

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarter ended March 31, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 811-1825

RAND CAPITAL CORPORATION  
(Exact Name of Registrant as specified in its Charter)

NEW YORK 16-0961359  
(State or Other Jurisdiction of Incorporation (IRS Employer  
Or organization) Identification No.)

2200 RAND BUILDING, BUFFALO, NY 14203  
(Address of Principal executive offices) (Zip Code)

(716) 853-0802  
(Registrant's Telephone No. Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act during the  
preceding 12 months (or for such shorter period that the registrant was required  
to file such reports), and (2) has been subject to such filing requirements for  
the past 90 days

Yes:  No

--- ---

Indicate by check mark whether the registrant is an accelerated filer (as  
defined in Rule 12B-2 of the Exchange Act)

Yes: No

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Number of shares outstanding of each of the issuer's classes of common stock, as  
of the latest practicable date (May 5, 2003): 5,723,034

RAND CAPITAL CORPORATION  
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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

#### CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF MARCH 31, 2003 AND DECEMBER 31, 2002 (UNAUDITED)

<TABLE>  
<CAPTION>

	MARCH 31, 2003	DECEMBER 31, 2002
<S>	<C>	<C>
ASSETS		
Investments at fair value (identified cost: at 3/31/2003 - \$6,575,453, at 12/31/2002 - \$6,225,453)		\$ 6,398,077 \$ 6,076,187
Cash and cash equivalents	2,501,419	3,092,189
Interest receivable (net of allowance of \$13,167 at 3/31/2003 and 12/31/2002)	353,267	275,672
Deferred tax asset	162,000	112,000
Promissory notes receivable	103,250	113,470
Income taxes receivable	2,109	-
Other assets	56,713	16,155
TOTAL ASSETS	\$ 9,576,835	\$ 9,685,673

#### LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)

LIABILITIES:		
Accounts payable and accrued expenses	\$ 35,453	\$ 42,384
Income taxes payable	-	1,989
Deferred revenue	38,408	36,666
Total liabilities	73,861	81,039

#### STOCKHOLDERS' EQUITY (NET ASSETS)

Common stock, \$.10 par - shares authorized 10,000,000; shares issued 5,763,034	576,304	576,304	
Capital in excess of par value	6,973,454	6,973,454	
Accumulated net investment (loss)	(4,464,623)	(4,354,719)	
Undistributed net realized gain on investments	6,613,044	6,574,710	
Net unrealized (depreciation) on investments	(155,855)	(139,411)	
Treasury stock at cost, 37,000 and 24,400 shares at 3/31/2003 and 12/31/2002	(39,350)	(25,704)	
	-----	-----	
Net assets (per share 3/31/2003-\$1.66, 12/31/2002-\$1.67)	9,502,974	9,604,634	
	-----	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 9,576,835	\$ 9,685,673
	=====	=====	

</TABLE>

See notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002  
(UNAUDITED)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 2003	THREE MONTHS ENDED MARCH 31, 2002	
	<C>	<C>	
INVESTMENT INCOME			
Interest from portfolio companies	\$ 101,909	\$ 30,456	
Interest from other investments	7,845	30,680	
Other investment income	2,259	5,540	
	-----	-----	
	112,013	66,676	
	-----	-----	
EXPENSES			
Salaries	116,415	112,469	
Employee benefits	25,349	33,264	
Directors' fees	5,500	6,750	
Professional fees	20,786	12,940	
Stockholders and office operating	25,479	31,154	
Insurance	10,800	11,250	
Corporate development	9,307	7,731	
Other operating	4,287	4,686	
	-----	-----	
	217,923	220,244	
	-----	-----	
Organizational costs	-	67,594	
	-----	-----	
Total expenses	217,923	287,838	
	-----	-----	
INVESTMENT (LOSS) BEFORE INCOME TAXES		(105,910)	(221,162)
Income tax provision	3,994	53,197	
Deferred income tax (benefit) expense	(38,334)	254,376	
	-----	-----	
NET INVESTMENT (LOSS)		(71,570)	(528,735)
	-----	-----	
REALIZED AND UNREALIZED GAIN ON INVESTMENTS			
Net gain on sales and dispositions	-	947,889	
	-----	-----	
UNREALIZED (DEPRECIATION) APPRECIATION ON INVESTMENTS			

Beginning of period	(149,266)	853,874
End of period	(177,376)	205,704
Change in unrealized (depreciation) appreciation before income taxes	(28,110)	(648,170)
Deferred income tax (benefit)	(11,666)	(276,376)
NET DECREASE IN UNREALIZED DEPRECIATION	(16,444)	(371,794)
NET REALIZED AND UNREALIZED (LOSS) GAIN ON INVESTMENTS	(16,444)	576,095
NET (DECREASE) INCREASE IN NET ASSETS FROM OPERATIONS	\$ (88,014)	\$ 47,360
Weighted average shares outstanding	5,729,901	5,763,034
Basic and diluted net (decrease) increase in net assets from operations per share	\$ (0.02)	\$ 0.00

</TABLE>

See notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE  
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002  
(UNAUDITED)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 2003	THREE MONTHS ENDED MARCH 31, 2002
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (decrease) increase in net assets from operations	\$ (88,014)	\$ 47,360
Adjustments to reconcile net increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	1,500	3,900
Change in unrealized appreciation of investments	28,110	648,170
Change in deferred taxes	(50,000)	(22,000)
Increase in deferred revenue	1,742	-
Net realized gain on portfolio investments	-	(947,889)
Changes in operating assets and liabilities:		
(Increase) in interest receivable	(77,595)	(27,456)
(Increase) in other assets	(44,167)	(29,282)
(Decrease) increase in accounts payable and other accrued liabilities	(8,920)	185
Total adjustments	(149,330)	(374,372)
Net cash used in operating activities	(237,344)	(327,012)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of portfolio investments	-	1,086,730
Proceeds from loan repayments	10,220	11,075
New portfolio investments	(350,000)	-
Net cash (used in) provided by investing activities	(339,780)	1,097,805

CASH FLOWS FROM FINANCING ACTIVITIES:

Purchase of treasury shares	(13,646)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(590,770)	770,793
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,092,189	5,941,517
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,501,419	\$ 6,712,310

</TABLE>

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE FOR THE THREE-MONTHS ENDED MARCH 31, 2003 AND 2002  
(UNAUDITED)

<TABLE>  
<CAPTION>

	THREE-MONTHS ENDED MARCH 31, 2003	THREE-MONTHS ENDED MARCH 31, 2002
Net assets at beginning of period	\$ 9,604,634	\$ 10,058,284
Net investment (loss)	(71,570)	(528,735)
Net realized gain on investments	-	947,889
Net decrease in unrealized depreciation on investments		(16,444)
Net (decrease) increase in net assets from operations	(88,014)	47,360
Purchase of treasury shares	(13,646)	-
Net assets at end of period	\$ 9,502,974	\$ 10,105,644

</TABLE>

See notes the condensed consolidated financial statements.

Schedule of Portfolio Investments at March 31, 2003 (unaudited)

<TABLE>  
<CAPTION>

(e) COMPANY AND BUSINESS	(a) DATE	(b) TYPE OF INVESTMENT	(c) ACQUIRED	EQUITY	COST	VALUE
CONTRACT STAFFING Buffalo, NY. PEO providing human resource administration for small businesses. www.contract-staffing.com	11/8/99	Series A 8% Cumulative preferred stock - 10,000 shares	10%	\$100,000	\$100,000	

DATAVIEW, LLC Mt. Kisco, NY. Designs, develops and markets browser based software for investment professionals. www.marketgauge.com	5% Membership interest	10/1/98	5%	310,357	155,179		
G-TEC NATURAL GAS SYSTEMS Buffalo, NY. Manufactures and distributes systems that allow natural gas to be used as an alternative fuel to gases. www.gas-tec.com	41.67% Class A Membership interest. 8% cumulative dividend	8/31/99	42%	300,000	300,000		
INRAD, INC. (OTC: INRD.OB) * Northvale, NJ. Develops and manufactures products for laser photonics industry. www.inrad.com	Series B Preferred Stock - 100 shares. 10% dividend. Common stock - 6,000 shares	10/31/00	2%	115,000	102,700		
+KIONIX, INC. Ithaca, NY. Develops innovative MEMS based technology applications. www.kionix.com	Series A Preferred Stock, 882,352 shares.	5/17/02	2.2%	750,000	750,000		
MINRAD, INC. Buffalo, NY. Developer of laser guided medical devices. www.minrad.com	608,193 Common shares. 56,020 Preferred Series A shares. 13,767 Preferred Series B Stock Option - 10,000 shares common	8/4/97	5%	919,422	508,500		
+RAMSCO (d) Albany, NY. Distributor of water, sanitary and storm sewer materials to the contractor, highway and municipal construction markets. www.ramsco.com	Promissory Note \$750,000 at 13% due November 18, 2007. Warrant to purchase common shares.	11/19/02	6.5%	750,000	750,000		
SOMERSET GAS TRANSMISSION COMPANY, LLC Buffalo, NY. Natural gas transportation company.	less than Convertible Promissory Note \$900,000 at 10%. Due on demand after January 15, 2003 .89 Membership Units			7/10/02	1%	900,000	1,083,333
+SYNACOR, INC. Buffalo, NY. Develops provisioning platforms for aggregation and delivery of content for broadband access providers. www.synacor.com	Convertible Promissory Note \$350,000 at 10%. due November 18, 2007. Warrant 149,573 common shares.	11/18/02	4.6%	350,000	350,000		
ULTRA - SCAN CORPORATION Amherst, NY. Biometrics application developer of ultrasonic fingerprint technology. www.ultra-scan.com	504,596 Common shares, 142,276 warrants for Common shares. \$200,000 Promissory Note at 22%. Due on demand after May 31, 2003.	12/11/92	4%	709,353	1,042,247		
USTEC, INC. (d) Victor, NY. Markets digital wiring systems for new home construction. www.ustecnet.com	\$100,000 Promissory Note at 5% due February 1, 2006 50,000 Common Shares. 139,395 Warrants for Common Shares + \$200,000 Senior Subordinated Convertible Debenture at 6% due February 2, 2008.	12/17/98	1%	300,500	325,000		
VANGUARD MODULAR BUILDING SYSTEMS Philadelphia, PA. Leases and sells high-end modular space solutions. www.vanguardmodular.com	less than Preferred Units - 2,673 Units with warrants, 14% interest rate.	12/16/99	1%	270,000	270,000		
+WINEISIT.COM, CORP. Amherst, NY. Marketing company specializing in customer loyalty programs supporting the wine and spirit industry. www.wineisit.com	Senior Subordinated Promissory Note \$500,000 at 10%. due December 17, 2009. Warrant to purchase 100,000 shares common stock.	12/18/02	2%	500,000	500,000		
Other Investments	Other	Various	-	300,821	161,118		

Total portfolio investments

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\$6,575,453 \$6,398,077  
=====

</TABLE>

#### NOTES TO SCHEDULE OF PORTFOLIO INVESTMENTS

- (a) The date acquired column indicates the year in which the Corporation acquired its first investment in the company or a predecessor company.
- (b) The equity percentages estimate the Corporation's ownership interest in the portfolio investment. The estimated ownership is calculated based on the percent of outstanding voting securities held by the Corporation or the potential percentage of voting securities held by the Corporation upon exercise of its warrants or conversion of debentures; or other available data. The symbol "less than 1%" indicates that the Corporation holds equity interest of less than one percent.
- (c) Under the valuation policy of the Corporation, unrestricted securities are valued at the closing price for publicly held securities for the last three days of the month. Restricted securities, including securities of publicly-owned companies, which are subject to restrictions on resale, are valued at fair value as determined by the Board of Directors. Fair value is considered to be the amount which the Corporation may reasonably expect to receive for portfolio securities if such securities were sold on the valuation date. Valuations as of any particular date, however, are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of securities and these favorable or unfavorable differences could be material. Among the factors considered by the Board of Directors in determining the fair value of restricted securities are the financial condition and operating results, projected operations, and other analytical data relating to the investment. Also considered are the market prices for unrestricted securities of the same class (if applicable) and other matters which may have an impact on the value of the portfolio company.
- (d) These investments are income producing. All other investments are non-income producing.
- (e) Approximately 99% of the portfolio represents investments in private businesses. Therefore the securities are restricted and are subject to one or more restrictions on resale and are not freely marketable.

\* Publicly-owned Company

+ Rand Capital SBIC, L.P. Investment, all other investments are held by the Parent, Rand Capital Corporation.

See notes to condensed consolidated financial statements.

RAND CAPITAL CORPORATION  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002  
(UNAUDITED)

#### 1. BASIS OF PRESENTATION

In Management's opinion, the accompanying condensed consolidated financial statements include all adjustments necessary for a fair presentation of the consolidated financial position, results of operations, and cash flows for the interim periods presented. Certain information and note disclosures normally included in audited annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted; however, the Corporation believes that the disclosures made are adequate to make the information presented not misleading. The interim results

for the three months ended March 31, 2003 are not necessarily indicative of the results for the full year.

These statements should be read in conjunction with the financial statements and the notes included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002. Information contained in this filing should also be reviewed in conjunction with Rand Capital Corporation's related filings with the Securities and Exchange Commission ("SEC") during the period of time covered by this filing. These filings include, but are not limited to the following:

- N-30-B2/ARS Quarterly & Annual Reports to Shareholders
- N-54A Election to Adopt Business Development Company status
- DEF-14A Definitive Proxy Statement submitted to shareholders
- Form 10-K Annual Report on Form 10-K for the year ended December 31, 2002
- Form 10-Q Quarterly Report on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002, and September 30, 2002
- Form N-23C-1 Reports by closed-end investment companies of purchase of their own securities

## 2. THE ENTITY AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF CONSOLIDATION** - The condensed consolidated financial statements include the accounts of Rand Capital Corporation ("Rand"), and Rand Capital SBIC, L.P. ("Rand SBIC") and Rand Management LLC (Rand Management) (collectively, the "Corporation"). All significant intercompany balances and transactions have been eliminated in consolidation. Prior to the formation of Rand SBIC and Rand Management, Rand Capital Corporation was a stand-alone entity.

**NATURE OF THE BUSINESS** - Effective August 16, 2001, Rand made an election, following a vote of the shareholders authorizing Rand to become a Business Development Company, or "BDC." Generally, a BDC is a specialized type of investment company that is primarily engaged in the business of furnishing capital and managerial expertise to companies that do not have ready access to capital through conventional finance channels. There was no impact on the corporate structure as a result of the change to a BDC. Prior to this election, Rand operated as a diversified closed-end management investment company registered under the Investment Company Act of 1940. Rand continues to operate as a publicly held venture capital company, listed on the NASDAQ Small Cap Market under the symbol "RAND." Rand was founded in 1969 and is headquartered in Buffalo, New York. Its investment strategy is to seek capital appreciation through venture capital investments in small, unseasoned, developing companies, primarily in Upstate New York.

During the first quarter of 2002, Rand formed a wholly-owned subsidiary, Rand SBIC for the purpose of operating it as a small business investment company. On January 25, 2002, Rand transferred \$5 million in cash to this subsidiary to serve as "regulatory capital." On August 16, 2002, Rand received notification that its Small Business Investment Company (SBIC) application had been approved and licensed by the Small Business Administration (SBA). The approval will allow Rand SBIC to obtain loans up to two times its initial \$5,000,000 of "regulatory capital" from the SBA for purposes of making new investment's in portfolio companies.

**INVESTMENTS** - Investments are stated at fair value as determined in good faith by the Corporation's management and both reviewed and approved on a quarterly basis by the Board of Directors. In accordance with its valuation policy, the Board of Directors has determined certain investment valuations in the absence of readily ascertainable fair values. The estimated valuations are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of securities, and these favorable or unfavorable differences could be material. Amounts reported as realized gains and losses are measured by the difference between the proceeds of sale or exchange and the cost basis of the investment without regard to unrealized gains or losses reported in prior periods. The cost of securities that have, in the Board of Directors' judgment, become worthless, are written off and reported as realized losses.

In April 2002, Rand SBIC adopted a model valuation policy as established by the

SBA. At the same time the Board of Directors of Rand also adopted a new valuation policy that mirrored the Rand SBIC policy and is not materially different from the prior Rand valuation policy.

CASH AND CASH EQUIVALENTS - Temporary cash investments having a maturity of three months or less when purchased are considered to be cash equivalents.

INTEREST INCOME - Interest income generally is recorded on the accrual basis except where the investment is valued at less than cost to reflect risk of loss. In such cases, interest is recorded at the time of receipt. A reserve for possible losses on interest receivable is maintained when appropriate.

NET ASSETS PER SHARE - Net assets per share are based on the number of shares of common stock outstanding.

USE OF ESTIMATES - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INCOME TAXES - The Corporation has not elected pass-through tax treatment as a regulated investment company under Subchapter M of the Internal Revenue Code for Income tax purposes. Therefore, the Corporation is taxed as a corporation under regulation C.

The tax effect of the major temporary difference and carry-forwards that give rise to the Corporation's net deferred tax assets as of March 31, 2003 and December 31, 2002 are as follows:

	March 31, 2003	December 31, 2002
Operations	\$ (65,316)	\$ (79,194)
Investments	73,611	
	61,945	
Net operating loss carry-forwards	153,705	-
Capital loss carryforwards	-	129,249
	-----	-----
Deferred tax assets, net	\$ 162,000	\$ 112,000
	=====	=====

As of March 31, 2003, the Corporation had a federal net operating loss carryforward of approximately \$455,000 which expires commencing in 2019.

The deferred tax asset at March 31, 2003 was \$162,000 and represented a \$50,000 increase in this account from December 31, 2002

The Corporation's tax preparer has prepared and filed its Federal and New York State tax returns for the Year ended December 31, 2002.

The Corporation is also required to file multi-state tax and information returns due to the operations of one its portfolio holdings, Vanguard Modular Building Systems (Vanguard) which is a limited liability corporation (LLC). Rand has requested filing extensions for the 2002 year and has paid the required state filing fees, totaling less than \$2,700. The Vanguard related multi-state filings for 2001 and 2000 have not yet been filed by the Corporation's tax preparer, pending further research into Vanguard operational structure, and are expected to be completed within six months.

#### STOCKHOLDERS EQUITY (NET ASSETS)

At March 31, 2003 and December 31, 2002, there were 500,000 shares of \$10.00 par value preferred stock authorized and unissued.

On October 18, 2001, the Board of Directors authorized the repurchase of up to 5% of Rand's outstanding stock through purchases on the open market during the one-year period ending October 18, 2002. This buy-back was extended through

October 16, 2003 by the Board of Directors. During the three months ended March 31, 2003, 12,600 shares were repurchased for the treasury. During the period April 1, 2003 through May 5, 2003, 3,000 shares were repurchased on the open market.

## STOCK OPTION PLANS

In July 2001, the shareholders of the Corporation authorized the establishment of two stock option plans - the Employee Plan and the Non-Employee Director Plan. The Plans provide for an aggregate of 200,000 and 100,000 shares, respectively, to be awarded to eligible employees and non-officer directors. The Employee Plan became effective in 2001, and the Director Plan will not take effect, if at all, until a SEC exemption is obtained from restrictions under the Investment Company Act of 1940. In 2002 the Corporation elected to place both the Employee plan and the Non-Employee Director Plan on inactive status as it developed a new profit sharing plan for the Corporation's employees in conjunction with the establishment of its SBIC subsidiary. As of March 31, 2003, no stock options have been awarded from either plan.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our financial statements and related notes included elsewhere in this report.

### FORWARD LOOKING STATEMENTS

Statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this document 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 the Corporation from time to time, and those statements may be included in documents that are filed with the Securities and Exchange Commission. Such 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 the Corporation's 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 the Corporation's portfolio companies operate, the state of the securities markets in which the securities of the Corporation's portfolio company 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 and Other considerations" below.

### OVERVIEW

Rand Capital Corporation ("Rand") was incorporated under the law of New York on February 24, 1969. Commencing in 1971, Rand operated as a publicly traded, closed-end, diversified management company that was registered under Section 8(b) of the Investment Company Act of 1940 (the "1940 Act"). On August 16, 2001, Rand filed an election to be treated as a business development company ("BDC") under the 1940 Act, which became effective on the date of filing. On January 16, 2002, Rand formed a wholly-owned subsidiary, Rand Capital SBIC, L.P., (Rand SBIC) for the purpose of operating it as a small business investment company. At the same time, Rand organized another wholly owned subsidiary, Rand Capital Management, LLC ("Rand Management"), as a Delaware limited liability company, to act as the general partner of Rand SBIC. Rand transferred \$5 million in cash to Rand SBIC to serve as "regulatory capital" in January 2002 and on August 16, 2002, Rand received notification that its Small Business Investment Company (SBIC) application had been approved and licensed by the Small Business Administration (SBA). The following discussion will include Rand, Rand SBIC and

Rand Management (collectively, the "Corporation").

## FORMATION OF SBIC SUBSIDIARY

On January 16, 2002, Rand formed two wholly-owned subsidiaries, Rand SBIC and Rand Management. On August 16, 2002, Rand received notification that its Small Business Investment Company (SBIC) application had been approved and licensed by the Small Business Administration (SBA). The approval allows Rand SBIC to obtain loans up to two times its initial \$5 million of "regulatory capital" from the SBA for purposes of making new investment's in

portfolio companies. As of March 31, 2003 Rand Capital SBIC, LLC had not drawn any leverage from the SBA.

Rand formed Rand SBIC as a subsidiary for the purpose of causing it to be licensed as a small business investment company ("SBIC") under the Small Business Investment Act of 1958 (the "SBA Act") by the Small Business Administration (the "SBA"), in order to have access to various forms of leverage provided by the SBA to SBIC's. On May 28, 2002, the Corporation filed an Exemption Application with the SEC seeking an order under Sections 6(c), 12(d)(1)(J), 57(c), and 57(i) of, and Rule 17d-1 under, the 1940 Act for exemptions from the application of Sections 2(a)(3), 2(a)(19), 12(d)(1), 18(a), 21(b), 57(a)(1), (2), (3), and (4), and 61(a) of the 1940 Act to certain aspects of its operations. The application also seeks an order under Section 12(h) of the Securities Exchange Act of 1934 Act (the "Exchange Act") for an exemption from separate reporting requirements under Section 13(a) of the Exchange Act. In general, the Corporation applications seek orders that would permit:

- A BDC (Rand) to operate a BDC/small business investment company (Rand SBIC) as its wholly owned subsidiary in limited partnership form;
- Rand, Rand Management and Rand SBIC to engage in certain transactions that the Corporation would otherwise be permitted to engage in as a BDC if its component parts were organized as a single corporation;
- Rand, as a BDC, and Rand SBIC, as its BDC/SBIC subsidiary, to meet asset coverage requirements for senior securities on a consolidated basis and;
- Rand SBIC, as a BDC/SBIC subsidiary of Rand as a BDC, to file Exchange Act reports on a consolidated basis as part of Rand's reports.

The Corporation has not identified from among the similar exemption applications on file with the SEC an example of a specific grouping of all of the exemptions requested by the Corporation in its application, but the SEC has commonly granted applications to other companies for orders applicable to each of the exemptions requested and for orders applicable to various combinations of those exemptions, and the Corporation's applications do not appear to raise any specific policy issues that have not also been raised by applications for which exemptions have been granted.

Rand operates Rand SBIC through Rand Management for the same investment purposes, and with investments in similar kinds of securities, as Rand. Rand SBIC's operations are consolidated with those of Rand for both financial reporting and tax purposes.

## FINANCIAL CONDITION

The Corporation's total assets decreased by (\$108,838) or (1%) to \$9,576,835 and its net assets decreased by (\$101,660) or (1%) to \$9,502,974 at March 31, 2003, versus \$9,685,673 and \$9,604,634 at December 31, 2002, respectively. The decrease in net assets can be attributed to operating losses and the repurchase of treasury shares during the three months ended March 31, 2003.

The Corporation's financial condition is dependent on the success of its holdings. The Corporation has invested a substantial portion of its assets in early stage or start-up companies. These private businesses tend to be thinly capitalized small companies that may lack experienced management. The following summarizes the Corporation's investment portfolio at the periods indicated.

<TABLE>  
<CAPTION>

	MARCH 31, 2003	DECEMBER 31, 2002
<S>	<C>	<C>
Investments at cost	\$ 6,575,453	\$ 6,225,453
Unrealized (depreciation) appreciation, net	(177,376)	(149,266)
Investments at fair value	\$ 6,398,077	\$ 6,076,187

</TABLE>

The increase in investments is due to the effect of Rand SBIC's first quarter investments in UStec, Inc. (UStec) of \$200,000 and an additional investment in Rexford Albany Municipal Supply Company Inc. (RAMSCO) of \$150,000. The Corporation's total investment in Ramsco is now \$750,000.

The decrease in unrealized (depreciation) of the investments is primarily attributable to the devaluation of the UStec common shares. The Corporation made an its original investment in UStec in December 1998 and subsequently exercised warrants for 50,000 common shares, (valued by the Corporation at \$50,000). During the first quarter of 2003 UStec received a new round of financing from an unrelated SBIC lead investor. Accordingly, Rand has reduced the valuation of its common shares to \$25,000 as per the Corporation's valuation policy.

The Corporation's total investments at fair value approximated 67% of net assets at March 31, 2003 and 63% of net assets at December 31, 2002.

## RESULTS OF OPERATIONS

### INVESTMENT INCOME AND EXPENSES

The Corporation's primary investment objective is to achieve long-term capital appreciation on its portfolio investments. Therefore, a considerable portion of the investment portfolio is structured to realize capital appreciation over the long-term and not necessarily generate income in the form of dividends or interest. The Corporation does earn interest income from investing its idle funds in money market instruments.

Total investment income for the three months ended March 31, 2003 and 2002 was \$112,013 and \$66,676 respectively, of which \$101,909 (91%) and \$30,456 (46%) consisted of interest from portfolio companies during the quarter. This income includes investments that have interest accruals and often do not pay a current yield. The portfolio interest income includes approximately \$30,000 in interest from the Somerset Gas Transmission Company, LLC (Somerset). The note was due on January 15, 2003. The Corporation is working closely with Somerset as it continues its fundraising efforts and the debenture is yielding a current interest rate of 14%. The Corporation holds a senior interest in the assets of Somerset.

The remaining investment income is comprised of interest on idle cash balances and other temporary short-term investments. The interest income for the three months ending March

31, 2003 was \$7,845 versus \$30,680 for the same period in 2002. This interest income is lower for the three months ended March 31, 2003 due to a lower idle cash balances.

Operating expenses for the three months ended March 31, 2003 and 2002 were \$217,923 and \$287,838, respectively. The operating expenses predominately consist of employee compensation and benefits, shareholder related costs, office expenses, expenses related to identifying and reviewing investment opportunities and professional fees. The operating expenses for the three month period ending

March 31, 2002 included \$67,594 of organizational costs (consulting and advisory fees) incurred for preparing an application for the Small Business Administration (SBA) for participation in the SBIC program.

Net investment (losses) from operations for the three month period ended March 31, 2003 and 2002 were (\$71,570) and (\$528,735), respectively. The investment income in the first quarter 2003 is higher due the portfolio interest income associated with the Somerset transaction. The net investment loss for the three months ended March 31, 2003 was lower than the same period in 2002 due to: organizational cost of \$67,594 in 2002, Income tax provision of \$3,994 in 2003 versus \$53,197 in 2002, and a deferred income tax (benefit) of (\$38,334) in 2003 versus an expense of \$254,376 for the three months ended March 31, 2002.

#### NET REALIZED GAINS AND LOSSES ON INVESTMENTS:

During the three months ended March 31, 2003 the Corporation did not have any realized gains or losses. During the three months ended March 31, 2002 the Corporation realized net gains of \$947,889 on the sale of 61,051 shares of its ADIC holdings.

#### NET (DECREASE) INCREASE IN NET ASSETS FROM OPERATIONS:

The Corporation accounts for its operations under accounting principles generally accepted in the United States of America for investment companies. The principal measure of its financial performance is "net (decrease) increase in net assets from operations" on its consolidated statements of operations. For the three month period ending March 31, 2003, the net (decrease) in net assets from operations was (\$88,014) as compared to a net increase in net assets from operations of \$47,360 for the same period in 2002. The decrease in net assets from operations was primarily attributable to the net investment loss of (\$71,570) and the unrealized depreciation on investments of (\$28,110). The largest components of the unrealized depreciation were the following: UStec (\$25,000) and American Tactile (\$5,000). The net increase in net assets from operations for the period ended March 31, 2002 was due primarily to the \$938,399 net gain from the sale of 61,051 shares of Advanced Digital Information Corporation ("ADIC") stock in January 2002 with a cost basis of \$148,331.

#### LIQUIDITY AND CAPITAL RESOURCES

The Corporation's principal objective is to achieve capital appreciation. Therefore, a significant portion of the investment portfolio is structured to maximize the potential for capital appreciation and certain portfolio investments may be structured to provide little or no current yield in the form of dividends or interest payments. The Corporation does earn interest income on idle cash balances. It has historically relied on and continues to rely to a large extent upon proceeds from sales of investments rather than investment income to defray a significant portion of its operating expenses. Because such sales cannot be predicted with certainty, the Corporation attempts to maintain adequate working capital necessary for short-term needs.

At March 31, 2003, 26% of the Corporation's net assets are held in cash and cash equivalents, which compares to 32% at December 31, 2002.

As of March 31, 2003 and December 31, 2002, the Corporation's total liquidity, consisting of cash and cash equivalents, was \$2,501,419 and \$3,092,189, respectively. Included in the March 31, 2003 cash balance was \$1,987,645 of Rand SBIC, L.P. cash. Management believes that these cash and cash equivalents will provide the Corporation with the liquidity necessary to fund operations over the next twelve (12) months; however, an increase in the size or quantity of new investment opportunities during this time may require the corporation to draw down leverage from the SBA in order to fund such investments.

#### RISK FACTORS AND OTHER CONSIDERATIONS

##### INVESTING IN THE CORPORATION'S STOCK IS HIGHLY SPECULATIVE AND AN INVESTOR COULD LOSE SOME OR ALL OF THE AMOUNT INVESTED

The value of the Corporation's common stock may decline and may be affected by numerous market conditions, which could result in the loss of some or the entire amount invested in the Corporation's shares. The securities markets frequently experience extreme price and volume fluctuations, which

affect market prices for securities of companies generally, and technology and very small capitalization companies in particular. General economic conditions, and general conditions in the Internet and information technology, life sciences, material sciences and other high technology industries, will also affect the Corporation's stock price.

#### INVESTING IN THE CORPORATION'S SHARES MAY BE INAPPROPRIATE FOR THE INVESTOR'S RISK TOLERANCE

The Corporation's investments, in accordance with its investment objective and principal strategies, result in a far above average amount of risk and volatility and may well result in loss of principal. The Corporation's investments in portfolio companies are highly speculative and aggressive and, therefore, an investment in its shares may not be suitable for investors for whom such risk is inappropriate.

#### COMPETITION

The Corporation faces competition in its investing activities from private venture capital funds, investment affiliates of large industrial, technology, service and financial companies, small business investment companies, wealthy individuals and foreign investors. As a regulated Business Development Company ("BDC"), the Corporation is required to disclose quarterly the name and business description of portfolio companies and value of any portfolio securities. Most competitors are not subject to this disclosure requirement and the Corporation's obligation to disclose this information could hinder its ability to invest in certain portfolio companies. Additionally, other regulations, current and future, may make the Corporation less attractive as a potential investor to a given portfolio company than a private venture capital fund.

#### RAND IS SUBJECT TO RISKS CREATED BY ITS REGULATED ENVIRONMENT

The Corporation is subject to regulation as BDC's, and Rand SBIC is also subject to regulation as an SBIC. The loans and other investments that the Corporation makes, or is expected to make, in small business concerns are extremely speculative. Substantially all of these concerns are and will be privately held. Even if a public market for their securities later develops, the debt obligations and other securities purchased by the Corporation are likely to be restricted from sale or other transfer for significant periods of time. These securities will be very illiquid.

The Corporation's capital may include large amounts of debt securities issued to the SBA, and all of the debentures issued to the SBA will have fixed interest rates. Until and unless Rand SBIC is able to invest substantially all of the proceeds from debentures that it sells to the SBA at annualized interest or other rates of return that substantially exceed annualized interest

rates that Rand SBIC must pay the SBA under debentures sold to it, the Corporation's operating results will be adversely affected which may, in turn, depress the market price of its common stock.

#### RAND IS DEPENDENT UPON KEY MANAGEMENT PERSONNEL FOR FUTURE SUCCESS

The Corporation is dependent for the selection, structuring, closing and monitoring of its investments on the diligence and skill of its two senior officers, Allen F. Grum and Daniel P. Penberthy. The future success of the Corporation depends to a significant extent on the continued service and coordination of its senior management team. The departure of either of its executive officers could materially adversely affect the Corporation's ability to implement its business strategy. The Corporation does not maintain key man life insurance on any of its officers or employees.

#### INVESTMENT IN SMALL, PRIVATE COMPANIES

There are significant risks inherent in the venture capital business. The Corporation typically invests a substantial portion of its assets in early stage or start-up companies. These private businesses tend to be thinly capitalized, small companies with risky technologies that lack management depth and have not attained profitability or may have no history of operations. Because of the speculative nature and the lack of a public market for these investments, there is significantly greater risk of loss than is the case with

traditional investment securities. The Corporation expects that some of its venture capital investments will be a complete loss or will be unprofitable and that some will appear to be likely to become successful but never realize their potential. The Corporation has been risk seeking rather than risk averse in its approach to venture capital and other investments. Neither the Corporation's investments nor an investment in the Corporation is intended to constitute a balanced investment program. The Corporation has in the past relied, and continues to rely to a large extent, upon proceeds from sales of investments rather than investment income to defray a significant portion of its operating expenses. Such sales are unpredictable and may not occur.

#### ILLIQUIDITY OF PORTFOLIO INVESTMENTS

Most of the investments of the Corporation's are or will be either equity securities acquired directly from small companies or below investment grade subordinated debt securities. The Corporation's portfolio of equity securities is and will usually be subject to restrictions on resale or otherwise have no established trading market. The illiquidity of most of the Corporation's portfolio may adversely affect the ability of the Corporation to dispose of such securities at times when it may be advantageous to liquidate such investments.

Even if the Corporation's portfolio companies are able to develop commercially viable products, the market for new products and services is highly competitive and rapidly changing. Commercial success is difficult to predict and the marketing efforts of the portfolio companies may not be successful.

#### VALUATION OF PORTFOLIO INVESTMENTS

There is typically no public market for equity securities of the small privately held companies in which the Corporation invests. As a result, the valuation of the equity securities in the portfolio are stated at fair value as determined by the good faith estimate of the Board of Directors in accordance with the Corporation's established valuation policies. In the absence of a readily ascertainable market value, the estimated value of the portfolio of securities may differ significantly, favorably or unfavorably, from the values that would be placed on the portfolio if a ready market for the equity securities existed. Any changes in estimated net asset value are recorded in the statement of operations as "Change in unrealized appreciation on investments."

#### FLUCTUATIONS OF QUARTERLY RESULTS

The Corporation's quarterly operating results could fluctuate as a result of a number of factors. These factors include, among others, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which portfolio companies encounter competition in their markets and general economic conditions. As a result of these factors, results for any one-quarter should not be relied upon as being indicative of performance in future quarters.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Corporation's investment activities contain elements of risk. The portion of the investment portfolio consisting of equity and equity-linked debt securities in private companies is subject to valuation risk. Because there is typically no public market for the equity and equity-linked debt securities in which the Corporation invests, the valuation of the equity interests in the portfolio is stated at "fair value" as determined in good faith by the Board of Directors in accordance with the Corporation's investment valuation policy. In the absence of a readily ascertainable market value, the estimated value of the Corporation's portfolio may differ significantly from the values that would be placed on the portfolio if a ready market for the investments existed. Any changes in valuation are recorded in the Corporation's statement of operations as "Unrealized appreciation (depreciation) on investments."

At times a portion of the Corporation's portfolio may include marketable securities traded in the over-the-counter market. In addition, there may be a portion of the Corporation's portfolio for which no regular trading market exists. In order to realize the full value of a security, the market must trade in an orderly fashion or a willing purchaser must be available when a sale is to be made. Should an economic or other event occur that would not allow the markets to trade in an orderly fashion, the Corporation may not be able to

realize the fair value of its marketable investments or other investments in a timely manner.

As of March 31, 2003, the Corporation did not have any off-balance sheet investments or hedging investments.

#### ITEM 4. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. The Corporation's chief executive officer and chief financial officer, after evaluating the effectiveness of the Corporation's "disclosure controls and procedures" (as defined in rule 13a-14(c) under the Securities Exchange Act of 1934) as of a date (the "Evaluation Date") within 90 days before the filing date of this quarterly report, concluded that as of the Evaluation Date the Corporation's disclosure controls and procedures were effective to ensure that material information relating to the Corporation was being made known to them by others within the Corporation, particularly including during the period when this quarterly report was being prepared.

(b) Changes in internal controls. There were no significant changes in the Corporation's internal controls or, to the knowledge of the Corporation's chief executive officer and chief financial officer, in other factors that could significantly affect the Corporation's disclosure controls and procedures subsequent to the Evaluation Date.

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

None

#### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

#### ITEM 5. OTHER INFORMATION

The Company's chief executive officer and chief financial officer have furnished to the SEC the certification with respect to this Form 10-Q that is required by Section 906 of the Sarbanes-Oxley Act of 2002.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

##### (a) EXHIBITS

The following exhibits are filed with this report or are incorporated herein by reference to a prior filing, in accordance with Rule 12b-32 under the Securities Exchange Act of 1934.

(2) N/A

(3)(i) Certificate of Incorporation of the Corporation, incorporated by reference to Exhibit (a)(1) of Form N-2 filed with the Securities Exchange Commission on April 22, 1997.

(3)(ii) By-laws of the Corporation incorporated by

- reference to Exhibit (b) of Form N-2 filed with the Securities Exchange Commission on April 22, 1997.
- (4) Specimen certificate of common stock certificate, incorporated by reference to Exhibit (b) of Form N-2 filed with the Securities Exchange Commission on April 22, 1997.
  - (10.1) Employee Stock Option Plan - incorporated by reference to Appendix B to the Corporation's definitive Proxy Statement filed on June 1, 2002.\*
  - (10.2) Director Stock Option Plan - incorporated by reference to Appendix C to the Corporation's definitive Proxy Statement filed on June 1, 2002.\*
  - 10.3) Agreement of Limited Partnership for Rand Capital SBIC, L.P. - incorporated by reference to Exhibit 10.3 to the Corporation's Form 10-K filed for the year ended December 31, 2001.
  - (10.4) Certificate of Limited Partnership of Rand Capital SBIC, L.P. - incorporated by reference to Exhibit 10.4 to the Corporation's Form 10-K filed for the year ended December 31, 2001.
  - (10.5) Limited Liability Corporation Agreement of Rand Capital Management, LLC - incorporated by reference to Exhibit 10.5 to the Corporation's Form 10-K Report filed for the year ended December 31, 2001.
  - (10.6) Certificate of Formation of Rand Capital Management, LLC- incorporated by reference to Exhibit 10.6 to the Corporation's Form 10-K Report filed for the year ended December 31, 2001.
  - (10.7) N/A
  - (10.8) Profit Sharing Plan - incorporated by reference to Exhibit 10.8 to the Corporation's Form 10-K Report filed for the year ended December 31, 2002.\*
  - (15) N/A
  - (18) N/A
  - (19) N/A
  - (20) N/A
  - (21) Subsidiaries of the Corporation - incorporated by reference to Exhibit 21 to the Corporation's Form 10-K Report filed for the year ended December 31, 2001.
  - (22) N/A
  - (23) N/A
  - (24) N/A
  - (99.1) Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Rand Capital Corporation - filed herewith
  - (99.2) Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Rand Capital SBIC, L.P. - filed herewith
- \*Management contract or compensatory plan.
- (b) REPORTS ON FORM 8-K  
No Form 8-K reports were filed during the quarter ended March 31, 2003.

#### SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT ON FORM 10-Q TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED THEREUNTO DULY AUTHORIZED.

Dated: May 14, 2003

RAND CAPITAL CORPORATION

By: /s/ Allen F. Grum

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Allen F. Grum, President

By: /s/ Daniel P. Penberthy

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Daniel P. Penberthy, Treasurer

RAND CAPITAL SBIC, L.P.

By: RAND CAPITAL MANAGEMENT LLC  
General Partner

By: RAND CAPITAL CORPORATION  
Member

By: /s/ Allen F. Grum

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Allen F. Grum, President

By: /s/ Daniel P. Penberthy

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Daniel P. Penberthy, Treasurer

I, Allen F. Grum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rand Capital Corporation and Rand Capital SBIC, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant including its consolidating subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the

equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 14, 2003

/s/ Allen F. Grum

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Allen F. Grum, President  
(Chief Executive Officer of Rand Capital  
Corporation and equivalent of Chief  
Executive Officer of Rand Capital SBIC, L.P.)

I, Daniel P. Penberthy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rand Capital Corporation and Rand Capital SBIC, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant including its consolidating subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 14, 2003

/s/ Daniel P. Penberthy

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Daniel P. Penberthy, Treasurer  
(Chief Financial Officer of Rand Capital  
Corporation and equivalent of Chief  
Financial Officer of Rand Capital SBIC, L.P.)

EXHIBIT 99.1

CERTIFICATION  
PURSUANT TO 18 U.S.C SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Rand Capital Corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (the Form 10-Q) of the Company fully complies with the requirement of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2003

/s/ Allen F. Grum

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Allen F. Grum, President  
(Chief Executive Officer)

Dated: May 14, 2003

/s/ Daniel P. Penberthy

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Daniel P. Penberthy, Treasurer  
(Chief Financial Officer)

EXHIBIT 99.2

CERTIFICATION  
PURSUANT TO 18 U.S.C SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Rand Capital SBIC, L.P. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended May 31, 2003 (the Form 10-Q) of the Company fully complies with the requirement of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2003

/s/ Allen F. Grum

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Allen F. Grum, President of Rand Capital  
Corporation  
(equivalent of chief executive officer of Rand  
Capital SBIC, L.P.)

Dated: May 14, 2003

/s/ Daniel P. Penberthy

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Daniel P. Penberthy, Treasurer of Rand Capital  
Corporation  
(equivalent of chief financial officer of Rand  
Capital SBIC, L.P.)