



Marcum Microcap Conference

June 1, 2016

Allen F. "Pete" Grum
President & CEO

Daniel P. Penberthy
Executive Vice President & CFO

Safe Harbor Statement

Statements included in these slides that do not relate to present or historical conditions are “forward-looking statements” within the meaning of that term in Section 27A of the Securities Act of 1933, and in Section 21F of the Securities Exchange Act of 1934. Additional oral or written forward-looking statements may be made by us from time to time, and forward-looking statements may be included in documents that are filed with the Securities and Exchange Commission. Forward-looking statements involve risks and uncertainties that could cause results or outcomes to differ materially from those expressed in the forward-looking statements. Forward-looking statements may include, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions and are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as “believes,” “forecasts,” “intends,” “possible,” “expects,” “estimates,” “anticipates,” or “plans” and similar expressions are intended to identify forward-looking statements. Among the important factors on which such statements are based are assumptions concerning the state of the national economy and the local markets in which our portfolio companies operate, the state of the securities markets in which the securities of the our portfolio companies trade or could be traded, liquidity within the national financial markets, and inflation. Forward-looking statements are also subject to the risks and uncertainties described under the caption “Risk Factors” contained in documents that are filed with the SEC. There may be other factors not identified that affect the accuracy of our forward-looking statements. Further, any forward-looking statement speaks only as of the date it is made and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time that may cause our business not to develop as we expect, and we cannot predict all of them.



Rand Capital Corporation

***Rand Capital is a Business Development Company
that makes venture capital investments in
promising companies with an emerging product,
service or technology concept.***

Market capitalization	\$26.5 million	Total assets	\$46.0 million
Recent price	\$4.18	Net assets	\$33.6 million
52 week price range	\$3.40 - \$5.25	Net asset value CAGR (2010-2015)	9.6%
Shares outstanding	6.3 million	Net asset value per share	\$5.31
Average daily volume (3 mos.)	2,500	Institutional / insider ownership	16.0% / 42.7%

Founded: 1969

IPO: 1971

NASDAQ: RAND



Note: Market data as of May 16, 2016 [Source: Bloomberg]; ownership as of last filing date; asset data as of March 31, 2016

Long-Term Strategy to Drive Growth

Increase rate of growth with larger investment capacity

Increase leverage for greater investment capability

Increase participation in transactions

Broaden investment network and geography

Strengthen investor communications

Create scale to add talent

Higher funding levels:

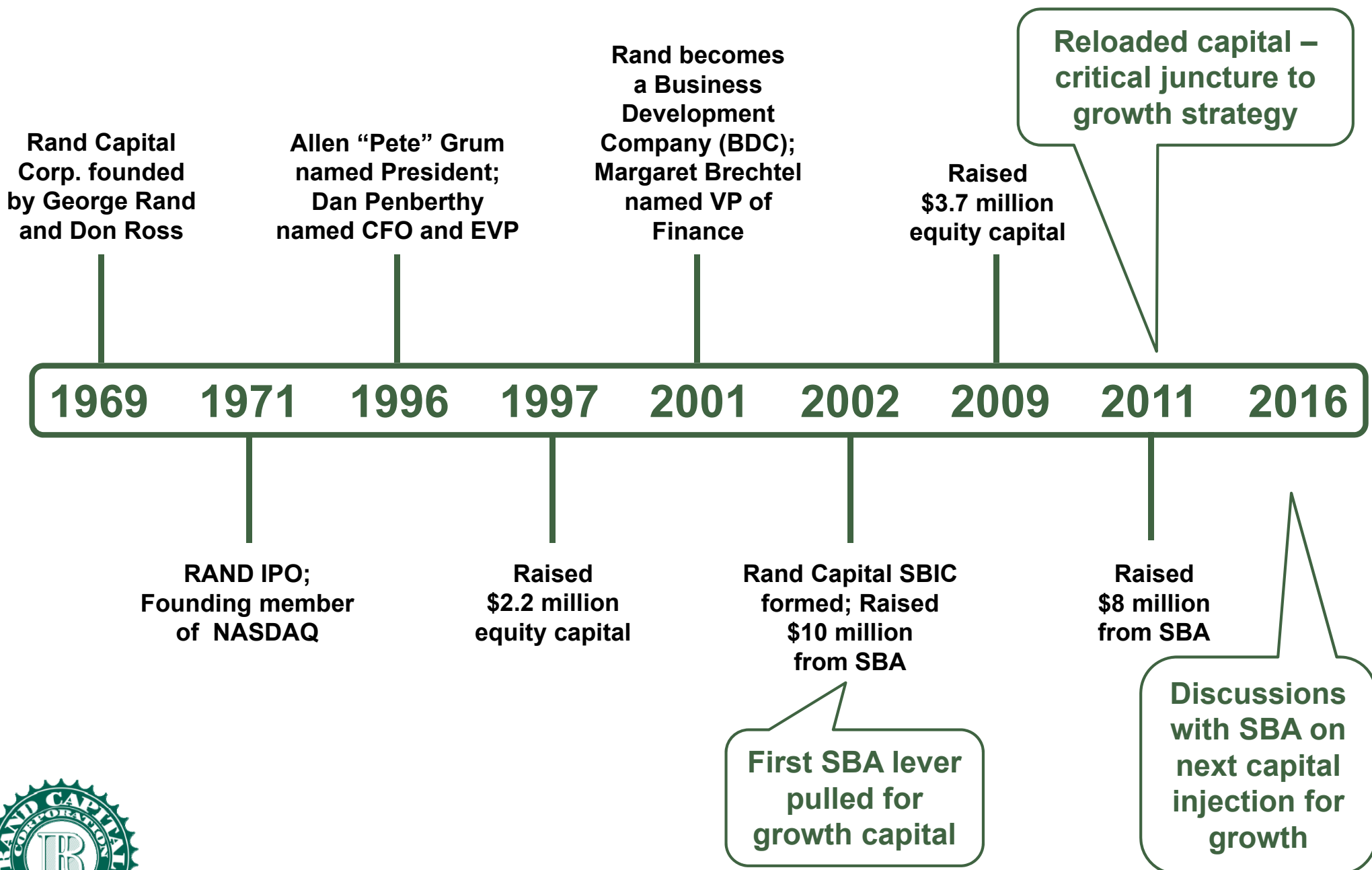
Past: \$300k with \$1.0m max

Recent: \$1.0m with \$3.0m max

Future: \$1.5m with \$5.0m max



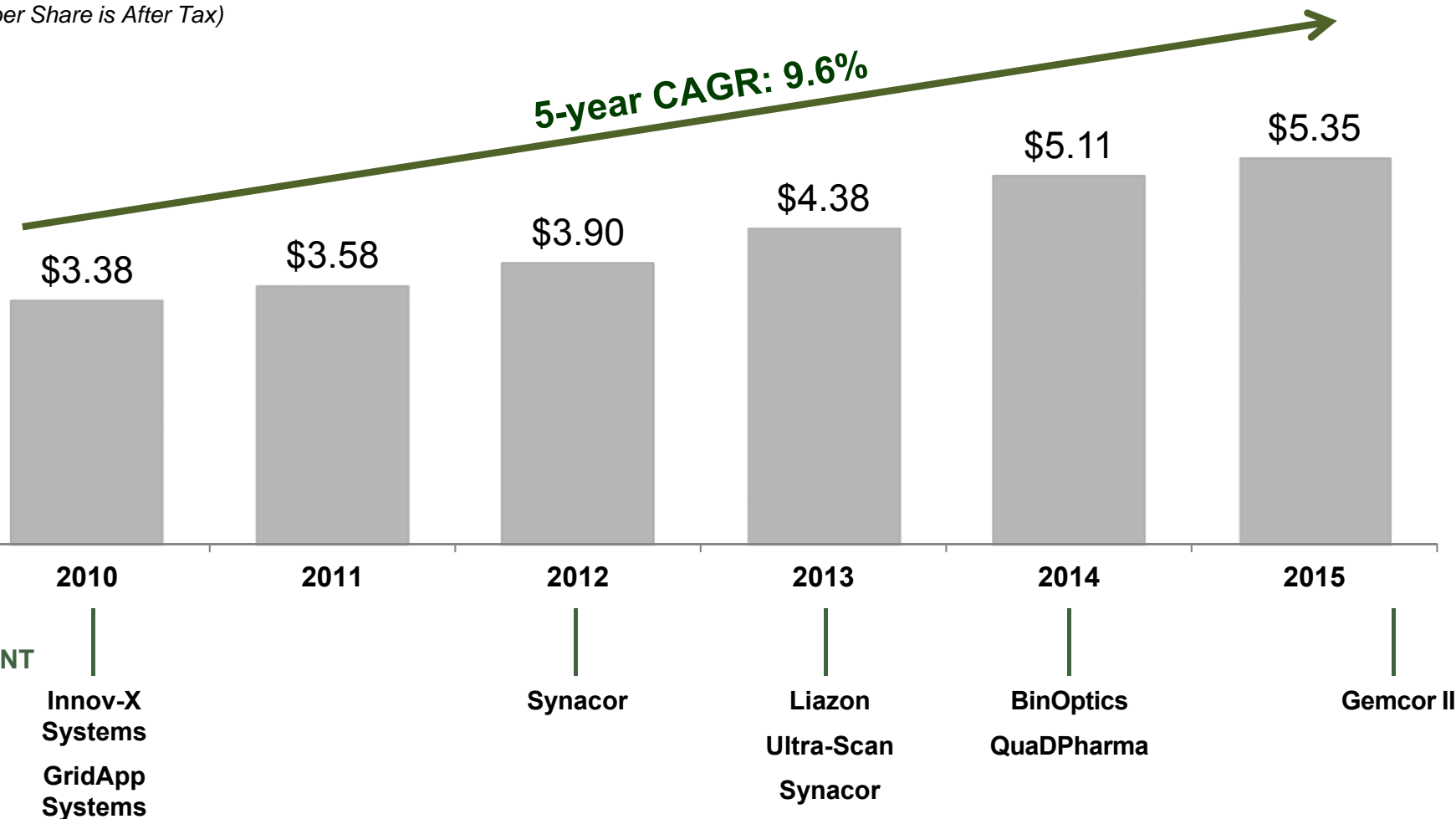
Providing Venture Capital for Over 45 Years



2015 – Another Year of Solid Growth

Five Consecutive Years of Net Asset Value (NAV) Per Share Growth

(NAV per Share is After Tax)



**SIGNIFICANT
EXITS:**

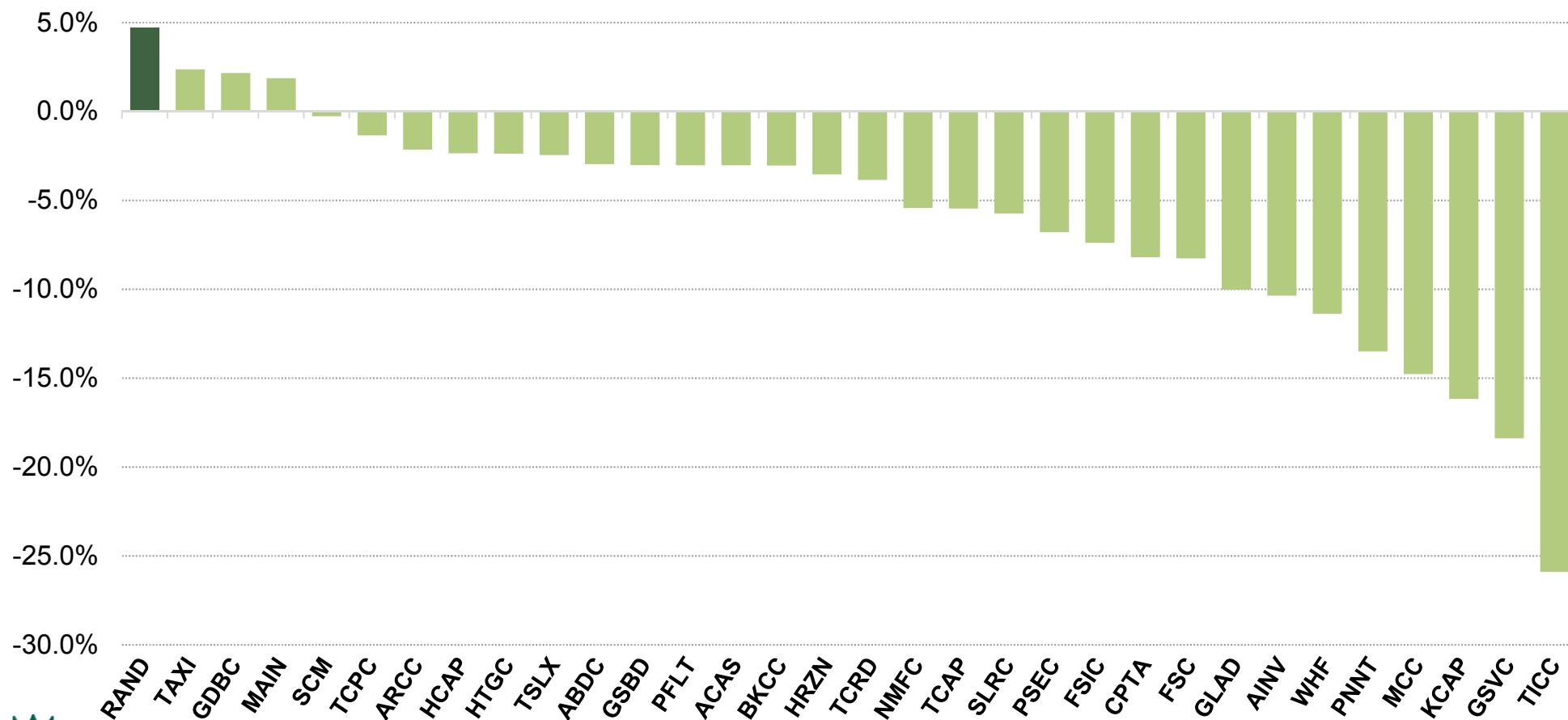


Top-Tier BDC Performance in NAV Growth

Rand ranked #1 BDC with highest NAV/Share growth among 32 BDCs

Rand's NAV grew 4.7%

2014 to 2015 Year-over-Year NAV/Share Growth

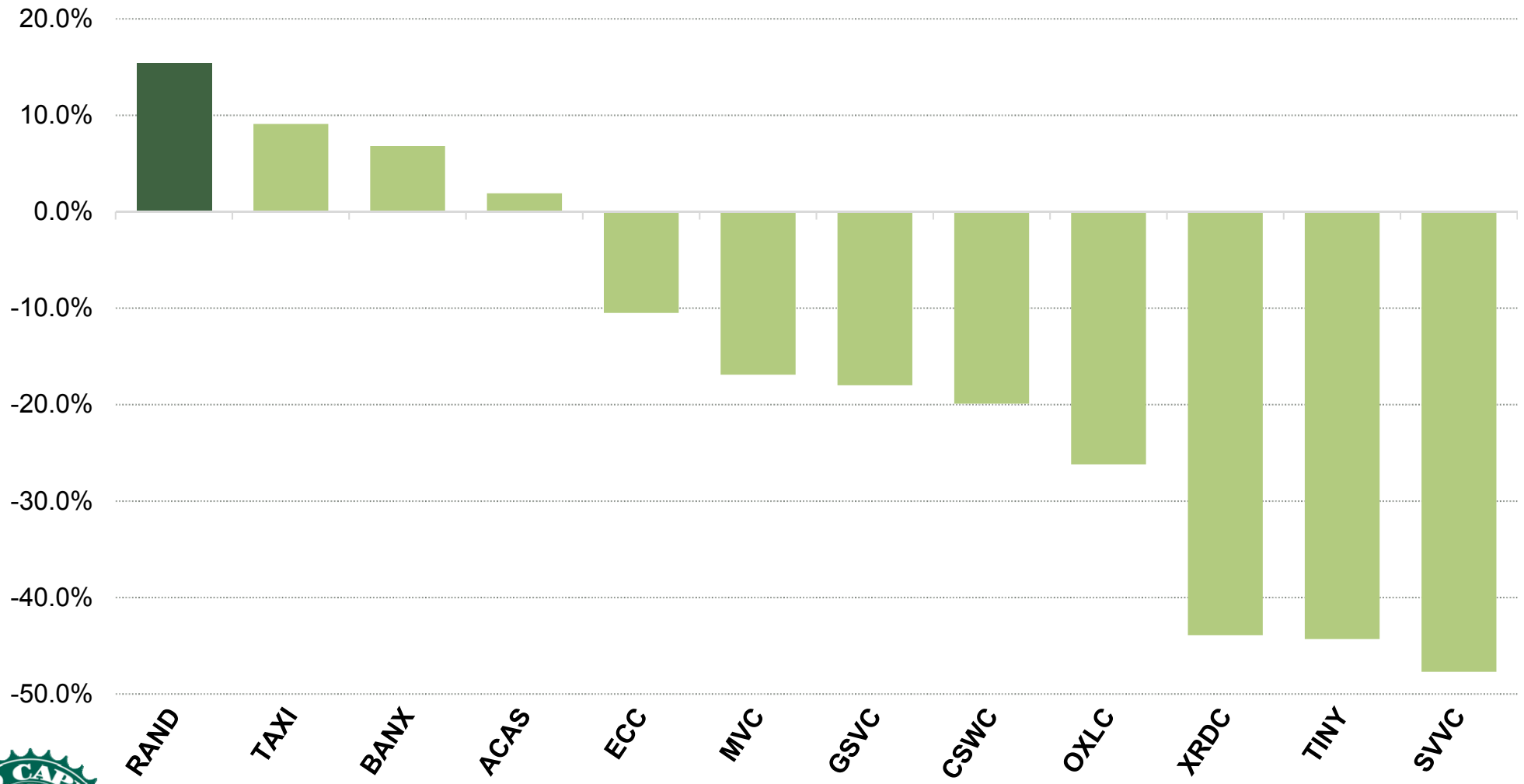


Source: BDCInvestor.com

Top-Tier BDC Performance in Shareholder Returns

12-Month Total Shareholder Return Comparisons

RAND is up 15.4%



Source: Seacap Financial BDC Group as of March 31, 2016



Gross 5-Year Returns: ~30%

Rand Capital Exits*

December 31, 2010 - March 31, 2016

Full-Cycle Investments Exited	Average Holding Length (years)	Total Cash Invested	Gross Cash Generated (Interest & Gain)	Achieved Cash Multiple	IRR
17	6.3	\$19.0mm	\$67.5mm	3.6	30.2%

More than tripled cash investment



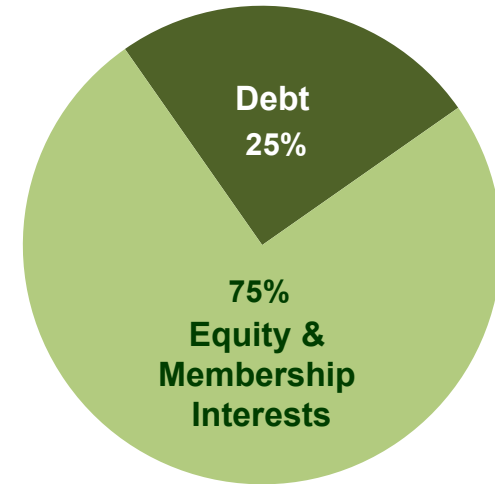
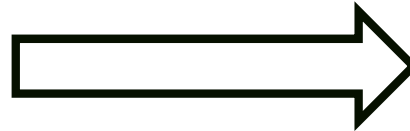
* Includes Gemcor sale

Proven Business Model

Focused on capital appreciation

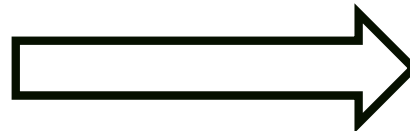
Rand Investment Mix

- ❖ Capital gains and appreciation
- ❖ Increasing net asset value (NAV)



Typical BDC Investment Mix

- ❖ Dividend income



Diverse Portfolio of Investments

Rhēonix

Kinex
Pharmaceuticals

OUTMATCH™



GENICON®

SOCIALFLOW

MEZMERIZ^{inc.}

monarch

KNOA™
VALUE REALIZED

intrinsiq[™]
materials

SOMS
TECHNOLOGIES

MERCANTILE
Innovative Solutions, Exceptional Results

SciAps
ANALYZE YOUR WORLD

KNOWLEDGE VISION

CAROLINA
SKIFF®
ANYTHING IS POSSIBLE

EMPIRE
GENOMICS

CLEAR
VIEW
SOCIAL

GoNoOde

Microcision
Medical Implants, Components and Assemblies

Core

statisfy

FIRST WAVE
PRODUCTS GROUP, LLC
Where Ideas Become Realities

Advantage
marketing support team

Grainful

iPacesetters
Choice Matters

GiveGab

city dining cards

TILSON

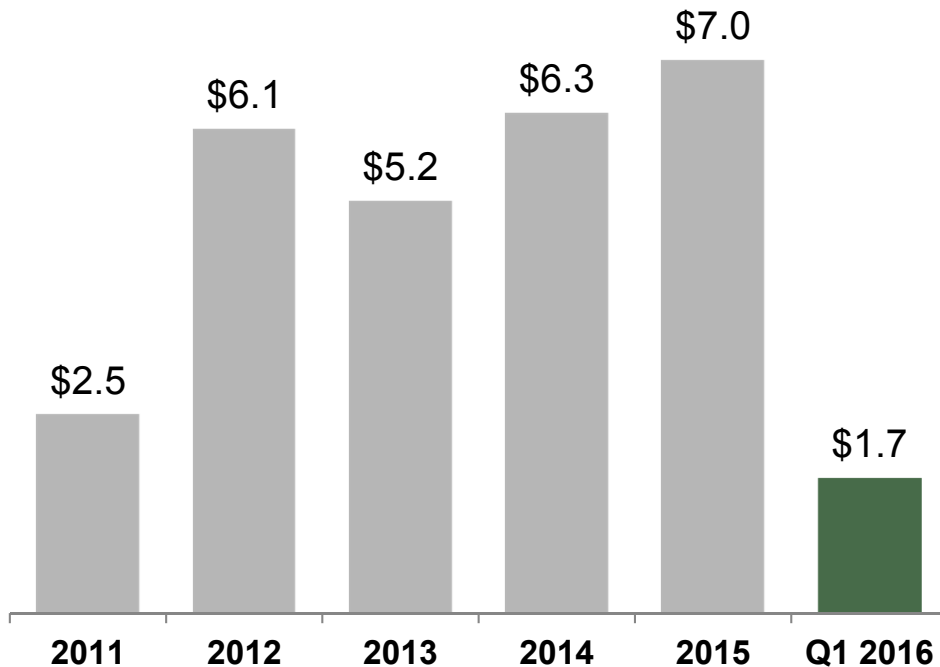


Stronger Investment Engine

Rand New & Follow-on Investments

Investments Projected to Mature in 2 - 5 Years

(\$ in millions)



Rhēonix



OUTMATCH.



Success Story – Gemcor II, LLC



- ❖ Acquired: 6/28/04
 - ◆ Revenue increased to > 5x
 - ◆ Workforce grew from 29 to 95
 - ◆ Investment: 31% equity position
- ❖ Equity cost: \$625 thousand
- ❖ Sold 3/31/16 for ~ \$50 million
 - ◆ Rand gross proceeds: ~\$15.2 million
- ❖ Return on invested capital: ~11x
- ❖ Internal rate of return: ~64%

Leading designer and manufacturer of automatic drilling and fastening systems utilized in the assembly of aircraft by Bombardier, Boeing, Embraer, Airbus and others, including China's indigenous provider, Comac



Featured Portfolio Companies



- ❖ Initial equity investment: 10/29/09
 - ◆ \$680 thousand follow-on investment (2015)
- ❖ 5% equity position
- ❖ Equity cost: \$2.8 million
- ❖ Equity fair value (3/31/16): \$2.9 million



- ❖ Initial equity investment: 11/18/10
 - ◆ \$500 thousand follow-on investment (2015)
- ❖ 4% equity position
- ❖ Equity cost: \$2.1 million
- ❖ Equity fair value (3/31/16): \$2.1 million








- ❖ Initial equity investment: 4/5/13
 - ◆ \$500 thousand follow-on investment (2015)
- ❖ 4% equity position
- ❖ Equity cost: \$1.8 million
- ❖ Equity fair value (3/31/16): \$2.1 million



- ❖ Initial equity investment: 4/10/15
 - ◆ \$1 million follow-on debt investment (Q1 2016)
- ❖ 6% equity position + debt
- ❖ Equity cost: \$1.0 million
- ❖ Equity fair value (3/31/16): \$1.0 million
- ❖ Senior debt: \$1.0 million

Five Largest Investments = 43% of Portfolio

\$26 million total portfolio, 32 companies

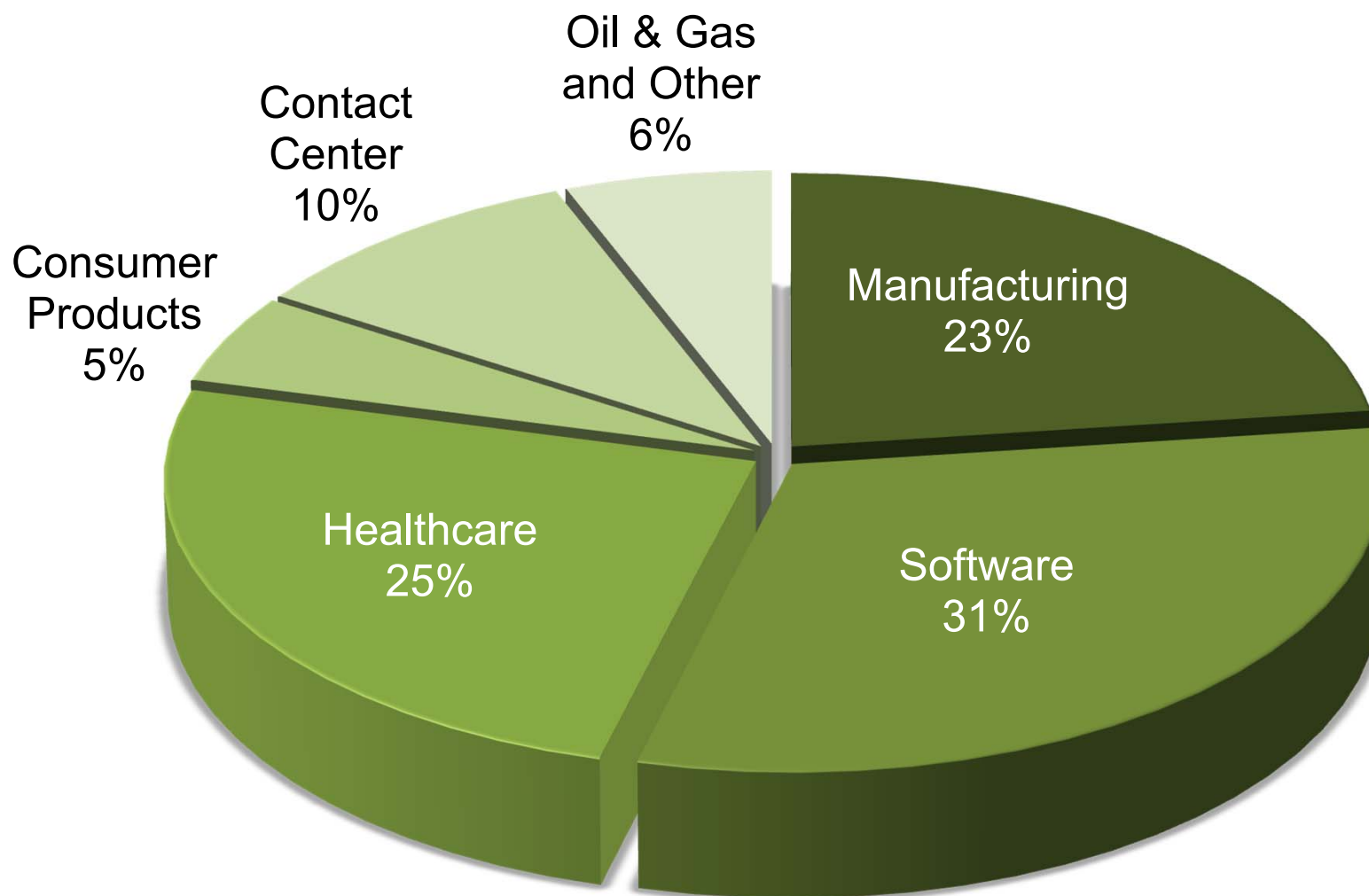
	Company	Investments at Fair Value (in millions)	Year Acquired	Industry	% of Total Portfolio
	Rheonix, Inc.	\$2.9	2009	Healthcare—Testing Devices	12%
	Outmatch	\$2.1	2010	Software—Predictive Talent Selection	8%
	SocialFlow	\$2.1	2013	Software—Social Publishing	8%
	Genicon	\$2.0	2015	Healthcare—Surgical Instrumentation	8%
	Microcision	\$1.9	2009	Manufacturing—Medical Products	7%
TOTAL		\$11.0			43%



All values as of March 31, 2016, may not foot due to rounding

Diverse Portfolio Reflects Strategy

Investments by Industry Classification



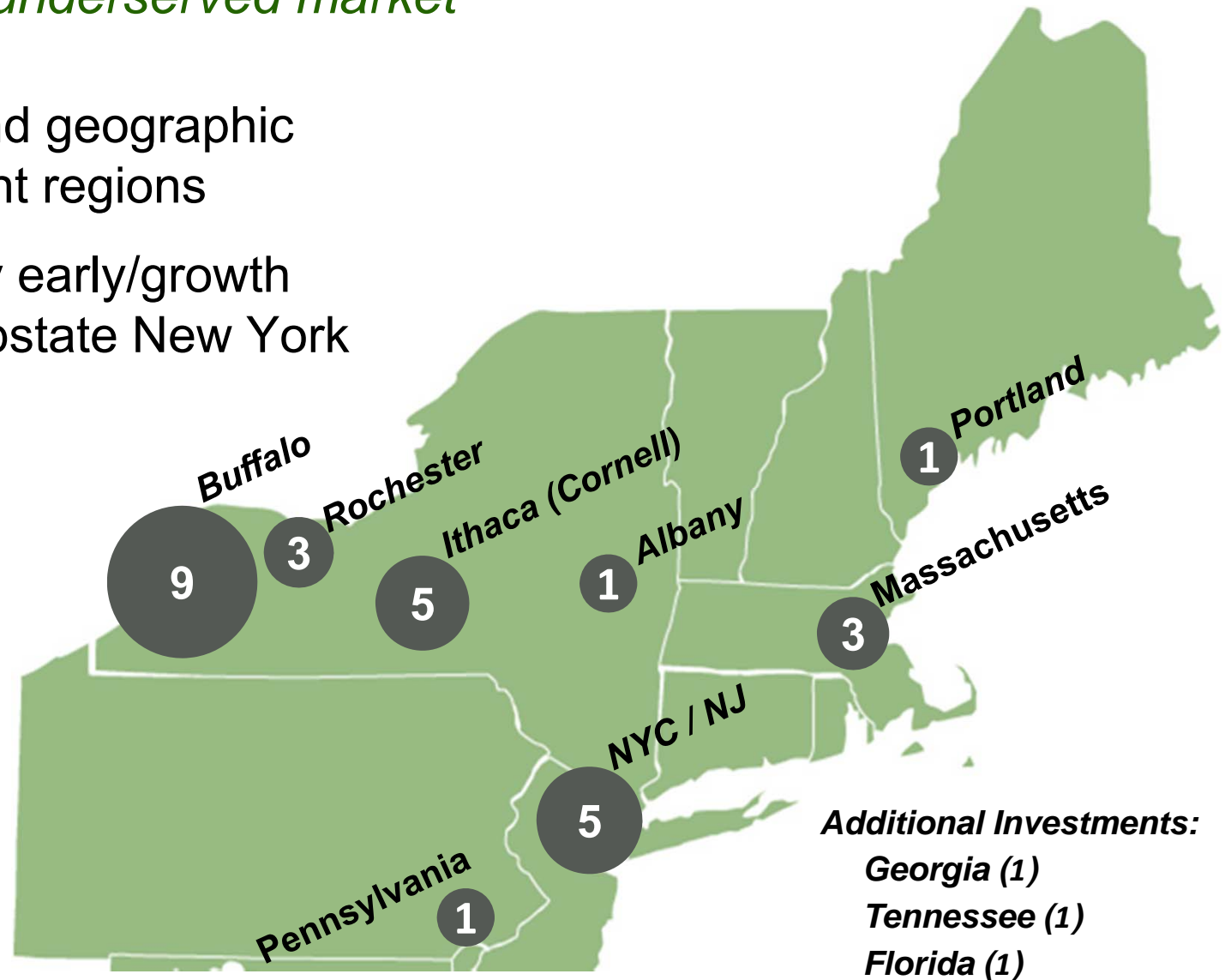
*Based on total investments
at fair value of \$25.7 million
as of March 31, 2016*



A Regional Investment Focus

Upstate NY is an underserved market

- ❖ Expect to expand geographic reach to adjacent regions
- ❖ Rand is the only early/growth stage fund in Upstate New York



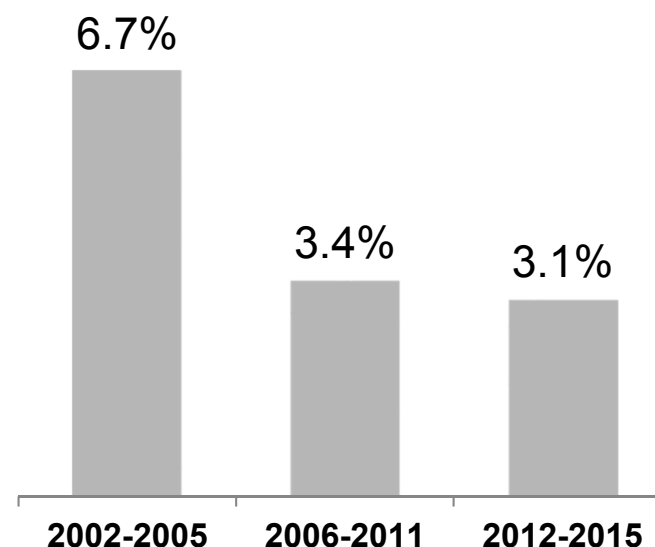
As of March 31, 2016

Efficient Internal Management of Assets

Internal management structure offers SG&A leverage

- ❖ Internally-managed structure
- ❖ Greater transparency of fund manager compensation versus externally managed BDCs
- ❖ Shareholders may vote on compensation issues
- ❖ Strong operating leverage:
 - ◆ Expect assets to grow at a rate greater than expenses

Rand Capital
Operating Expenses* to Total Assets



** Excludes bonus and profit sharing*



Co-Investment Partners

Provide financial support and stability

- ❖ Small Business Investment Company (SBIC) subsidiaries
 - ◆ Access to long-term, low interest, fixed rate loans from the SBA that are not callable and are pre-payable without penalty
 - ◆ Rand Capital SBIC serves as primary investment vehicle
- ❖ Partnering with other investment firms
 - ◆ Deal sourcing
 - ◆ Adds stability



Varied Investment Partners

ADVANTAGE
CAPITAL
P A R T N E R S

Bain Capital *Ventures*

BESSEMER
VENTURE PARTNERS



Capital for Opportunity and Change

FA
TECHNOLOGY VENTURES



FAIRHAVEN
CAPITAL



SUMMIT PARTNERS



P S C P
PINE STREET CAPITAL
P A R T N E R S



Strong Balance Sheet

at March 31, 2016

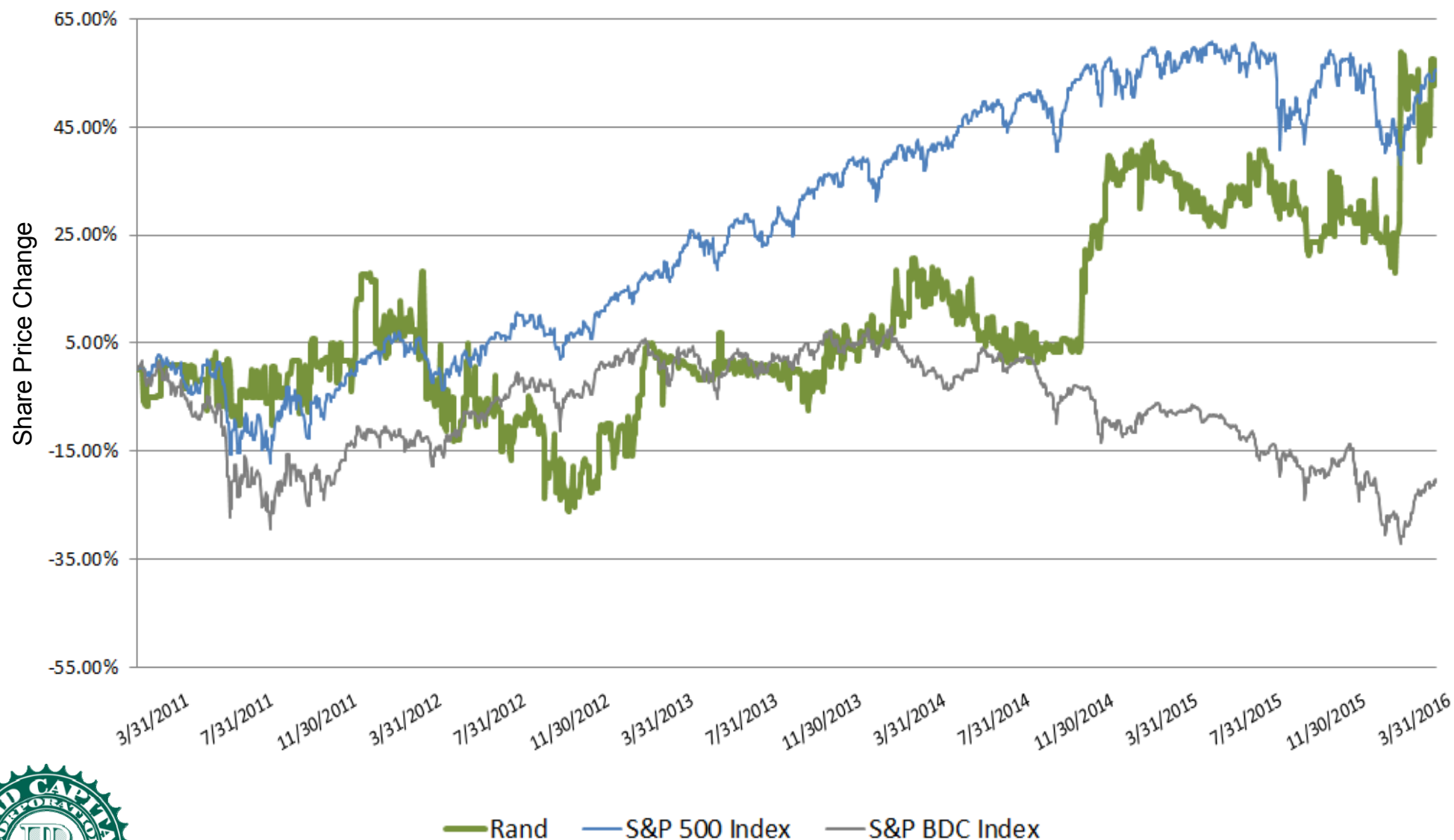
Value/share

\$2.84	\$17.9 million in cash-on-hand
\$4.05	\$25.7 million in portfolio investments
(\$1.23)	\$7.8 million in SBA borrowings (maturity 2022-2024)
<u>(\$0.35)</u>	\$2.2 million other assets & liabilities, net
<u>\$5.31</u>	Net Asset Value (NAV) per share



Results Demonstrated in Stock Performance

Outperformed 5-year BDC Index and S&P 500



Why Rand?

- ❖ Strong performance, financially and operationally
- ❖ Proven management team
- ❖ Delivers shareholder returns
- ❖ Strategy for NAV growth
- ❖ Only early and expansion stage SBIC fund in Upstate NY
- ❖ Solid reputation among investment partners
 - ◆ Decisive and responsive
- ❖ Opportunistic share buy backs





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Supplemental Information

Experienced Management Team



Allen F. “Pete” Grum – President and Chief Executive Officer

Mr. Grum is a seasoned financial services executive with over 20 years of experience with financial services organizations. Mr. Grum oversees the Company’s investment activities and takes an active role in the investment process from deal sourcing to fund marketing. He earned his Master of Business Administration from Rochester Institute of Technology and his Bachelor of Arts in Economics from Eisenhower College.



Daniel P. Penberthy – Chief Financial Officer and EVP

Mr. Penberthy is responsible for sourcing deals and administration of Rand’s investments and oversees the Corporation’s financial operations. He earned his Bachelor of Science from St. Bonaventure University and his Master of Business Administration from the State University of New York at Buffalo.



Margaret Brechtel – Vice President of Finance

Ms. Brechtel is responsible for the Company's regulatory compliance and financial reporting. Ms. Brechtel has 20 years experience in the finance and accounting service industry. Prior to joining the Company, Ms. Brechtel was employed by Cellular One as the Operations and Finance Manager. Ms. Brechtel was also employed by KPMG LLP in the firm's audit practice. She earned her Bachelor of Science and her Master of Business Administration from the State University of New York at Buffalo and is a Certified Public Accountant in the State of New York.



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What is a Business Development Company?

- ❖ BDCs are publicly traded closed-end funds that enable investors to participate in high yielding private market investing while maintaining daily liquidity
- ❖ BDCs are regulated under the Investment Company Act of 1940 and by the SEC and have the following characteristics
 - ◆ Diversification – BDCs must maintain certain asset diversification criteria
 - ◆ Transparency – Required annual and quarterly SEC filings
 - ◆ Fair Value – All investments are marked at fair value quarterly
 - ◆ Low Leverage - Maximum debt-to-equity ratio of 1:1
- ❖ Some BDCs have a regulated investment company tax structure (*note that Rand does not*)
 - ◆ Eliminates corporate level income tax
 - ◆ Earnings and capital gains are passed through to investors (similar to a REIT)
 - ◆ BDCs must distribute at least 90% of taxable income



Significant BDC Industry Growth Since 2010

	2010	2015	
# of Public BDCs	29	52	+79%
Total Assets	\$25.7B	\$60.9B	+137%
Industry Yields	8.4%	11.2%	
# of Institutional Investors	~600	~830	
Number of Rated BDCs	5	14	+77%
Total Equity Market Cap	\$16.5B	\$29.2B	



Source: Keefe, Bruyette & Woods, Inc. / SNL Financial and FactSet Research Systems

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