

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 September 30, 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: X No  
--- ---

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

Yes: No X  
---- ---

Number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (November 10, 2003): 5,718,934

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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

#### RAND CAPITAL CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2003 AND DECEMBER 31, 2002 (UNAUDITED)

<TABLE>  
<CAPTION>

	SEPTEMBER 30, 2003	DECEMBER 31, 2002
	-----	-----
<S>	<C>	<C>
ASSETS		
Investments at fair value (identified cost: at 9/30/2003 - \$7,597,881, at 12/31/2002 - \$6,225,453)		\$ 7,251,518 \$ 6,076,187
Cash and cash equivalents	1,299,601	3,092,189
Interest receivable (net of allowance of \$130,080 at 9/30/2003 and \$13,167 at 12/31/2002)		347,055 275,672
Deferred tax asset	305,000	112,000
Promissory notes receivable	82,610	113,470
Other assets	80,634	16,155
	-----	-----
TOTAL ASSETS	\$ 9,366,418	\$ 9,685,673
	=====	=====

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

LIABILITIES:

Accounts payable and accrued expenses	\$	40,908	\$	42,384
Income taxes payable	--		1,989	
Deferred revenue	49,362		36,666	
	-----	-----		
Total liabilities		90,270		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)	(4,598,692)	(4,354,719)	
Undistributed net realized gain on investments	6,627,001	6,574,710	
Net unrealized (depreciation) on investments	(254,712)	(139,411)	
Treasury stock at cost, 44,100 and 24,400 shares at 9/30/2003 and 12/31/2002	(47,207)	(25,704)	
	-----	-----	
Net assets (per share 9/30/2003-\$1.62, 12/31/2002-\$1.67)		9,276,148	9,604,634
		-----	-----

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$	9,366,418	\$	9,685,673
		=====		=====	

</TABLE>

See notes to the condensed consolidated financial statements.

RAND CAPITAL CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND  
SEPTEMBER 30, 2002  
(UNAUDITED)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30, 2003	THREE MONTHS ENDED SEPTEMBER 30, 2002	NINE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2002
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:				
Interest from portfolio companies	\$ 92,708	\$ 23,913	\$ 295,671	\$ 83,419
Interest from other investments	3,376	23,408	17,550	82,359
Dividend Income	47,668	--	47,668	--
Other income	2,359	10,000	6,975	15,540
	-----	-----	-----	-----
	146,111	57,321	367,864	181,318
	-----	-----	-----	-----
EXPENSES:				
Salaries	71,793	68,575	260,177	248,538
Employee benefits	14,570	13,814	55,740	62,698
Directors' fees	7,550	4,500	28,050	20,750
Professional fees	26,117	15,890	89,219	55,093
Shareholders and office	29,961	21,468	84,043	82,799
Insurance	10,800	11,250	32,400	33,750
Corporate development	7,897	10,795	26,059	31,121
Other operating expenses	5,381	6,021	11,944	16,737
	-----	-----	-----	-----
	174,069	152,313	587,632	551,486
Organizational costs	--	13,918	--	130,029
Bad Debt expense	122,914	--	122,914	--
	-----	-----	-----	-----
Total expenses	296,983	166,231	710,546	681,515
	-----	-----	-----	-----

INVESTMENT (LOSS) BEFORE INCOME TAXES		(150,872)	(108,910)	(342,682)	(500,197)
Income tax expense (benefit)	4,201	(40,280)	12,496	(9,280)	
Deferred income tax (benefit) expense	(44,071)	(248,147)	(111,204)	(36,503)	
NET INVESTMENT (LOSS)		(111,002)	179,517	(243,974)	(454,413)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Net gain (loss) on sales and dispositions	43,726	--	52,291	938,399	
Unrealized appreciation (depreciation) on investments:					
Beginning of period	(151,355)	288,696	(149,266)	853,874	
End of period	(346,363)	(317,831)	(346,363)	(317,831)	
Change in unrealized (depreciation) appreciation before income taxes	(195,008)	(606,527)	(197,097)	(1,171,705)	
Deferred income tax expense (benefit)	(80,929)	(4,853)	(81,796)	(246,497)	
NET INCREASE (DECREASE) IN UNREALIZED APPRECIATION	(114,079)	(601,674)	(115,301)	(925,208)	
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS					
	(70,353)	(601,674)	(63,010)	13,191	
NET (DECREASE) IN NET ASSETS FROM OPERATIONS		\$ (181,355)	\$ (422,157)	\$ (306,984)	\$ (441,222)
WEIGHTED AVERAGE SHARES OUTSTANDING					
BASIC AND DILUTED NET (DECREASE) IN NET ASSETS FROM OPERATIONS PER SHARE		\$ (0.03)	\$ (0.07)	\$ (0.05)	\$ (0.08)

See notes to the condensed consolidated financial statements.

RAND CAPITAL CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002  
(UNAUDITED)

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (decrease) in net assets from operations	\$ (306,984)	\$ (441,222)
Adjustments to reconcile net (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	4,500	10,400
Change in unrealized appreciation of investments	197,097	925,208
Change in deferred taxes	(193,000)	(36,503)
Increase in deferred revenue	12,696	--
Net realized gain on portfolio investments	(52,291)	(938,399)
Non cash conversion of debentures	(24,811)	(16,766)
Changes in operating assets and liabilities:		
(Increase) in interest receivable	(71,383)	(57,652)
(Increase) in other assets	(18,658)	(24,649)
Increase in accounts payable and other accrued liabilities	(3,464)	(53,450)

Total adjustments	(149,314)	(191,811)
Net cash (used in) operating activities	(456,298)	(633,033)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of portfolio investments	63,352	1,086,730
Proceeds from loan repayments	30,860	29,055
New portfolio investments	(1,359,000)	(1,250,000)
Capital Expenditures	--	(13,250)
Net cash (used in) investing activities	(1,264,788)	(147,465)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of SBA Commitment	(50,000)	--
Purchase of treasury shares	(21,502)	(5,895)
Net cash (used in) financing activities	(71,502)	(5,895)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,792,588)	(786,393)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,092,189	5,941,517
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,299,601	\$ 5,155,124

</TABLE>

See notes to condensed consolidated financial statements.

RAND CAPITAL CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002  
(UNAUDITED)

<TABLE>

<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30, 2003	THREE MONTHS ENDED SEPTEMBER 30, 2002	THREE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2002	NINE MONTHS ENDED SEPTEMBER 30,
NET ASSETS AT BEGINNING OF PERIOD	<C>	<C>	<C>	<C>	
		\$ 9,459,243	\$ 10,039,219	\$ 9,604,634	\$ 10,058,284
Operations:					
Net investment (loss) gain	(111,002)	179,517	(243,974)	(454,413)	
Net realized gain on investments	43,726	--	52,291	938,399	
Net (decrease) in unrealized appreciation of investments	(114,079)	(601,674)	(115,301)	(925,208)	
Net (decrease) in net assets from operations	(181,355)	(422,157)	(306,984)	(441,222)	
Purchase of treasury shares	(1,740)	(5,895)	(21,502)	(5,895)	

NET ASSETS AT END OF PERIOD	\$	9,276,148	\$	9,611,167	\$	9,276,148	\$	9,611,167

</TABLE>

See notes to condensed consolidated financial statements

RAND CAPITAL CORPORATION  
Schedule of Portfolio Investments September 30, 2003 (unaudited)

<TABLE>  
<CAPTION>

	(e)	(a) DATE	(b)	(c)		ACQUIRED	EQUITY	COST	VALUE
COMPANY AND BUSINESS		TYPE OF INVESTMENT							
<S> CONTRACT STAFFING Buffalo, NY. PEO providing human resource administration for small businesses. www.contract-staffing.com	<C>	Series A 8% Cumulative preferred stock - 10,000 shares	<C>	<C>	<C>	11/8/99	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	102,760
**KIONIX, INC. Ithaca, NY. Develops innovative MEMS based technology applications. www.kionix.com		Series A Preferred Stock, 2,142,791 shares. \$250,000 Convertible Promissory Note due June 30, 2004.		5/17/02		2%	1,000,000	1,000,000	
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	
**NEW MONARCH MACHINE TOOL, INC. Cortland, NY. Manufactures, services repairs and retrofits machining centers. www.monarchmt.com		Term Note - \$500,000 at 12%. Payable monthly through September 24, 2006. Warrant for 11.59 shares of Common Stock.				9/24/03	11%	500,000	500,000
**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%	750,000	750,000	
SOMERSET GAS TRANSMISSION COMPANY, LLC		Convertible Promissory Note				7/10/02	<1%	900,000	900,000

Buffalo, NY. Natural gas transportation company. \$900,000 at 14%. due on demand after January 15, 2003  
.89 Membership Units

**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%	350,000	350,000
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**TOPPS MEAT COMPANY, LLC Elizabeth, NJ - Producer and supplier of premium branded frozen hamburgers and other portion controlled meat products. </TABLE>	Preferred A and Class A Common Membership Interest	4/3/03	3%	259,000	259,000
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<TABLE>

<S> ULTRA - SCAN CORPORATION Amherst, NY. Biometrics application developer of ultrasonic fingerprint technology. www.ultra-scan.com	<C> 504,596 Common shares, 107,104 Series A-1 Preferred shares, 142,276 warrants for Common shares.	<C> 12/11/92	<C> 3%	<C> 734,164	<C> 1,072,174
--	--	-----------------	-----------	----------------	------------------

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	12/17/98	<1%	300,500	325,000
--	---	----------	-----	---------	---------

\*\* \$200,000 Senior Subordinated Convertible Debenture at 6% due February 2, 2008.

VANGUARD MODULAR BUILDING SYSTEMS Philadelphia, PA. Leases and sells high-end modular space solutions. www.vanguardmodular.com	Preferred Units - 2,673 Units with warrants for 771 common units, 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 Class B common stock.	1 2/18/02	2%	500,000	500,000
--	---	-----------	----	---------	---------

Other Investments (Includes: ADIC *, American Tactile, BioWorks, Inc., Clearview Cable, Smart Pill (f))	Other	Various		289,438	158,905
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Total portfolio investments				<u>\$7,597,881</u>	<u>\$7,251,518</u>
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</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 "<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 98% 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.
- (f) One of the Corporation's investments categorized in "Other Investments" had a name change from Appro to Smart Pill during the third quarter 2003.

\* 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 NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002  
(UNAUDITED)

NOTE 1. ORGANIZATION

Rand Capital Corporation ("Rand") was incorporated under the laws of the state of New York on February 24, 1969. From 1971 to August 16, 2001, 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. 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. Rand continues to operate as a publicly held venture capital company, listed on the NASDAQ Small Cap Market under the symbol "RAND."

FORMATION OF SBIC SUBSIDIARY

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 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 investments in portfolio companies. As of September 30, 2003 Rand SBIC had not drawn any leverage from the SBA.

The condensed consolidated financial statements include the accounts of Rand, Rand SBIC and Rand Management (collectively, the "Corporation").

The Company formed Rand SBIC as a subsidiary for the purpose of causing it to be licensed as a SBIC under the Small Business Investment Act of 1958 (the "SBA Act") by 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 Securities and Exchange Commission ("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:

- o A BDC (Rand) to operate a BDC/small business investment company (Rand SBIC) as its wholly owned subsidiary in limited partnership form;
- o 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;
- o 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;
- o 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.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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 period ending September 30, 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 the Corporation's related filings with the SEC during the period of time prior to the date of this report. Those 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  
September 30, 2002 and March 31, 2003, June 30, 2003

Form N-23C-1 Reports by closed-end investment companies of purchases  
of their own securities

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

**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 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.

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.

**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. Interest income cannot be recognized if collection is doubtful. A reserve for possible losses on an interest receivable is maintained when collection is in doubt.

The Rand SBIC interest accrual is regulated by the SBA's "Accounting Standards and Financial Reporting Requirements for Small Business Investments Companies".

Under these rules interest income cannot be recognized if collection is doubtful, and a 100% reserve must be established. The collection of interest is presumed to be in doubt when there is substantial doubt about a portfolio company's ability to continue as a going concern or the loan is in default more than 120 days.

**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 - Rand 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, Rand 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 (liabilities) as of September 30, 2003 and December 31, 2002 are as follows:

<TABLE>  
<CAPTION>

	September 30, 2003	December 31, 2002
Operations	\$ (28,741)	\$ (79,194)
Investments	143,741	61,945
Net operating loss carry-forwards	190,000	--
Capital loss carryforwards	--	129,249
Deferred tax assets (liabilities), net	\$ 305,000	\$ 112,000

</TABLE>

As of June 30, 2003, the Corporation had federal and state net operating loss carry-forwards of approximately \$ 520,000 and \$ 175,000 which expires commencing in 2019.

The deferred tax asset at September 30, 2003 was \$ 305,000 and represented a \$ 193,000 increase in this account from December 31, 2002.

The Corporation has 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, pending further research into Vanguard operational structure, and are expected to be completed within three months.

#### STOCKHOLDERS EQUITY (NET ASSETS)

At September 30, 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, 2004 by the Board of Directors. During the nine month period ending September 30, 2003 19,700 shares of treasury stock were repurchased. During the three months ended September 30, 2003, 1,500 shares were repurchased for the treasury. During the period October 1, 2003 through November 10, 2003, no shares were repurchased on the open market.

#### STOCK OPTION PLAN

In July 2001, the shareholders of the Corporation authorized the establishment of an Employee Stock Option Plan (the "Plan"). The Plan provides for an award of options to purchase up to 200,000 common shares to eligible employees. In 2002, the Corporation placed the Plan on inactive status as it developed a new profit sharing plan for the Corporation's employees in connection with the establishment of its SBIC subsidiary. As of September 30,

2003, no stock options had been awarded under the Plan. Because Section 57(n) of the 1940 Act prohibits maintenance of a profit sharing plan for the officers and employees of a BDC where any option, warrant or right is outstanding under an executive compensation plan, no options will be granted under the Plan while any profit sharing plan is in effect with respect to the Corporation.

In September 2003, Rand withdrew its application to the SEC regarding its exemption application for the Non-Employee Director Plan under these same requirements of Section 57(n). No shares had been issued under the 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

### FINANCIAL CONDITION

The following discussion will include Rand Capital Corporation ("Rand"), Rand Capital SBIC, L.P., (Rand SBIC), and Rand Capital Management, LLC ("Rand Management"), (collectively, the "Corporation") financial position and results of operations.

The Corporation's total assets decreased by (\$319,255) or (3.3%) to \$9,366,418 and its net assets decreased by (\$328,485) or (3.4%) to \$9,276,148 at September 30, 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, revaluation of our investment and accrued interest receivable in Somerset Gas Transmission Company LLC (Somerset) and the repurchase of treasury shares during the nine months ended September 30, 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>

SEPTEMBER 30, 2003    DECEMBER 31, 2002

<S>	<C>	<C>	<C>
Investments at cost	\$	7,597,881	\$ 6,225,453
Unrealized (depreciation), net		(346,363)	(149,266)
Investments at fair value	\$	7,251,518	\$ 6,076,187

</TABLE>

The increase in investments is due to the effect of Rand SBIC's investment in New Monarch Machine Tool, Inc (Monarch) of \$500,000, Kionix Inc. (Kionix) of \$250,000, UStec, Inc. (UStec) of \$200,000, an additional investment in Rexford Albany Municipal Supply Company Inc. (RAMSCO) of \$150,000 and an investment in Topps Meat Company, LLC (Topps) of \$259,000.

The Corporation has been approved by the SBA for \$10,000,000 in leverage or two times its regulatory capital of \$5,000,000. In July of 2003 the Corporation paid a \$50,000 commitment fee to the SBA to reserve and guarantee \$5,000,000 of this approved leverage through September 30, 2007. As of September 30, 2003 the Corporation has not drawn any leverage from the SBA.

The decrease in unrealized (depreciation) of the investments is primarily attributable the write down of the Somerset membership interest for (\$183,333). This adjustment was done in accordance with the Corporation's established valuation policies.

During the first quarter of 2003, the Corporation revalued its equity holdings in UStec, from \$50,000 to \$25,000, in accordance with the established valuation policies and based on the fact that UStec received a new round of financing from an unrelated SBIC lead investor at a lower valuation.

The Corporation's total investments at fair value approximated 78% of net assets at September 30, 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. This interest often contains a deferred component, and may not be payable on a current basis. The Corporation does earn interest income from investing its idle funds in money market instruments.

Total investment income for the three months ended September 30, 2003 and 2002 was \$146,111 and \$57,321 respectively, of which \$92,708 (63%) and \$23,913 (42%) consisted of interest from portfolio companies during the quarter. For the nine months ended September 30, 2003 and 2002, the total investment income was \$367,864 and \$181,318, respectively, of which \$295,671 (80%) and \$83,419 (46%) consisted of interest from portfolio companies. This income includes investments that have interest accruals and often do not pay a current yield.

The portfolio interest income for the nine months ending September 30, 2003 includes \$122,914 in accrued interest on a \$900,000 convertible note from Somerset. The Somerset note matured on January 15, 2003, and accrues interest at a 14% rate subsequent to that date. The Corporation has issued a demand letter to Somerset regarding its repayment, however, as the note is in technical default and is more than 120 days due to non-payment, the Corporation's accounting policies require a 100% reserve to be established for the unpaid interest. In September 2003, the Corporation established a reserve for the accrued interest of \$122,914 and has ceased further accrual of interest under the note. The Corporation has had continuing communications with Somerset, and has been active with its management team throughout the time of the investment,

and believes that Somerset will successfully obtain additional financing resulting in the repayment or conversion of the note into a more favorable debt or equity investment. Somerset has advised Rand that its pipeline operations have begun to generate cash flows and that projected short supplies and higher prices for natural gas should continue to improve its financial outlook. The Corporation has also filed the necessary UCC security filings to help protect its investment interest in Somerset.

The remaining investment income is comprised of dividend income (LLC related tax distributions) and interest on idle cash balances. The dividend income for the three and nine months ended September 30, 2003 was \$47,668 and zero for the same periods in 2002. The interest income for the three months ending September 30, 2003 was \$3,376 versus \$23,408 for the same period in 2002. The interest income on idle cash balances for the nine month period ending September 30, 2003 and 2002 is \$17,550 and \$82,359 respectively. This interest income is lower for the three month and nine month ended September 30, 2003 due to lower idle cash balance during 2003.

Operating expenses for the three months ended September 30, 2003 and 2002 were \$296,983 and \$166,231, 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 and bad debt expense. The bad debt expense for the three and nine month period ending September 30, 2003 was \$122,914 and represents the establishment of an interest receivable reserve. The expense for the three months ended September 30, 2002 included \$13,918 of professional costs (consulting and advisory fees) incurred for preparing an application for the Small Business Administration (SBA) for participation in the SBIC program. Total operating expenses for the nine months ended September 30, 2003 and 2002 were \$710,546 and \$681,515 respectively. The nine month period ended September 30, 2002 included \$130,029 of Rand SBIC organizational fees.

Net investment (losses) income from operations for the three months ended September 30, 2003 and 2002 were (\$111,002) and 179,517, respectively. Net investment losses from operations for the nine months ended September 30, 2003 and 2002 were (\$243,974) and (\$454,413), respectively. The fluctuations from year to year are due, in part, to the fluctuation in the deferred income tax and current tax expense and the increased portfolio interest revenue in 2003. For the nine months ending September 30, 2003 there was a deferred tax (benefit) of (\$111,204) whereas there was a deferred income tax (benefit) of (\$36,503) for the nine months ended September 30, 2002. In addition, the investment income for the nine months ending September 30, 2003 is higher than the same period in 2002 due to the higher portfolio interest income yield on the new 2003 Rand SBIC investments.

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

During the three months ended September 30, 2003 the Corporation realized a \$43,726 gain on the sale of ADIC stock. During the same three months in 2002 the Corporation did not have any realized gain or loss.

For the nine months ended September 30, 2003 the Corporation realized a \$52,291 gain on the sale of ADIC stock. During the nine month period ending September 30, 2002 the Corporation realized a \$938,399 net gain on the sale of ADIC stock.

#### NET (DECREASE) 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 months ended September 30, 2003, the net

(decrease) in net assets from operations was (\$181,355) as compared to a net (decrease) in net assets from operations of (\$422,157) for the same period in 2002.

The net (decrease) in net assets from operations for the nine months ended September 30, 2003 was (\$306,984) and (\$441,222) for the nine months ended September 30, 2002. The (decrease) in net assets from operations for the nine months ended September 30, 2003 was primarily attributable to the net investment loss of (\$243,974) and the net realized and unrealized (loss) on investments of (\$63,010). The realized gain of \$52,291 is attributable to the sale of ADIC stock during 2003. The unrealized depreciation change for the nine month period ending September 30, 2003 was (\$197,097). The largest components of the decrease were: Somerset (\$183,333), UStec (\$25,000), American Tactile (\$5,000) the net effect of ADIC stock sales and valuation of \$9,300. The net (decrease) in net assets from operations for the period ended September 30, 2002 was primarily attributable to the unrealized loss write down of approximately (\$690,000). This unrealized write down consisted of a devaluation of Minrad for (\$652,000) and ADIC for (\$35,000).

## 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 September 30, 2003, 14% of the Corporation's net assets are held in cash and cash equivalents, which compares to 32% at December 31, 2002.

As of September 30, 2003 and December 31, 2002, the Corporation's total liquidity, consisting of cash and cash equivalents, was \$1,299,586 and \$3,092,189, respectively. Included in the September 30, 2003 cash balance was \$1,014,590 of Rand SBIC 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.

#### THE CORPORATION 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.

#### THE CORPORATION 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 that may have higher risk attributes including risky technologies; lack of management depth; lack of profitability; or short history of operations. Because of the speculative nature and the lack of a public market for these investments, there is a significantly greater risk of loss than is the case with traditional investment securities. The Corporation expects that some of its venture capital investments may be a complete loss, or unprofitable, and that some which appear to be likely to become successful may never realize their potential due to numerous operational and external market factors. In addition, the accrued interest (if any) associated with the Corporation's portfolio investments may also become uncollectible, due to both gradual shifts and sometimes sudden changes in the marketplace, affecting the portfolio companies ability to execute on its business plan. 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 valuation are recorded in the

Corporation's statement of operations as "Unrealized appreciation (depreciation) 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 September 30, 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 the end of the period covered by this 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 over financial reporting. There were no changes in the Corporation's internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Securities Exchange Act of 1934 that occurred during the Corporation's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## 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

None

### 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.\*
- (10.3) 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
- (31.1) Certification of Chief Executive Officer Pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended
- (31.2) Certification of Chief Financial Officer Pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended
- (32.1) Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Rand

Capital Corporation - filed herewith

(32.2) 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

On July 22, 2003, we furnished a Current Report on  
Form 8-K pursuant to Item 9. Regulation FD Disclosure  
attaching our press release dated July 17, 2003  
announcing our earnings results for the second  
quarter of 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: November 12, 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

EXHIBIT 31.1

CERTIFICATION

CHIEF EXECUTIVE OFFICER PURSUANT TO RULES 13A-14(A)/15D-14(a) UNDER THE  
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

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 are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated 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 and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 12, 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.)

EXHIBIT 31.2

CERTIFICATION

CHIEF FINANCIAL OFFICER PURSUANT TO RULES 13A-14(a)/15d-14(a) UNDER THE  
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

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 are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated 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 and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 12, 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 32.1

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 September 30, 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: November 12, 2003

/s/ ALLEN F. GRUM

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Allen F. Grum, President  
(Chief Executive Officer)

Dated: November 12, 2003

/s/ DANIEL P. PENBERTHY

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Daniel P. Penberthy, Treasurer  
(Chief Financial Officer)

EXHIBIT 32.2

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 September 30, 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: November 12, 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: November 12, 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.)