentation focused exclusively on laparoscopic surgery. Rand's \$1.0 million senior term loan investment in the first quarter represents its third tranche, bringing its total investment to \$2.0 million at the end of the quarter, with an additional \$100,000 investment in April 2016.
- **Empire Genomics** (<http://www.empiregenomics.com/>), a molecular diagnostics company, offers comprehensive assay services for diagnosing and guiding patient therapeutic treatments. Rand provided a \$300,000 senior secured convertible note in the first quarter to Empire Genomics. This brings Rand's total investment in the company to \$900,000 at March 31, 2016.
- **Rheonix** (<http://www.rheonix.com/>), another growing company within the Rand portfolio, develops fully automated molecular testing solutions. Rheonix recently announced a new system that will improve HIV testing by detecting early, acute HIV infection and addressing the well-known "seroconversion window" when antibodies are not yet detectable. This early detection eliminates the need for multiple patient visits to health care providers. Rheonix represents 8.7% of Rand's net assets and is its largest portfolio investment at March 31, 2016, valued at \$2.9 million.

As of March 31, 2016, Rand's portfolio consisted of 32 active businesses. The portfolio is comprised of approximately 75% in equity investments and 25% in debt investments.

Strategy and Outlook

Rand's strategy is to grow net asset value by capitalizing on maturing investments and leveraging those returns for further investment. Rand invests in primarily early-stage companies with new or unique products or services that offer competitive advantage and compelling future potential.

Mr. Grum concluded, "The Gemcor exit provides funds to further invest in our existing portfolio companies and new investment prospects. To continue the strong NAV per share expansion we have been producing, we have also been broadening our investor partner network and geographic reach. Our goal over the next five years is to replicate the nearly 10% net asset value per share, average annual growth, that we realized over the past five years. We believe we are well positioned to do that and are committed to being proactive about keeping our investors informed of the progress of our portfolio companies that will drive this result."

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 investments in early or expansion stage companies with strong leadership that 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: 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.

	March 31, 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 \$19,013,217 and \$17,663,217, respectively)	15,589,419	14,662,219
Non-affiliate investments (cost of \$8,911,074 and \$8,606,053, respectively)	8,558,730	8,253,709
Total investments, at fair value (cost of \$28,023,791 and \$27,410,742, respectively)	25,660,149	36,832,400
Cash	17,945,585	5,844,795
Interest receivable (net of allowance: \$122,000 at 3/31/16 and 12/31/15)	208,934	215,224
Deferred tax asset	527,511	-
Prepaid income taxes	-	65,228
Other assets	1,628,879	1,604,413
Total assets	\$ 45,971,058	\$ 44,562,060

LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)

Liabilities:

Debentures guaranteed by the SBA (net of debt issuance costs)	\$ 7,807,223	\$ 7,800,373
Income tax payable	2,686,997	-
Deferred tax liability	-	2,361,186
Profit sharing and bonus payable	1,593,659	282,000
Accounts payable and accrued expenses	208,719	238,911
Deferred revenue	38,320	25,930
Total liabilities	12,334,918	10,708,400

Stockholders' equity (net assets):

Common stock, \$.10 par; shares authorized
10,000,000; shares issued 6,863,034;
shares outstanding of 6,328,538 as of 3/31/16
and 12/31/15

Common stock, \$.10 par; shares authorized 10,000,000; shares issued 6,863,034; shares outstanding of 6,328,538 as of 3/31/16 and 12/31/15	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,106,558)	(24,580)
Undistributed net realized gain on investments	26,495,753	18,262,401
Net unrealized (depreciation) appreciation on investments	(1,573,657)	5,795,237
Treasury stock, at cost; 534,496 shares as of 3/31/16 and 12/31/15	(1,447,491)	(1,447,491)
Total stockholders' equity (net assets) (per share 3/31/16: \$5.31, 12/31/15: \$5.35)	33,636,140	33,853,660
Total liabilities and stockholders' equity	\$ 45,971,058	\$ 44,562,060

**For the Quarter Ended
March 31,**

2016 **2015**

Investment income:

Interest from portfolio companies:

Control investments	\$ 11,828	\$ 22,145
Affiliate investments	64,962	115,129
Non-Control/Non-Affiliate investments	61,104	48,800
Total interest from portfolio companies	137,894	186,074

Interest from other investments:

Non-Control/Non-Affiliate investments	3,061	6,821
Total interest from other investments	3,061	6,821

Dividend and other investment income:

Control investments	-	412,151
Affiliate investments	47,565	29,368
Total dividend and other investment income	47,565	441,519

Fee income:

Control investments	2,000	2,000
Affiliate investments	695	1,417
Non-Control/Non-Affiliate investments	2,916	3,916
Total fee income	5,611	7,333

Total investment income

194,131 641,747

Operating expenses:

Salaries	155,438	149,555
Bonus and profit sharing	1,411,659	-
Employee benefits	89,511	30,407

Directors' fees	47,375	21,750
Professional fees	64,760	73,069
Stockholders and office operating	62,494	59,397
Insurance	11,260	11,254
Corporate development	15,470	16,981
Other operating	3,600	3,650
	1,861,567	366,063
Interest on SBA obligations	77,569	74,322
Total operating expenses	1,939,136	440,385
Net investment (loss) income before income taxes	(1,745,005)	201,362
Income tax (benefit) expense	(663,027)	72,067
Net investment (loss) income	(1,081,978)	129,295
Net realized gain on investments:		
Control investments	13,176,313	-
Non-Control/Non-Affiliate investments	-	131,744
Net realized gain before income taxes	13,176,313	131,744
Income tax expense	4,942,961	47,151
Net realized gain on investments	8,233,352	84,593
Net (decrease) in unrealized appreciation on investments:		
Control investments	(11,362,500)	-
Affiliate investments	(422,800)	-
Non-Control/Non-Affiliate investments	-	(54,509)
Change in unrealized appreciation before income taxes	(11,785,300)	(54,509)
Deferred income tax benefit	(4,416,406)	(20,169)
Net decrease in unrealized appreciation on investments	(7,368,894)	(34,340)
Net realized and unrealized gain on investments	864,458	50,253
Net (decrease) increase in net assets from operations	\$ (217,520)	\$ 179,548
Weighted average shares outstanding	6,328,538	6,328,538
Basic and diluted net (decrease) increase in net assets from operations per share	\$ (0.04)	\$ 0.03

Contacts:

Company:

Allen F. ("Pete") Grum

President and CEO

Phone: 716.853.0802

Email: pgrum@randcapital.com

Investors:

Deborah K. Pawlowski

Kei Advisors LLC

Phone: 716.843.3908

Email: dpawlowski@keiadvisors.com

Source: Rand Capital Corporation