AMERICAN FINANCIAL CAPITAL TRUST II
Form 424B5
August 22, 2012
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CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Maximum Aggregate Offering Price	Amount Of Registration Fee(1)
Senior Notes due 2042	$125,000,000	$14,325

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended (the Securities Act)

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-179867

PROSPECTUS SUPPLEMENT

August 21, 2012

(To Prospectus Dated March 2, 2012)

$125,000,000

5 $^3/_4$% Senior Notes due 2042

We are offering $125,000,000 principal amount of 5 $^3/_4$% Senior Notes due 2042 (the notes). Interest on the notes will accrue from, and including, August 24, 2012 and will be paid quarterly in arrears on February 25, May 25, August 25 and November 25 of each year, commencing on November 25, 2012. The notes will mature on August 25, 2042. We may at our option redeem the notes in whole or in part on or after August 25, 2017 at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption, as described under Description of Senior Notes Optional Redemption on page S-13. The notes will be our unsecured obligations and will rank equally with all of our other unsecured senior indebtedness. The notes will be structurally subordinated to all future and existing obligations of our subsidiaries. The notes will be issued only in registered form in denominations of $25 and integral multiples of $25 in excess thereof.

Investing in the notes involves risks that are described in Risk Factors beginning on page 2 of the accompanying prospectus and Item 1A Risk Factors beginning on page 15 of our Annual Report on Form 10-K for the year ended December 31, 2011.

	Per Note	Total
Public offering price (1)	100.00%	$ 125,000,000
Underwriting discount (2)	3.15%	$ 3,937,500
Proceeds, before expenses, to us (1)(2)	96.85%	$ 121,062,500

(1) Plus accrued interest, if any, from August 24, 2012, if settlement occurs after that date.
(2) The underwriting discount of $0.7875 per note will be deducted from the public offering price, except that for sales to certain institutions, the underwriting discount deducted will be $0.50 per note, and to the extent of those sales, the total underwriting discount will be less than the total shown above, and the total proceeds, before expenses, to us will be more than the total shown above. As a result of sales to certain institutions, the total proceeds to us, after deducting the underwriting discounts, will equal $121,273,525.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes are a new issue of securities with no established trading market. We intend to apply to list the notes on the New York Stock Exchange (the NYSE) under the symbol AFA. If the application is approved, we expect trading in the notes to begin within 30 days of August 24, 2012.

We expect that the notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants on or about August 24, 2012.

Joint Book-Running Managers

BofA Merrill Lynch **UBS Investment Bank** **Wells Fargo Securities**

Joint Lead Manager

J.P. Morgan

Senior Co-Managers

Barclays **PNC Capital Markets LLC** **Raymond James**

Co-Managers

Keefe, Bruyette & Woods **Macquarie Capital** **Mitsubishi UFJ Securities** **US Bancorp**

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This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. Under this shelf registration process, we may, from time to time, sell the securities described in the accompanying prospectus in one or more offerings. You should read both this prospectus supplement and the accompanying prospectus together with the documents incorporated by reference herein and therein described in this prospectus supplement and the accompanying prospectus under the heading Where You Can Find More Information.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus or any other documents incorporated by reference is accurate only as of the respective dates of those documents in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since those respective dates.

This prospectus supplement and the accompanying prospectus summarize certain documents and other information, and we refer you to them for a more complete understanding of what we discuss in this prospectus supplement and the accompanying prospectus. In making an investment decision, you should rely on your own examination of our company and the terms of this offering and the notes, including the merits and risks involved.

We are not, and the underwriters are not, making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser. You should not consider any information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

In this prospectus supplement, unless stated otherwise or the context otherwise requires, references to AFG, we, us and our refer to American Financial Group, Inc., an insurance holding company incorporated in Ohio, and its subsidiaries.

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AMERICAN FINANCIAL GROUP, INC.

General

American Financial Group, Inc. (AFG) is a holding company that, through subsidiaries, is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of traditional fixed and indexed annuities and supplemental insurance products.

Our address is 301 East Fourth Street, Cincinnati, Ohio 45202; its phone number is (513) 579-2121. SEC filings, news releases, AFG s Code of Ethics applicable to directors, officers and employees and other information may be accessed free of charge through AFG s Internet site at: *www.AFGinc.com*. Other than the information specifically contained or incorporated by reference in this prospectus supplement or the accompanying prospectus, information on our website is not part of this prospectus supplement or the accompanying prospectus.

Holding Company Structure

As a holding company, our cash flow and our ability to service our debt, including the notes, are dependent upon the earnings of our subsidiaries and on the distribution of earnings, loans or other payments by our subsidiaries to us. Payment of dividends by our insurance subsidiaries may require prior regulatory notice or approval. The notes will be structurally subordinated to all existing and future obligations of our subsidiaries, including claims of policyholders, which means that holders of obligations of our subsidiaries have claims on the assets of those subsidiaries that have priority to claims of holders of the notes. Our subsidiaries are distinct legal entities having no obligation to pay any amounts pursuant to the notes or to make funds available to us. The indenture governing the notes does not limit the amount of debt that we or any of our subsidiaries may incur.

Recent Developments

Sale of Medicare Supplement and Critical Illness Businesses

On May 10, 2012, AFG s subsidiary, Great American Financial Resources, Inc. (GAFRI), agreed to sell its Medicare Supplement and Critical Illness businesses to Cigna Health and Life Insurance Company for approximately $295 million in cash, subject to post-closing adjustments based upon statutory capital and surplus of the transferred businesses as of the closing date. The transaction is expected to close in the third quarter of 2012 and is subject to customary closing conditions, including, without limitation, receipt of certain regulatory approvals. There can be no assurance that the transaction will be consummated, or if consummated, as to the timing of the consummation. Following consummation of this transaction, AFG s supplemental insurance operations will consist solely of its run-off long-term care business.

Crop Insurance

The extreme heat and dry conditions in the Midwest have affected corn and soybean crop prospects for many of America s farmers. We expect these drought conditions to adversely impact profitability, perhaps materially, in the Property and Transportation Group, and for AFG as a whole, in the second half of 2012 as compared to the same period in 2011. We expect that any losses in the crop insurance operations would be mitigated to some extent by quota share and stop loss reinsurance.

Regulatory Developments

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) effects comprehensive changes to the regulation of financial services in the United States and may subject our company to substantial additional federal regulation. Dodd-Frank directs existing and newly-created government agencies and bodies to promulgate regulations implementing the law, a process anticipated to occur over the next few

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years. We cannot predict with any certainty the requirements of the regulations ultimately adopted or how Dodd-Frank and such regulations will affect the financial markets generally, impact our business, credit or financial strength ratings, results of operations, cash flows or financial condition. However, we anticipate that AFG s business and operations may be affected in at least the following ways:

AFG may become subject to new or increased capital requirements.

Dodd-Frank establishes a Federal Insurance Office within the Department of the Treasury to be headed by a director appointed by the Secretary of the Treasury. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office will perform various functions with respect to insurance (other than health insurance), including serving as a non-voting member of the Financial Stability Oversight Council (the Council) established by Dodd-Frank and making recommendations to the Council regarding insurers to be designated for stricter regulation. The director is also required to conduct a study on how to modernize and improve the system of insurance regulation in the United States, including by increased national uniformity through either a federal charter or effective action by the states.

The Council may recommend that state insurance regulators or other regulators apply new or heightened standards and safeguards for activities or practices we and other insurers or other financial services companies engage in that could create or increase the risk that significant liquidity, credit or other problems spread among financial companies. We cannot predict whether any such recommendations will be made or their effect on our business, results of operations, cash flows or financial condition.

Under Title II of the Dodd-Frank Act, the Federal Deposit Insurance Corporation (FDIC), as receiver of a covered financial company, succeeds to the rights, title, powers and privileges of the company and its stockholders, members, directors and officers and may take over and operate the company with all the powers of shareholders, members, directors and officers. The FDIC has the power to liquidate the company through the sale of assets, or transfer of assets to a bridge financial company, to merge the company with another company or transfer assets and liabilities, to pay valid obligations that come due to the extent funds are available, to terminate rights and claims of stockholders and creditors (except their right to payment, resolution, or other satisfaction of their claims in accordance with the provisions of Title II) and to determine and pay claims. To the extent AFG or any of its affiliates is a stockholder or creditor in a firm that becomes a covered financial company in receivership, it could become subject to a termination of rights or claims consistent with the provisions of Title II by the FDIC. If AFG becomes a covered financial company, its creditors, including holders of the notes, would become subject to FDIC s orderly liquidation authority under Title II and therefore subject to termination of rights similar to a liquidation of depository institutions under the Federal Deposit Insurance Act. In such event, the ability of holders of the notes to accelerate or declare an event of default under the notes, without the consent of the FDIC, would be subject to a 90-day stay. Further, the FDIC would have the power to repudiate contracts of AFG which the FDIC determines to be burdensome, which power could extend to obligations such as the notes, and damages for such repudiation would be limited. In addition the FDIC would have the power to enforce most types of contracts, including the notes, notwithstanding provisions in the notes that permit acceleration of the notes upon certain events of insolvency, and may transfer to a new obligor any of AFG s assets and liabilities, including the notes, without the approval or consent of AFG s creditors, including holders of the notes, and in doing so may transfer assets of AFG without transferring some or all of AFG s liabilities. Furthermore, claims of holders of senior debt of AFG, including the notes, would be subordinated to certain U.S. government and other claims, which could be substantial. While the FDIC has backup authority to initiate a liquidation of an insurance company if a State insurance department fails to act within 60 days of a determination triggering orderly liquidation procedures, the FDIC s

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authority is limited to standing in the place of the state insurance department and to filing the appropriate judicial action in the appropriate state court to place the insurer into orderly liquidation under the laws and requirements of the state. If at any time AFG would have total consolidated assets of equal to or greater than $50 billion , AFG could become subject to a risk based assessment to pay in full the obligations issued by the FDIC as receiver of covered financial companies put into Title II proceedings to the Secretary of the Treasury. The FDIC must impose assessments on a graduated basis according to a risk matrix. In recommending and establishing a risk matrix, the Council and the FDIC must consider, among other factors, assessments imposed upon on a financial company or affiliate that is an insured depository institution pursuant to the Federal Deposit Insurance Act, a member of the Securities Investor Protection Corporation pursuant to the Securities Investor Protection Act or an insurance company assessed pursuant to state law to cover the cost of state insolvency proceedings. Thus any assessment imposed upon AFG under Title II would need to consider a risk matrix recognizing assessments imposed upon insurance company subsidiaries of AFG by a state insurance guaranty fund.

AFG s investment activities may become subject to new limitations or restrictions or be impacted by market changes as a result of such limitations or restrictions.

The Dodd-Frank Act generally requires all agreements or arrangements that fall within the swap or security-based swap definitions in the Dodd-Frank Act to be traded on an exchange or regulated swap execution facility and to be centrally cleared through regulated central clearinghouses, unless an exemption is available, which exemptions include an exemption for transactions not accepted for trading or central clearing. These provisions are subject to implementation pursuant to rulemaking by the SEC and the Commodity Futures Trading Commission (CFTC), which have only been partially promulgated. The requirement to exchange trade and centrally clear swap and security-based swap transactions, as well as the CFTC and SEC rules implementing the provisions of the Dodd-Frank Act, may adversely affect our ability to engage in various derivatives transactions of the type we have historically found useful due to the added costs and/or complexity of entering into such transactions. Additionally, under the Dodd-Frank Act entities which are deemed to be swap dealers or major swap participants (MSP) (as defined in the Dodd-Frank Act and the regulations to be promulgated thereunder) will be required to register with the CFTC and entities which are deemed to be security based swap dealers or major security-based swap participants (MSBSP and collectively with MSPs, Major Participants) will be required to register with the SEC. All such dealers and Major Participants will be subject to capital and margin requirements, as well as business conduct rules and reporting requirements, each as promulgated by the CFTC, SEC and certain prudential regulators. Based on the final regulations defining Major Participants, we do not consider it likely that AFG will be a Major Participant based on our current derivatives activity. However, because the Major Participant definition is based on periodic exposures in certain classes of derivatives from time to time, it is possible that at some point in the future AFG may become a Major Participant. If this were to happen, based on the fact that a number of other regulations have not yet been finalized, it is unclear what impact the business conduct, capital and margin requirements applicable to Major Participants may have on our business and/or our hedging and risk mitigation activities. Further, based on the final regulations defining swap and security-based swap, certain safe harbors have been created to carve a number of insurance-related arrangements out of the extremely broad definition of swap, which , when applied literally, could encompass a number of arrangements that have not traditionally been viewed as part of the over-the-counter derivatives market, such as various insurance products. However, because the safe harbors are limited and may not cover all of the insurance products offered by our subsidiaries, without seeking specific no-action relief from the CFTC it is uncertain at this time what impact the Dodd-Frank Act may have on our traditional insurance business.

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Dodd-Frank establishes the Bureau of Consumer Financial Protection (BCFP) as an independent agency within the Federal Reserve Board to regulate consumer financial products and services offered primarily for personal, family or household purposes, with rule-making and enforcement authority over unfair, deceptive or abusive practices. Insurance products and services are not within the BCFP s general jurisdiction. We believe that our insurance subsidiaries offer a very limited number of products, if any, subject to BCFP regulation, and the impact of Dodd-Frank on their operations in this regard should not be material; however, it is possible that the regulations promulgated by the BCFP will assert jurisdiction more expansive than we anticipate.

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SUMMARY OF THE OFFERING

The following summary highlights information contained elsewhere in this prospectus supplement. You should read this summary in conjunction with the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus. For a more complete description of the terms of the notes, see Description of Senior Notes beginning on page S-12 of this prospectus supplement and Description of Debt Securities beginning on page 4 of the accompanying prospectus.

Issuer	American Financial Group, Inc.
Securities Offered	\$125,000,000 principal amount of $5\,^{3}/_{4}$% Senior Notes due 2042
Use of Proceeds	We intend to use the net proceeds from this offering to redeem all \$115 million aggregate principal amount of our $7\,^{1}/_{8}$% Senior Debentures due 2034 plus accrued and unpaid interest thereon to, but excluding, the date of redemption. Any remaining net proceeds will be used for general working capital purposes. See Use of Proceeds in this prospectus supplement.
Maturity Date	August 25, 2042
Interest Rate and Payment Dates	$5\,^{3}/_{4}$% per annum payable quarterly in arrears on each February 25, May 25, August 25 and November 25 of each year, commencing on November 25, 2012, and at maturity.
Ranking	The notes will be our general unsecured senior obligations and will rank equally in right of payment with our existing and future unsecured and unsubordinated debt. The notes will be structurally subordinated to all future and existing obligations of our subsidiaries, including obligations to policyholders.
Optional Redemption	We may at our option redeem the notes, in whole or in part, on or after August 25, 2017 at any time and from time to time, prior to maturity at a price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption, as described on page S-13 under Description of Senior Notes Optional Redemption.
Listing	We intend to apply to list the notes on the NYSE under the symbol AFA. If the application is approved, we expect trading in the notes to begin within 30 days of August 24, 2012.
Form and Denomination	The notes will be issued in fully registered form in denominations of \$25 and integral multiples of \$25 in excess thereof.
Trustee and Paying Agent	The trustee and paying agent for the notes is U.S. Bank National Association.

Governing Law	The indenture and the notes will be governed by the laws of the State of New York.

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Risk Factors	Investing in the notes involves risks that are described in the Risk Factors section beginning on page 2 of the accompanying prospectus and those risk factors incorporated by reference into this prospectus supplement and the accompanying prospectus from our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and other documents set forth under Where You Can Find More Information in this prospectus supplement and the accompanying prospectus.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended, under which we file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy this information at prescribed rates at the SEC s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) 732-0330 for further information about the Public Reference Room. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers that file electronically with the Securities and Exchange Commission. The address of that site is *www.sec.gov*. You may also access these filings free of charge through AFG s Internet site at *www.AFGinc.com*. Other than the information specifically contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, information on American Financial Group s website is not part of this prospectus supplement or the accompanying prospectus.

AFG s common stock is listed on the NYSE and the Nasdaq Global Select Market under the symbol AFG. Reports, proxy statements and other information regarding American Financial Group, Inc. may be read and copied at the offices of the NYSE located at 20 Broad Street, New York, New York 10005 and at the offices of Nasdaq located at Financial Industry Regulatory Authority Reports Section, 1735 K Street, N.W., Washington, D.C. 20006.

We are incorporating by reference into this prospectus supplement certain information that AFG files with the Securities and Exchange Commission, which means that we are disclosing important information to you by referring you to those documents. The information incorporated by reference is deemed to be part of this prospectus supplement, except for any information superseded by information contained directly in this prospectus supplement. This prospectus supplement incorporates by reference the documents set forth below that AFG has previously filed with the Securities and Exchange Commission.

AFG SEC Filings (File No. 1-13653)	**Period**
Annual Report on Form 10-K	Year Ended December 31, 2011
Quarterly Reports on Form 10-Q	Quarters Ended March 31, 2012 and June 30, 2012
Current Reports on Form 8-K (excluding any information furnished and not filed in such reports under Item 2.02 or Item 7.01)	Filed on May 14, 2012, May 17, 2012, June 5, 2012, June 11, 2012 and August 16, 2012

All documents that AFG files with the Securities and Exchange Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, from the date of this prospectus supplement to the completion of the offering of the notes shall also be deemed to be incorporated in this prospectus supplement by reference. Any statement contained in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference into this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or any other subsequently filed document that is deemed to be incorporated by reference into this prospectus supplement modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

You may request a copy of these filings, at no cost, by writing or calling us at the following address or telephone number: Karl J. Grafe, Vice President, Assistant General Counsel and Secretary, American Financial Group, Inc., 301 East Fourth Street, Cincinnati, Ohio 45202, (513) 579-2540. Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this prospectus supplement.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement (including the information incorporated by reference) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are subject to numerous assumptions, risks or uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking words such as anticipates, believes, expects, estimates, intends, plans, seeks, could, may, should, will or the negative version of those wo comparable terminology.

Factors that could cause our actual results or financial condition to differ from those in the forward-looking statements may accompany the statements themselves, and include those set forth in the section Risk Factors on page 4 of the accompanying prospectus and page 15 of our Annual Report on Form 10-K for the year ended December 31, 2011. In addition, generally applicable factors that could cause actual results or outcomes to differ from those expressed in the forward-looking statements are and will be discussed in our reports on Forms 10-K, 10-Q and 8-K incorporated by reference in this prospectus supplement and the accompanying prospectus.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. We do not undertake any obligation to publicly update or review any forward-looking statement.

USE OF PROCEEDS

We expect to receive approximately $121 million in net proceeds from the sale of the notes in this offering, after deducting the underwriting discount and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering to redeem all $115 million aggregate principal amount of our 7 $^{1}/_{8}$% Senior Debentures due 2034 plus accrued and unpaid interest thereon to, but excluding, the date of redemption. Any remaining net proceeds will be used for general working capital purposes.

Pending our application of the net proceeds in the manner described above, we intend to invest the net proceeds from the sale of the notes in readily marketable, short-term, interest-bearing investments, including money market accounts.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of June 30, 2012 on an actual basis and as adjusted to give effect to the redemption of $112.5 million aggregate principal amount of 7 $^{1}/_{2}$% Senior Notes due November 2033 and $86.25 million aggregate principal amount of 7 $^{1}/_{4}$% Senior Notes due January 2034 issued by our subsidiary, AAG Holding Company and guaranteed by Great American Financial Resources, Inc. and by us, which redemptions were completed on July 13, 2012, as well as the offering contemplated hereby and the anticipated use of proceeds therefrom. See Use of Proceeds in this prospectus supplement. The table below should be read together with the detailed information and financial statements appearing in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of June 30, 2012	
	Historical	As Adjusted
	(in millions)	
Direct obligations of AFG:		
5 $^{3}/_{4}$% Senior Notes due August 2042	$ -	$ 125
6 $^{3}/_{8}$% Senior Notes due June 2042	230	230
9 $^{7}/_{8}$% Senior Notes due June 2019	350	350
7% Senior Notes due September 2050	132	132
7 $^{1}/_{8}$% Senior Debentures due February 2034	115	-
Other	3	3
	830	840
Obligations of subsidiaries:		
AAG Holding Company (guaranteed by AFG)		
7 $^{1}/_{2}$% Senior Notes due November 2033	112	-
7 $^{1}/_{4}$% Senior Notes due January 2034	86	-
Other	130	130
Total long-term debt	1,158	970
Shareholders equity	4,622	4,617(a)
Noncontrolling interests	153	153
Total equity	4,775	4,770
Total capitalization	$ 5,933	$ 5,740

(a) The as adjusted shareholders equity reflects the after-tax impact of the write-off of the unamortized debt issue costs associated with the redemption of the 7 $^{1}/_{2}$% Senior Notes due November 2033 and 7 $^{1}/_{4}$% Senior Notes due January 2034, each issued by AAG Holding Company and guaranteed by Great American Financial Resources, Inc. and by us, and the 7 $^{1}/_{8}$% Senior Notes due February 2034 to be redeemed with the net proceeds of this offering.

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DESCRIPTION OF SENIOR NOTES

The following description of the particular terms of the notes supplements the description of the general terms and provisions of debt securities, including the notes, set forth in the accompanying prospectus. Reference is made to the accompanying prospectus for a summary of certain additional provisions of the notes.

The notes will be issued as a separate series of senior debt securities under an indenture, dated as of November 12, 1997 between American Financial Group, Inc. and U.S. Bank National Association (formerly known as Star Bank, N.A.), as trustee (the indenture). We urge you to read the indenture because it, and not the summaries below and in the accompanying prospectus, defines your rights. You may obtain a copy of the indenture from us without charge. See Where You Can Find More Information in this prospectus supplement. Capitalized terms not otherwise defined herein shall have the meanings given to them in the accompanying prospectus and the indenture.

General

We will initially issue $125,000,000 aggregate principal amount of the notes. The notes will be issued in minimum denominations of $25 and integral multiples of $25 in excess thereof.

The notes will bear interest at the rate of 5 $^3/_4$% per annum. Interest will accrue from August 24, 2012, or from the most recent interest payment date to which we paid or duly provided for interest. We will pay interest on the notes on February 25, May 25, August 25 and November 25 of each year, beginning November 25, 2012. Interest payments will be made to the persons or entities in whose names the notes are registered at the close of business on February 10, May 10, August 10 and November 10, as the case may be, next preceding the relevant interest payment date. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The notes will mature on August 25, 2042.

If any date on which interest is payable on the notes is not a business day, then payment of principal and interest will be made on the next succeeding business day except that, if such business day is in the next succeeding calendar year, such payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on the date the payment was originally payable. No interest will accrue due to any such delay in payment on the amount so payable for the period from such interest payment date, redemption date or maturity date, as the case may be, to the date payment is made.

The notes will be represented by one or more global notes deposited with or on behalf of The Depository Trust Company (DTC), or a nominee thereof. The trustee will initially act as paying agent and registrar for the notes. Except as otherwise provided in the indenture, the notes will be registered in the name of that depositary or its nominee. We will pay principal and interest on the notes to the depositary or its nominee, as the case may be, as the registered owner or the holder of the global note. As provided by the indenture, at our option, interest may be paid as the trustee s corporate office or by check mailed to the registered address of the holder of record. See Book-Entry System below and in the accompanying prospectus.

Our insurance subsidiaries are subject to supervision and regulation by the insurance regulatory authorities in the various jurisdictions in which they conduct business. Regulation is intended for the benefit of policyholders rather than shareholders or holders of debt securities. Insurance regulatory authorities have broad regulatory, supervisory and administrative powers relating to solvency standards, licensing, policy rates and forms and the form and content of financial reports. Regulatory actions may affect our ability to implement our business objectives. Also, as disclosed in our Form 10-K for the year ended December 31, 2011 (Item 1A Risk Factors As a holding company, AFG is dependent on the operations of its insurance company subsidiaries to meet its obligations and pay future dividends.) we are limited in the amount of dividends that our insurance subsidiaries can pay us without regulatory notice or approval.

The notes are a new issue of securities with no established trading market. We intend to apply to list the notes on the NYSE. If the application is approved, we expect trading of the notes on the NYSE to commence within 30 days of August 24, 2012. The underwriters have advised us that they intend to make a market for the notes, but they have no obligation to do so and may discontinue market making at any time without providing any notice. No assurance can be given as to whether a trading market will develop for the notes or if one develops, as to the liquidity of any such trading market.

Ranking of the Notes

The notes will be senior unsecured obligations of AFG and will rank equal in right of payment to all of our other senior unsecured indebtedness. In addition, we are structured as a holding company and conduct most of our business operations through our subsidiaries. The notes will be effectively subordinated to all existing and future indebtedness and other liabilities and obligations of our subsidiaries, which are distinct legal entities having no obligation to pay any amounts pursuant to the notes or to make funds available.

As of June 30, 2012, after giving effect to the retirement of debt with the proceeds of this offering, we would have had an aggregate of $837 million of senior unsecured indebtedness outstanding, no senior secured indebtedness outstanding, and a total of $500 million available under our bank credit facility. We also had approximately $3 million in miscellaneous notes payable outstanding.

As of June 30, 2012, after giving effect to the redemption in July 2012 of the 7 $^{1}/_{2}$% Senior Notes due November 2033 and 7 $^{1}/_{4}$% Senior Notes due January 2034, each issued by AAG Holding Company and guaranteed by Great American Financial Resources, Inc. and by us, our subsidiaries would have had approximately $130 million of long-term indebtedness outstanding. Our subsidiaries also have liabilities associated with insurance policies issued by the subsidiaries, reinsurance obligations and other trade payables and expenses.

Limitation on Liens

The indenture provides that, so long as any debt securities are outstanding, neither we nor any of our restricted subsidiaries may, directly or indirectly, use any voting stock of a restricted subsidiary as security for any of our debt or other obligations unless any debt securities issued under the indenture are secured prior to, or to the same extent as that debt or other obligation. This restriction does not apply to liens on voting stock existing at the time a corporation becomes our restricted subsidiary or any renewal or extension of such existing liens and does not apply to shares of subsidiaries that are not restricted subsidiaries.

The indenture defines restricted subsidiaries as (1) Great American Life Insurance Company and Great American Insurance Company; (2) any other present or future subsidiary of AFG, the consolidated total assets of which constitute at least 20% of our total consolidated assets; and (3) any person which is a successor, by merger or otherwise, to substantially all the business or properties of any subsidiary referred to or described in clauses (1) or (2).

Optional Redemption

We may, at our option, at any time and from time to time, on or after August 25, 2017, redeem the notes in whole or in part on not less than 30 nor more than 60 days prior notice mailed to the holders of the notes. The notes will be redeemable at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest to, but excluding, the date of redemption.

On and after any redemption date, interest will cease to accrue on the notes called for redemption. Prior to any redemption date, we are required to deposit with a paying agent money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on such date. If we are redeeming less than all the notes, the trustee under the indenture must select the notes to be redeemed by such method as the trustee deems fair and appropriate.

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Events of Default

In addition to the description of events of default as described in the accompanying prospectus, if an event of default occurs because of certain events in bankruptcy, insolvency or reorganization, the principal amount of the notes will automatically become due and payable, without any action by the trustee or any holder.

Modification

In addition to changes to the indenture listed under Modification and Waiver Changes Requiring Your Approval in the accompanying prospectus, the following changes cannot be made without your approval:

- change in the redemption price;
- change in the date prior to which no redemption may be made; or
- making the principal of, or premium, if any, or interest on the notes payable in anything other than United States dollars.

Book-Entry System

Upon issuance, all notes will be represented by one or more fully registered global certificates, each of which we refer to as a global security. Each such global security will be deposited with or on behalf of DTC, and registered in the name of DTC or a nominee thereof. Purchasers of the notes will hold beneficial interests in the notes only through DTC, or through the accounts that Clearstream Banking, S.A. and Euroclear Bank S.A./N.V. maintain as participants in DTC.

The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may limit or impair the ability to own, transfer or pledge beneficial interests in the notes in global form.

Further Issues

We may from time to time, without notice to or the consent of the registered holders of the notes, create and issue further notes ranking *pari passu* with the notes in all material respects, or in all respects except for the issue date and public offering price or payment of interest accruing prior to the issue date of such further notes or except for the first payment of interest following the issue date of such further notes, and so that such further notes may be consolidated and form a single series with the notes offered hereby and have the same terms as to status, redemption or otherwise as the notes offered hereby; provided that such further notes are fungible for U.S. federal income tax purposes with such previously issued notes.

Additional Terms

For additional important information about the notes, see Description of Debt Securities in the accompanying prospectus. That information includes:

- additional information on the terms of the notes;
- general information on the indenture and trustee;
- a description of the limitation on consolidation, merger and sale of assets; and

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	Warrant for 3.29% membership interests. Option for 1.5% membership interests. **(i)** Interest receivable $90,268.			97,625	97,625	
	Total Mercantile			1,320,821	1,320,821	
SocialFlow, Inc. (e)(g) New York, NY. Provides instant analysis of social networks using a proprietary, predictive analytic algorithm to optimize advertising and publishing. (Software) www.socialflow.com	1,049,538 Series B preferred shares. 1,204,819 Series B-1 preferred shares.	4/5/13	4%	1,250,000	1,250,000	3.8%
Somerset Gas Transmission Company, LLC Columbus, OH. Natural gas transportation. (Oil and Gas) www.somersetgas.com	26.5337 units.	7/10/02	3%	719,097	786,748	2.4%
Statisfy, Inc. (e)(g) Boston, MA. Mobile marketing platform for engagement, advertising and surveys. (Software) www.statisfy.co	500,000 Series seed preferred shares.	8/18/14	4%	500,000	500,000	1.5%
Synacor, Inc. NASDAQ: SYNC (e)(g)(n)(o)	148,582 unrestricted common	11/18/02	1%	182,190	348,000	1.1%

Buffalo, NY. Develops provisioning platforms for aggregation and delivery of content and services across multiple digital devices. (Software) www.synacor.com	shares valued at $2.34 per share.					
Other Non-Control/Non-Affiliate Investments:						
DataView, LLC (Software) (e)	Membership Interest		310,357			0.0%
UStec/Wi3 (Software) (e)	Common Stock		100,500			0.0%
Subtotal Non-Control/Non-Affiliate Investments		$	6,277,719	$	6,211,666	

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2015 (Continued)

(Unaudited)

(a) Company, Geographic Location, Business Description, (Industry) and Website	Type of Investment	(b) Date Acquired	(c) Equity	Cost	(d)(f) Fair Value	Percent of Net Assets
Affiliate Investments 50.7% of net assets (k)						
Carolina Skiff LLC (g)	$985,000 Class A preferred	1/30/04	7%			5.3%
Waycross, GA. Manufacturer of fresh water,	membership interest at 9.8%.			$ 985,000	$ 985,000	
ocean fishing and pleasure boats.	$250,000 subordinated			125,000	125,000	
(Consumer Product)	promissory note at 14% due					
www.carolinaskiff.com	December 31, 2016.					
	6.0825% Class A common membership interest.			15,000	600,000	
	Total Carolina Skiff			1,125,000	1,710,000	
Chequed.com, Inc. (e)(g)	408,476 Series A preferred shares.	11/18/10	16%	1,383,222	1,383,222	5.0%
Saratoga Springs, NY. Web based predictive	$250,000 convertible			250,000	250,000	
employee selection and reference checking.	promissory note at 8% due December					
(Software)	31, 2015					
www.chequed.com						
	Total Chequed.com			1,633,222	1,633,222	

First Wave Products Group, LLC (e)(g)(p) Batavia, NY. Sells First Crush automated pill crusher that crushes and grinds medical pills for nursing homes and medical institutions. (Manufacturing) www.firstwaveproducts.com	$500,000 senior term notes at 10% (Payment in Kind (PIK) through May 31, 2015) due December 31, 2016.	4/19/12	7%	655,594	655,594	3.1%
	$280,000 junior term notes at 10% (PIK through May 31, 2015) due December 31, 2016.			316,469	316,469	
	Warrant for 41,619 capital securities.			22,000	22,000	
	Total First Wave			994,063	994,063	
GiveGab, Inc. (e)(g) Ithaca, NY. Social network program that connects volunteers with nonprofit organizations. (Software) www.givegab.com	5,084,329 Series Seed preferred shares.	3/13/13	10%	616,221	616,221	1.9%
G-TEC Natural Gas Systems (e) Buffalo, NY. Manufactures and distributes systems that allow natural gas to be used as an alternative fuel to gases. (Manufacturing) www.gas-tec.com	18.545% Class A membership interest. 8% cumulative dividend.	8/31/99	19%	400,000	100,000	0.3%
Intrinsiq Materials, Inc. (e)(g) Rochester, NY. Produces printable electronics utilizing a unique process of nanomaterial based ink in a room-temperature environment. (Manufacturing)	599,055 Series 2 Preferred shares.	9/19/13	7%	600,002	600,002	1.8%

www.intrinsiqmaterials.com

Knoa Software, Inc. (e)(g) New York, NY. End user experience management and performance (EMP) solutions utilizing enterprise applications. (Software) www.knoa.com	973,533 Series A-1 convertible preferred shares. 1,876,922 Series B preferred shares. (Fully diluted common share equivalent of 3,336,010).	11/20/12	7%	1,229,155	872,255	2.7%
KnowledgeVision Systems, Inc. (e)(g)	200,000 Series A-1 preferred shares.	11/13/13	7%	250,000	250,000	2.3%
Lincoln, MA. Online presentation and training	214,285 Series A-2 preferred shares.			300,000	300,000	
software. (Software)	129,033 Series A-3 preferred shares.			165,001	165,001	
www.knowledgevision.com	Warrant for 46,743 Series A-3 shares.			35,000	35,000	
	Total KnowledgeVision			750,001	750,001	
Mezmeriz, Inc. (e)(g)	360,526 Series A preferred shares.	1/9/08	8%	391,373		0.6%
Ithaca, NY. Micro-electronic mechanical systems (MEMS) developer of carbon fiber MEMS mirror modules for gesture recognition and 3D scanning. (Electronics Developer) www.mezmeriz.com	$200,000 convertible notes at 8% due June 30, 2015.			200,000	200,000	
	Total Mezmeriz			591,373	200,000	
Microcision LLC (g)		9/24/09	15%			5.8%
Philadelphia, PA. Custom manufacturer of medical and dental implants. (Manufacturing) www.microcision.com	$1,500,000 subordinated promissory note at 11% due January 31, 2017.			1,891,964	1,891,964	
	15% Class A common membership interest.					
	Total Microcision			1,891,964	1,891,964	

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2015 (Continued)

(Unaudited)

(a) Company, Geographic Location, Business Description, (Industry) and Website	Type of Investment	(b) Date Acquired	(c) Equity	Cost	(d)(f) Fair Value	Percent of Net Assets
New Monarch Machine Tool, Inc. (g) Cortland, NY. Manufactures and services vertical/horizontal machining centers. (Manufacturing) www.monarchmt.com	22.84 common shares.	9/24/03	15%	22,841	22,841	0.1%
OnCore Golf Technology, Inc. (e)(g) Buffalo, NY. Maker of patented hollow-metal core golf balls. (Consumer Product) www.oncoregolf.com	140,000 Series AA preferred shares.	12/31/14	7%	350,000	350,000	1.1%
Rheonix, Inc. (e) Ithaca, NY. Developer of fully automated microfluidic based molecular assay and diagnostic testing. (Health Care) www.rheonix.com	9,676 common shares.	10/29/09	5%		11,000	7.8%
	(g) 1,839,422 Series A preferred shares.			2,099,999	2,165,999	
	(g) 50,593 common shares.				59,000	
	(g) $300,000 convertible promissory note at 8% due December 31, 2015			300,000	300,000	
	Total Rheonix			2,399,999	2,535,999	

SciAps, Inc. (e)(g) Woburn, MA. Instrumentation company specializing in portable analytical instruments utilizing LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements. (Manufacturing) www.sciaps.com	187,500 Series A preferred shares. $200,000 subordinated convertible promissory note at 8% due January 13, 2016.	7/12/13	9%	1,500,000 200,000	1,500,000 200,000	5.2%
	Total SciAps			1,700,000	1,700,000	
SOMS Technologies, LLC (e)(g) Valhalla, NY. Produces and markets the microGreen Extended Performance Oil Filter. (Consumer Products) www.microgreenfilter.com	5,959,490 Series B membership interests.	12/2/08	9%	472,632	528,348	1.6%
Teleservices Solutions Holdings, LLC (g) Montvale, NJ. Customer contact center specializing in customer acquisition and retention for selected industries. (Contact Center) www.ipacesetters.com	250,000 Class B preferred units. 1,000,000 Class C preferred units. 80,000 Class D preferred units.	5/30/14	9%	250,000 1,070,680 80,000	250,000 1,070,680 80,000	4.3%
	Total Teleservices			1,400,680	1,400,680	
Tilson Technology Management, Inc.(g) Portland, ME. Cellular, fiber optic and wireless information systems, construction, and management. (Professional Services) www.tilsontech.com	12 Series B preferred shares.	1/20/15	8%	600,000	600,000	1.8%
Other Affiliate Investments:						
CrowdBouncer, Inc. (e)(g) (Software)	300,000 Series A preferred shares	1/22/14	15%	300,000		0%

Subtotal Affiliate Investments				$ 17,077,153	$ 16,505,596	
Control Investments 30.7% of net assets (l)						
Advantage 24/7 LLC (g) Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company) www.advantage24-7.com	53% Membership interest.	12/30/10	53%	$ 99,500	$ 99,500	0.3%
Gemcor II, LLC (g)(h)(m) West Seneca, NY. Designs and sells automatic riveting machines used in the assembly of aircraft. (Manufacturing) www.gemcor.com	$1,000,000 subordinated promissory note at 15% due September 1, 2017. 31.25 membership units.	6/28/04	31%	574,184 625,000	574,184 9,300,000	30.4%
	Total Gemcor			1,199,184	9,874,184	
Subtotal Control Investments				$ 1,298,684	$ 9,973,684	
TOTAL INVESTMENTS 100.5%				$ 24,653,556	$ 32,690,946	
LIABILITIES IN EXCESS OF OTHER ASSETS (0.5%)					(157,957)	
NET ASSETS 100%					$ 32,532,989	

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2015 (Continued)

(Unaudited)

Notes to the Consolidated Schedule of Portfolio Investments

(a) At March 31, 2015, restricted securities represented approximately 99% of the fair value of the investment portfolio. Restricted securities are subject to one or more restrictions on resale and are not freely marketable. Freed Maxick CPAs, P.C. has not audited the business descriptions of the portfolio companies.

(b) The Date Acquired column indicates the year in which the Corporation acquired its first investment in the company or a predecessor company. Freed Maxick CPAs, P.C. has not audited the date acquired of the portfolio companies.

(c) Each equity percentage estimates the Corporation s ownership interest in the applicable 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 warrants or conversion of debentures, or other available data. Freed Maxick CPAs, P.C. has not audited the equity percentages of the portfolio companies. If applicable, the symbol <1% indicates that the Corporation holds an equity interest of less than one percent.

(d) The Corporation s investments are carried at fair value in accordance with Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures which defines fair value and establishes guidelines for measuring fair value. At March 31, 2015, ASC 820 designates 1% of the Corporation s investments as Level 1 and 99% as Level 3 assets. Under the valuation policy of the Corporation, unrestricted publicly held securities are valued at the average closing bid price for these securities for the last three trading days of the month. Restricted securities are subject to restrictions on resale, and are valued at fair value as determined by the management of the Corporation and submitted to the Board of Directors for approval. Fair value is considered to be the amount which the Corporation may reasonably expect to receive for portfolio securities when 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 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 (see Note 3 Investments to the Consolidated Financial Statements).

(e) These investments are non-income producing. All other investments are income producing. Non-income producing investments have not generated cash payments of interest or dividends including LLC tax-related distributions within the last twelve months, or are not expected to do so going forward.

(f) As of March 31, 2015, the total cost of investment securities approximated $24.7 million. Net unrealized appreciation was approximately $8.0 million, which was comprised of $9.8 million of unrealized appreciation of investment securities and ($1.8) million related to unrealized depreciation of investment securities. At March 31, 2015, the aggregate gross unrealized gain for federal income tax purposes was $5.9 million and the aggregate gross unrealized loss for federal income tax purposes was ($1.6) million. The net unrealized gain was $4.3 million based on a tax cost of $28.2 million.

(g) Rand Capital SBIC, Inc. investment.
(h) Reduction in cost and value from previously reported balances reflects current principal repayment.
(i) Represents interest due (amounts over $50,000 net of reserves) from investment included as interest receivable on the Corporation s Statement of Financial Position.
(j) Non-Control/Non-Affiliate investments are investments that are neither Control Investments nor Affiliate Investments.
(k) Affiliate investments are defined by the Investment Company Act of 1940, as amended (1940 Act), as those Non-Control investments in companies in which between 5% and 25% of the voting securities are owned.
(l) Control investments are defined by the 1940 Act as investments in companies in which more than 25% of the voting securities are owned or where greater than 50% of the board representation is maintained.
(m) Gemcor II, LLC is an unconsolidated significant subsidiary as defined in SEC s Regulation S-X.
(n) Publicly owned company.
(o) On March 31, 2015, the Corporation s shares of Synacor were valued at $2.34 per share in accordance with the Corporation s valuation policy for unrestricted publicly held securities (Level 1). See Synacor s publicly disclosed financial reports at sec.gov for additional information on Synacor s industry, financial results and business operations.
(p) Payment in kind represents earned interest that is added to the cost basis of the investment.

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2015 (Continued)

(Unaudited)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2014 Fair Value	Gross Additions (1)	Gross Reductions (2)	March 31, 2015 Fair Value	Amount of Interest/ Dividend/ Fee Income (3)
Control Investments:						
Advantage 24/7 LLC	53% Membership interest	$ 99,500	$	$	$ 99,500	$
Gemcor II, LLC	$1,000,000 subordinated promissory note at 15%	622,800		(48,616)	574,184	22,145
	31.25 membership units.	9,300,000			9,300,000	414,151
	Total Gemcor	9,922,800		(48,616)	9,874,184	436,296
	Total Control Investments	**$ 10,022,300**	**$**	**($ 48,616)**	**$ 9,973,684**	**$ 436,296**
Affiliate Investments:						
Carolina Skiff LLC	$985,000 Class A preferred membership interest at 9.8%.	$ 985,000	$	$	$ 985,000	$ 24,133
	$250,000 subordinated promissory note at 14%	125,000			125,000	4,374
		600,000			600,000	26,201

	6.0825% Class A common membership interest.					
	Total Carolina Skiff	1,710,000			1,710,000	54,708
Chequed.com, Inc.	408,476 Series A preferred shares.	1,383,222			1,383,222	
	$250,000 convertible promissory note at 8%	250,000			250,000	4,932
	Total Chequed	1,633,222			1,633,222	4,932
CrowdBouncer, Inc.	270,000 Series A preferred shares.					
First Wave Products Group, LLC	$500,000 senior term notes at 10%	637,992	17,602		655,594	17,852
	$280,000 junior term notes at 10%	308,687	7,782		316,469	7,949
	Warrant for 41,619 capital securities.	22,000			22,000	
	Total First Wave	968,679	25,384		994,063	25,801
GiveGab, Inc.	5,084,329 Series Seed preferred shares.	403,388	212,833		616,221	
G-TEC Natural Gas Systems	18.545% Class A membership interest. 8% cumulative dividend.	100,000			100,000	
Intrinsiq Materials, Inc.		600,002			600,002	

	599,055 Series 2 Preferred shares.				
Knoa Software, Inc.	973,533 Series A-1 convertible preferred shares. 1,876,922 Series B preferred shares. (Fully diluted common share equivalent of 3,336,010).	872,255		872,255	
KnowledgeVision Systems, Inc.	200,000 Series A-1 preferred shares.	250,000		250,000	
	214,285 Series A-2 preferred shares.	300,000		300,000	
	129,033 Series A-3 preferred shares.		165,001	165,001	
	Warrant for 46,743 Series A-3 shares.		35,000	35,000	
	Total Knowledge Vision	550,000	200,001	750,001	
Mezmeriz, Inc.	360,526 Series A preferred shares. $200,000 convertible notes at 8%	200,000		200,000	
	Total Mezmeriz	200,000		200,000	
Microcision LLC	$1,500,000 subordinated	1,891,964		1,891,964	52,029

	promissory note at 11% 15% Class A common membership interest.				
	Total Microcision	1,891,964		1,891,964	52,029
New Monarch Machine Tool, Inc.	22.84 common shares.	22,841		22,841	1,000
OnCore Golf Technology, Inc.	140,000 Series AA preferred shares.	200,000	150,000	350,000	
Rheonix, Inc.	9,676 common shares.	11,000		11,000	
	1,839,422 Series A preferred shares.	2,165,999		2,165,999	
	50,593 common shares.	59,000		59,000	
	$300,000 convertible promissory note at 8%		300,000	300,000	855
	Total Rheonix	2,235,999	300,000	2,535,999	855

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2015 (Continued)

(Unaudited)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2014 Fair Value	Gross Additions (1)	Gross Reductions (2)	March 31, 2015 Fair Value	Amount of Interest/ Dividend/ Fee Income (3)
SciAps, Inc.	187,500 Series A preferred shares.	1,500,000			1,500,000	
	$200,000 promissory note at 8% due January 13, 2016		200,000		200,000	3,422
	Total SciAps	$ 1,500,000	200,000		1,700,000	3,422
SOMS Technologies, LLC	5,959,490 Series B membership interests.	528,348			528,348	
Teleservices Solutions Holdings, LLC	250,000 Class B shares.	250,000			250,000	
	1,000,000 Class C shares	1,070,680			1,070,680	
	80,000 Class D preferred units	80,000			80,000	
	Total Teleservices	1,400,680			1,400,680	
Tilson Technology Management, Inc.	12 Series B preferred		600,000		600,000	3,167

shares

Total Affiliate Investments	**$ 14,617,378**	**$ 1,888,218**		**$ 16,505,596**	**$ 145,914**
Total Control and Affiliate Investments	**$ 24,639,678**	**$ 1,888,218**	**($ 48,616)**	**$ 26,479,280**	**$ 582,210**

This schedule should be read in conjunction with the Corporation s Consolidated Financial Statements, including the Consolidated Schedule of Portfolio Investments and Notes to the Consolidated Financial Statements.

(1) Gross additions include increases in the cost basis of investments resulting from new portfolio investment, follow on investments, capitalized interest and the accretion of discounts. Gross Additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation.

(2) Gross reductions include decreases in the cost basis of investments resulting from principal repayments, sales, and net increases in unrealized depreciation and net decreases in unrealized appreciation.

(3) Represents the total amount of interest, fees or dividends credited to income for the portion of the period an investment was included in Control or Affiliate categories, respectively.

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

March 31, 2015 (Continued)

(Unaudited)

Industry Classification	**Percentage of Total Investments (at fair value) as of March 31, 2015**
Manufacturing	46.4%
Software	21.3%
Healthcare	10.4%
Consumer Product	8.4%
Contact Center	8.3%
Oil and Gas	2.4%
Professional Services	1.9%
Electronics	0.6%
Marketing	0.3%
Total Investments	**100%**

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2014

(a) Company, Geographic Location, Business Description, (Industry) and Website	Type of Investment	(b) Date Acquired	(c) Equity	Cost	(d)(f) Fair Value	Percent of Net Assets
Non-Control/Non-Affiliate Investments 17.5% of net assets (j)						
BeetNPath, LLC (e)(g) Ithaca, NY. Frozen entrées made from 100% whole grain steel cut oats. (Consumer Product) www.grainful.com	$150,000 convertible promissory note at 6% due October 20, 2016.	10/20/14		$ 150,000	$ 150,000	0.5%
Crashmob, Inc. (e)(g) Boston, MA. Mobile marketing platform for engagement, advertising and surveys. (Software) www.statisfy.co	500,000 Series seed preferred shares.	8/18/14	4%	500,000	500,000	1.5%
Empire Genomics, LLC (e)(g) Buffalo, NY. Molecular diagnostics company that offers a comprehensive menu of assay services for diagnosing and guiding patient therapeutic treatments. (Health Care) www.empiregenomics.com	$600,000 senior secured convertible term note at 10% due December 1, 2015.	6/13/14		600,000	600,000	1.9%
Kinex Pharmaceuticals, Inc. (e)(g) Buffalo, NY. Specialty pharmaceutical and drug development. (Health Care) www.kinexpharma.com	11,574 common shares.	9/8/14	<1%	143,285	254,628	0.8%
Mercantile Adjustment Bureau, LLC (e)(g) Williamsville, NY. Full service accounts receivable management and collections	$1,099,039 subordinated secured note	10/22/12	4%	1,070,697	1,070,697	4.1%

company. (Contact Center) www.mercantilesolutions.com	at 13% due October 30, 2017. $150,000 subordinated debenture at 8% due June 30, 2018. Warrant for 3.29% membership interests. Option for 1.5% membership interests.			150,000	150,000	
	(i) Interest receivable $79,025.			97,625	97,625	
	Total Mercantile			1,318,322	1,318,322	
OnCore Golf Technology, Inc. (e)(g) Buffalo, NY. Maker of patented hollow-metal core golf balls. (Consumer Product) www.oncoregolf.com	80,000 Series AA preferred shares.	12/31/14	4%	200,000	200,000	0.6%
SocialFlow, Inc. (e)(g) New York, NY. Provides instant analysis of social networks using proprietary, predictive analytic algorithm to optimize advertising and publishing. (Software) www.socialflow.com	1,049,538 Series B preferred shares. 1,204,819 Series B-1 preferred shares.	4/5/13	4%	1,250,000	1,250,000	3.9%
Somerset Gas Transmission Company, LLC Columbus, OH. Natural gas transportation. (Oil and Gas) www.somersetgas.com	26.5337 units.	7/10/02	3%	719,097	786,748	2.4%
Synacor, Inc. NASDAQ: SYNC (e)(g)(n)(o)	301,582 unrestricted common shares valued	11/18/02	1%	385,680	606,000	1.9%

Buffalo, NY. Develops provisioning platforms for aggregation and delivery of content and services across multiple digital devices. (Software) www.synacor.com	at $2.01 per share.			
Other Non-Control/Non-Affiliate Investments:				
DataView, LLC (Software) (e)	Membership Interest	310,357		0.0%
UStec/Wi3 (Software) (e)	Common Stock	100,500		0.0%
Subtotal Non-Control/Non-Affiliate Investments		$ 5,677,241	$ 5,665,698	

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2014 (Continued)

(a) Company, Geographic Location, Business Description, (Industry) and Website	Type of Investment	(b) Date Acquired	(c) Equity	Cost	(d)(f) Fair Value	Percent of Net Assets
Affiliate Investments 45.2% of net assets (k)						
Carolina Skiff LLC (g)						
Waycross, GA. Manufacturer of fresh water, ocean fishing and pleasure boats. (Consumer Product) www.carolinaskiff.com	$985,000 Class A preferred membership interest at 9.8%.	1/30/04	7%	$ 985,000	$ 985,000	
	$250,000 subordinated promissory note at 14% due December 31, 2016.			125,000	125,000	
	6.0825% Class A common membership interest.			15,000	600,000	
	Total Carolina Skiff			1,125,000	1,710,000	5.3%
Chequed.com, Inc. (e)(g)						
Saratoga Springs, NY. Web based predictive employee selection and reference checking. (Software) www.chequed.com	408,476 Series A preferred shares.	11/18/10	16%	1,383,222	1,383,222	5.0%
	$250,000 convertible promissory note at 8% due December 31, 2015			250,000	250,000	

	Total Chequed.com			1,633,222	1,633,222	
CrowdBouncer, Inc. (e)(g) Buffalo, NY. JOBS Act compliance for broker-dealers and crowdfunding portals. (Software) www.crowdbouncer.com	300,000 Series A preferred shares.	1/22/14	15%	300,000		0.0%
First Wave Products Group, LLC (e)(g)(p) Batavia, NY. Sells First Crush automated pill crusher that crushes and grinds medical pills for nursing homes and medical institutions. (Manufacturing) www.firstwaveproducts.com	$500,000 senior term notes at 10% (Payment in Kind (PIK) through May 31, 2015) due December 31, 2016.	4/19/12	7%	637,992	637,992	3.0%
	$280,000 junior term notes at 10% (PIK through May 31, 2015) due December 31, 2016.			308,687	308,687	
	Warrant for 41,619 capital securities.			22,000	22,000	
	Total First Wave			968,679	968,679	
GiveGab, Inc. (e)(g) Ithaca, NY. Social network program that connects volunteers with nonprofit organizations. (Software) www.givegab.com	2,254,822 Series A preferred shares.	3/13/13	7%	403,388	403,388	1.2%
G-TEC Natural Gas Systems (e) Buffalo, NY. Manufactures and distributes systems that allow natural gas to be used as an alternative fuel to gases. (Manufacturing) www.gas-tec.com	18.545% Class A membership interest. 8% cumulative dividend.	8/31/99	19%	400,000	100,000	0.3%
Intrinsiq Materials, Inc. (e)(g) Rochester, NY. Produces printable electronics utilizing a unique process of nanomaterial based ink in a room-temperature environment. (Manufacturing) www.intrinsiqmaterials.com	599,055 Series 2 Preferred shares.	9/19/13	7%	600,002	600,002	1.9%

Knoa Software, Inc. (e)(g) New York, NY. End user experience management and performance (EMP) solutions utilizing enterprise applications. (Software) www.knoa.com	973,533 Series A-1 convertible preferred shares. 1,876,922 Series B preferred shares. (Fully diluted common share equivalent of 3,336,010).	11/20/12	7%	1,229,155	872,255	2.7%
KnowledgeVision Systems, Inc. (e)(g) Lincoln, MA. Online presentation and training software. (Software) www.knowledgevision.com	200,000 Series A-1 preferred shares. 214,285 Series A-2 preferred shares.	11/13/13	5%	550,000	550,000	1.7%

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2014 (Continued)

(a) Company, Geographic Location, Business Description, (Industry) and Website	Type of Investment	(b) Date Acquired	(c) Equity	Cost	(d)(f) Fair Value	Percent of Net Assets
Mezmeriz, Inc. (e)(g) Ithaca, NY. Micro-electronic mechanical systems (MEMS) developer of carbon fiber MEMS mirror modules for gesture recognition and 3D scanning. (Electronics Developer) www.mezmeriz.com	360,526 Series A preferred shares.	1/9/08	8%	391,373	0	0.6%
	$200,000 convertible notes at 8% due December 31, 2014.			200,000	200,000	
	Total Mezmeriz			591,373	200,000	
Microcision LLC (g) Philadelphia, PA. Custom manufacturer of medical and dental implants. (Manufacturing). www.microcision.com	$1,500,000 subordinated promissory note at 11% due January 31, 2017. 15% Class A common membership interest.	9/24/09	15%	1,891,964	1,891,964	5.8%
	Total Microcision			1,891,964	1,891,964	
New Monarch Machine Tool, Inc. (g) Cortland, NY. Manufactures and services vertical/horizontal machining centers. (Manufacturing) www.monarchmt.com	22.84 common shares.	9/24/03	15%	22,841	22,841	0.1%
Rheonix, Inc. (e)(g)		10/29/09	5%		11,000	6.9%

Ithaca, NY. Developer of fully automated microfluidic based molecular assay and diagnostic testing. (Health Care)	9,676 common shares.					
www.rheonix.com	**(g)** 1,839,422 Series A preferred shares.			2,099,999	2,165,999	
	(g) 50,593 common shares.				59,000	
	Total Rheonix			2,099,999	2,235,999	
SciAps, Inc. (e)(g)						
Woburn, MA. Instrumentation company specializing in portable analytical instruments utilizing LIBS and RAMAN spectroscopy to identify compounds, minerals, and elements. (Manufacturing) www.sciaps.com	187,500 Series A preferred shares.	7/12/13	9%	1,500,000	1,500,000	4.6%
SOMS Technologies, LLC (e)(g)						
Valhalla, NY. Produces and markets the microGreen Extended Performance Oil Filter. (Consumer Products) www.microgreenfilter.com	5,959,490 Series B membership interests.	12/2/08	9%	472,632	528,348	1.6%
Teleservices Solutions Holdings, LLC (g) Montvale, NJ. Customer contact center specializing in customer acquisition and retention for selected industries. (Contact Center)	250,000 Class B preferred units.	5/30/14	9%	250,000	250,000	4.3%
www.ipacesetters.com	1,000,000 Class C preferred units.			1,070,680	1,070,680	
	80,000 Class D preferred units.			80,000	80,000	
	Total Teleservices			1,400,680	1,400,680	
Subtotal Affiliate Investments				$ 15,188,935	$ 14,617,378	
Control Investments 31.0% of net assets (l)						
Advantage 24/7 LLC (g)	53% Membership	12/30/10	53%	$ 99,500	$ 99,500	0.3%

Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company) www.advantage24-7.com	interest.					
Gemcor II, LLC (g)(h)(m) West Seneca, NY. Designs and sells automatic riveting machines used in the assembly of aircraft. (Manufacturing) www.gemcor.com	$1,000,000 subordinated promissory note at 15% due September 1, 2017.	6/28/04	31%	$ 622,800	$ 622,800	30.7%
	31.25 membership units.			625,000	9,300,000	
	Total Gemcor			1,247,800	9,922,800	
Subtotal Control Investments				$ 1,347,300	$ 10,022,300	
TOTAL INVESTMENTS 93.7%				$ 22,213,476	$ 30,305,376	
OTHER ASSETS IN EXCESS OF LIABILITIES 6.3%					2,048,065	
NET ASSETS 100%					$ 32,353,441	

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2014 (Continued)

Notes to the Consolidated Schedule of Portfolio Investments

(a) At December 31, 2014, restricted securities represented approximately 98% of the fair value of the investment portfolio. Restricted securities are subject to one or more restrictions on resale and are not freely marketable. Freed Maxick CPAs, P.C. has not audited the business descriptions of the portfolio companies.

(b) The Date Acquired column indicates the year in which the Corporation acquired its first investment in the company or a predecessor company. Freed Maxick CPAs, P.C. has not audited the date acquired of the portfolio companies.

(c) Each equity percentage estimates the Corporation s ownership interest in the applicable 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 warrants or conversion of debentures, or other available data. Freed Maxick CPAs, P.C. has not audited the equity percentages of the portfolio companies. If applicable, the symbol <1% indicates that the Corporation holds an equity interest of less than one percent.

(d) The Corporation s investments are carried at fair value in accordance with Accounting Standards Codification (ASC) 820 Fair Value Measurements which defines fair value and establishes guidelines for measuring fair value. At December 31, 2014, ASC 820 designates 2% of the Corporation s investments as Level 1 and 98% as Level 3 assets. Under the valuation policy of the Corporation, unrestricted publicly held securities are valued at the average closing bid price for these securities for the last three trading days of the month. Restricted securities are subject to restrictions on resale, and are valued at fair value as determined by the management of the Corporation and submitted to the Board of Directors for approval. Fair value is considered to be the amount which the Corporation may reasonably expect to receive for portfolio securities when 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 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 (see Note 3 Investments to the Consolidated Financial Statements).

(e) These investments are non-income producing. All other investments are income producing. Non-income producing investments have not generated cash payments of interest or dividends including LLC tax-related distributions within the last twelve months, or are not expected to do so going forward.

(f) As of December 31, 2014, the total cost of investment securities approximated $22.2 million. Net unrealized appreciation was approximately $8.1 million, which was comprised of $9.9 million of unrealized appreciation of investment securities and ($1.8) million related to unrealized depreciation of investment securities. At December 31, 2014, the aggregate gross unrealized gain for federal income tax purposes was $6.1 million and the aggregate gross unrealized loss for federal income tax purposes was ($1.5) million. The net unrealized gain was $4.6 million based on a tax cost of $25.8 million.

(g) Rand Capital SBIC, Inc. investment.
(h) Reduction in cost and value from previously reported balances reflects current principal repayment.
(i) Represents interest due (amounts over $50,000 net of reserves) from investment included as interest receivable on the Corporation s Statement of Financial Position.
(j) Non-Control/Non-Affiliate investments are investments that are neither Control Investments nor Affiliate Investments.
(k) Affiliate investments are defined by the Investment Company Act of 1940, as amended (1940 Act), as those Non-Control investments in companies in which between 5% and 25% of the voting securities are owned.
(l) Control investments are defined by the 1940 Act as investments in companies in which more than 25% of the voting securities are owned or where greater than 50% of the board representation is maintained.
(m) Gemcor II, LLC is an unconsolidated significant subsidiary as defined in SEC s Regulation S-X.
(n) Publicly owned company.
(o) On December 31, 2014, the Corporation s shares of Synacor were valued at $2.01 per share in accordance with the Corporation s valuation policy for unrestricted publicly held securities (Level 1). See Synacor s publicly disclosed financial reports at sec.gov for additional information on Synacor s industry, financial results and business operations.
(p) Payment in kind represents earned interest that is added to the cost basis of the investment.

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2014 (Continued)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2013 Fair Value	Gross Additions (1)	Gross Reductions (2)	December 31, 2014 Fair Value	Amount of Interest/ Dividend/ Fee Income (3)
Control Investments:						
Advantage 24/7 LLC	53% Membership interest	$ 99,500	$	$	$ 99,500	$ 41,695
Gemcor II, LLC	$500,000 subordinated promissory note at 15%					
	$1,000,000 subordinated promissory note at 15%	110,194		(110,194)	0	6,279
		800,125		(177,325)	622,800	105,939
	31.25 membership units.	9,300,000			9,300,000	1,516,822
	Total Gemcor	10,210,319		(287,519)	9,922,800	1,629,040
NDT Acquisitions	Common Stock		5,336	(5,336)		2,668
	Total Control Investments	**$ 10,309,819**	**$ 5,336**	**(292,855)**	**$ 10,022,300**	**$ 1,673,403**
Affiliate Investments:						
Carolina Skiff LLC	$985,000 Class A preferred membership interest at 9.8%.	$ 985,000	$	$	$ 985,000	$ 96,530
		250,000		(125,000)	125,000	29,701
		600,000			600,000	54,089
	$250,000 subordinated promissory note at					

	14% 6.0825% Class A common membership interest.					
	Total Carolina Skiff	1,835,000		(125,000)	1,710,000	180,320
Chequed.com, Inc.	408,476 Series A preferred shares.	1,033,222	350,000		1,383,222	
	$250,000 convertible promissory note at 8%		250,000		250,000	767
	Total Chequed	1,033,222	600,000		1,633,222	767
CrowdBouncer, Inc.	270,000 Series A preferred shares.		300,000	(300,000)		
First Wave Products Group, LLC	$500,000 senior term notes at 10%	571,301	66,691		637,992	68,524
	$280,000 junior term notes at 10%	204,533	104,154		308,687	24,154
	Warrant for 41,619 capital securities.	22,000			22,000	
	Total First Wave	797,834	170,845		968,679	92,678
GiveGab, Inc.	2,254,822 Series A preferred shares.	250,000	153,388		403,388	
G-TEC Natural Gas Systems	18.545% Class A membership interest. 8% cumulative dividend.	100,000			100,000	
Intrinsiq Materials, Inc.	599,055 Series 2 Preferred shares.	600,002			600,002	
Knoa Software, Inc.	973,533 Series A-1 convertible preferred shares. 1,876,922 Series B preferred shares. (Fully diluted common share	750,000	479,155	(356,900)	872,255	1,391

	equivalent of 3,336,010).					
KnowledgeVision Systems, Inc.	200,000 Series A-1 preferred shares	250,000			250,000	
	214,285 Series A-2 preferred shares		300,000		300,000	
	Total Knowledge Vision	250,000	300,000		550,000	
Mezmeriz, Inc.	360,526 Series A preferred shares.					
	Convertible notes at 8% due	391,373		(391,373)		
	December 31, 2014.	200,000			200,000	
	Total Mezmeriz	591,373		(391,373)	200,000	
Microcision LLC	$1,500,000 subordinated promissory note at 11% due January 31, 2017.					
	Class A common membership interest.	1,891,965		(1)	1,891,964	208,116
	Total Microcision	1,891,965		(1)	1,891,964	208,116
New Monarch Machine Tool, Inc.	22.84 common shares.	22,841			22,841	47,682
QuaDPharma, LLC	$556,285.22 second note allonge at 10%					
	141.75 Class A units of	556,285		(556,285)		59,332
	membership interest.	350,000		(350,000)		
	Total QuaDPharma	906,285		(906,285)		59.332
Rheonix, Inc.	9,676 common shares.	11,000			11,000	
		2,165,999			2,165,999	

	1,839,422 Series A preferred shares. 50,593 common shares.	59,000		59,000
	Total Rheonix	2,235,999		2,235,999
SciAps, Inc.	187,500 Series A preferred shares.	1,000,000	500,000	1,500,000
SOMS Technologies, LLC	5,959,490 Series B membership interests.	528,348		528,348

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONDENSED CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2014 (Continued)

Investments in and Advances to Affiliates

Company	Type of Investment	December 31, 2013 Fair Value	Gross Additions (1)	Gross Reductions (2)	December 31, 2014 Fair Value	Amount of Interest/ Dividend/ Fee Income (3)
Teleservices						
	250,000 Class B shares.		250,000		250,000	
Solutions Holdings,	1,000,000 Class C shares		1,070,680		1,070,680	98,952
LLC	80,000 Class D preferred units		80,000		80,000	
	Total Teleservices		1,400,680		1,400,680	98,952
	Total Affiliate Investments	**$ 12,792,869**	**3,904,068**	**(2,079,559)**	**$ 14,617,378**	**$ 689,238**
	Total Control and Affiliate Investments	**$ 23,102,688**	**$ 3,909,404**	**($ 2,372,414)**	**$ 24,639,678**	**$ 2,362,641**

This schedule should be read in conjunction with the Corporation s Consolidated Financial Statements, including the Consolidated Schedule of Portfolio Investments and Notes to the Consolidated Financial Statements.

(1) Gross additions include increases in the cost basis of investments resulting from new portfolio investment, follow on investments, capitalized interest and the accretion of discounts. Gross Additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation.
(2) Gross reductions include decreases in the cost basis of investments resulting from principal repayments, sales, and net increases in unrealized depreciation and net decreases in unrealized appreciation.
(3) Represents the total amount of interest, fees or dividends credited to income for the portion of the period an investment was included in Control or Affiliate categories, respectively.

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RAND CAPITAL CORPORATION AND SUBSIDIARY

CONDENSED CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS

December 31, 2014 (Continued)

(Unaudited)

Industry Classification	Percentage of Total Investments (at fair value) as of December 31, 2014
Manufacturing	49.5%
Software	19.2%
Healthcare	10.2%
Contact Center	9.0%
Consumer Product	8.5%
Oil and Gas	2.6%
Electronics	0.7%
Marketing	0.3%
Total Investments	**100%**

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Rand Capital Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 1. ORGANIZATION

Rand Capital Corporation (Rand , we , us and our) was incorporated under the laws of New York in February 1969. completed our initial public offering in 1971 as an internally managed, closed-end, diversified, management investment company. We have elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). As a BDC we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets and provide managerial assistance to the portfolio companies in which we invest. See Item 1. Business Regulation, Regulation as a Business Development Company in our Annual Report on Form 10-K for the year ended December 31, 2014.

We make the majority of our investments through our wholly-owned subsidiary, Rand Capital SBIC, Inc. (Rand SBIC), which operates as a small business investment company (SBIC) and has been licensed by the U.S. Small Business Administration (SBA) since 2002. Rand SBIC s predecessor was organized as a Delaware limited partnership and was converted into a New York corporation on December 31, 2008, at which time our operations as a licensed SBIC were continued. Although Rand SBIC was operated as if it were a BDC, it was registered as an investment company under the 1940 Act. On February 28, 2012, the SEC granted an Order of Exemption for Rand with respect to the operations of Rand SBIC and in March 2012, Rand SBIC filed an election to be regulated as a BDC under the 1940 Act. Rand SBIC s board of directors is comprised of the directors of Rand, a majority of whom are not interested persons of Rand or Rand SBIC.

We operate as an internally managed investment company whereby our officers and employees conduct their business under the general supervision of the Board of Directors. We have not elected to qualify to be taxed as a regulated investment company as defined under Subchapter M of the Internal Revenue Code.

In this Quarterly Report on Form 10-Q, unless the context otherwise requires, we , the Corporation , us , and our refe Rand Corporation and Rand Capital SBIC, Inc.

Our corporate office is located in Buffalo, NY and our website address is www.randcapital.com. We make available free of charge on our website our annual and periodic reports, proxy statements and other information as soon as reasonably practicable after such material is filed with the Securities and Exchange Commission (SEC). Our shares are traded on the NASDAQ Capital Market under the ticker symbol RAND .

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation It is our opinion, that the accompanying consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair presentation in accordance with United States generally accepted accounting principles (GAAP) 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 consolidated financial statements prepared in accordance with GAAP have been omitted; however, we believe that the disclosures made are adequate to make the information presented not misleading. The interim results for the three months ended March 31, 2015 are not necessarily indicative of the results for the full year.

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These statements should be read in conjunction with the consolidated financial statements and the notes included in our Annual Report on Form 10-K for the year ended December 31, 2014. Information contained in this filing should also be reviewed in conjunction with our related filings with the SEC prior to the date of this report. Those filings include, but are not limited to, the following:

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, 2014
Form 10-Q	Quarterly Report on Form 10-Q for the quarters ended September 30, 2014, June 30, 2014 and March 31, 2014

Principles of Consolidation The consolidated financial statements include the accounts of Rand and its wholly-owned subsidiary Rand SBIC. All intercompany accounts and transactions have been eliminated in consolidation.

Fair Value of Financial Instruments The carrying amounts reported in the consolidated statement of financial position of cash, interest receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments.

Investment Classification In accordance with the provisions of the 1940 Act, the Corporation classifies its investments by level of control. Under the 1940 Act, Control Investments are investments in companies that the Corporation is deemed to Control if it owns more than 25% of the voting securities of the company or has greater than 50% representation on the company s board. Affiliate Investments are companies in which the Corporation owns between 5% and 25% of the voting securities. Non-Control/Non-Affiliate Investments are those companies that are neither Control Investments nor Affiliate Investments.

Investments - Investments are valued at fair value as determined in good faith by the management of the Corporation and approved by the Board of Directors. The Corporation invests in loan instruments, debt instruments, and equity instruments. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistent valuation process. The Corporation analyzes and values each investment quarterly, and records unrealized depreciation for an investment that it believes has become impaired, including where collection of a loan or realization of the recorded value of an equity security is doubtful. Conversely, the Corporation will record unrealized appreciation if it believes that an underlying portfolio company has appreciated in value and, therefore, its equity security has also appreciated in value. These estimated fair values may differ from the values that would have been used had a ready market for the investments existed and these differences could be material if the Corporation s assumptions and judgments differ from results of actual liquidation events.

Qualifying Assets - All of the Corporation s investments were made to privately held small business enterprises, that were not investment companies, were principally based in the United States, and represent qualifying assets as defined by Section 55(a) of the 1940 Act.

Revenue Recognition - Interest Income - Interest income is recognized on the accrual basis except where the investment is in default or otherwise presumed to be in doubt. In such cases, interest is recognized at the time of receipt. A reserve for possible losses on interest receivable is maintained when appropriate.

The Rand SBIC interest accrual is also regulated by the SBA s Accounting Standards and Financial Reporting Requirements for Small Business Investment 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 a loan is in default more than 120 days. Management also uses other qualitative and quantitative measures to determine the value of a portfolio investment and the collectability of any accrued interest.

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After reviewing the portfolio companies performance and the circumstances surrounding the investment, the Corporation ceased accruing interest income on G-Tec Natural Gas Systems in 2004 and Mezmeriz, Inc. in 2014.

The Corporation holds debt securities in its investment portfolio that contain payment-in-kind (PIK) interest provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment.

Revenue Recognition - Dividend Income The Corporation may receive distributions from portfolio companies that are limited liability companies or corporations and these distributions are classified as dividend income on the consolidated statement of operations. Dividend income is recognized on an accrual basis when it can be reasonably estimated.

The Corporation holds preferred equity securities that contain cumulative dividend provisions. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed.

Revenue Recognition - Fee Income - Consists of the revenue associated with the amortization of financing fees charged to the portfolio companies upon successful closing of Rand SBIC financings and income associated with portfolio company board attendance fees. The income associated with the amortization of financing fees was $4,333 and $2,183 for the three months ended March 31, 2015 and 2014, respectively. The board fees were $3,000 and $3,500 for the three months ended March 31, 2015 and 2014, respectively.

Original Issue Discount Investments may include original issue discount or OID income. This occurs when the Corporation purchases a warrant and a note or debt instrument from a portfolio company simultaneously, which requires an allocation of a portion of the purchase price to the warrant and reduces the note or debt instrument by an equal amount in the form of a note discount or OID. The note is reported net of the OID and the OID is accreted into interest income over the life of the loan. The Corporation recognized $3,873 in OID income for each of the three months ended March 31, 2015 and 2014. OID income is estimated to be approximately $12,000 for the remainder of 2015, $12,000 for 2016 and $8,000 for 2017.

Deferred Debenture Costs - SBA debenture origination and commitment costs, which are included in other assets, are amortized ratably over the terms of the SBA debentures and are expensed when the debt is repaid. Amortization expense for the three months ended March 31, 2015 and 2014 was $6,850 and $5,718, respectively. Amortization over the next five years is estimated to be approximately $27,000 per year.

SBA Leverage - The Corporation had $8,000,000 in outstanding SBA leverage at March 31, 2015 and December 31, 2014 with a weighted average interest rate of 3.54% as of March 31, 2015. The $8,000,000 in outstanding leverage matures from 2022 through 2025.

The Corporation has consented to the exercise by the SBA of all rights of the SBA under 13 C.F.R. 107.1810(i) SBA remedies for automatic events of default and has agreed to take all actions that the SBA may so require, which may include our automatic consent to the appointment of SBA or its designee as receiver under section 311(c) of the Small Business Investment Act of 1958.

Fair Value of SBA Leverage - In March 2015, the SBA pooled its debenture borrowings and they were put to market and competitively priced. The market rate for these debentures was set at 2.517% excluding a mandatory SBA annual charge estimated to be 0.804%, resulting in a total estimated fixed rate for ten years of 3.321%. The carrying value of SBA debentures is a reasonable estimate of fair value because stated interest rates approximate current interest rates that are available for debt with similar terms.

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Net Assets per Share - Net assets per share are based on the number of shares of common stock outstanding. There are no common stock equivalents.

Supplemental Cash Flow Information - Income taxes paid, net of refunds, during the three months ended March 31, 2015 and 2014 was $2,244,600 and $1,348,753, respectively. Interest paid during the three months ended March 31, 2015 and 2014 was $128,650 and $98,913, respectively. The Corporation converted $25,454 and $19,882 of interest receivable into investments during the three months ended March 31, 2015 and 2014, respectively.

Accounting Estimates - The preparation of financial statements in conformity with GAAP 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.

Stockholders Equity (Net Assets) - At March 31, 2015 and December 31, 2014, there were 500,000 shares of $10.00 par value preferred stock authorized and unissued.

On October 23, 2014, the Board of Directors extended the repurchase authorization for up to 1,000,000 shares of the Corporation s outstanding common stock on the open market through October 23, 2015 at prices that are no greater than the then current net asset value. No shares were repurchased during the three months ended March 31, 2015 and the total treasury shares held was 534,496 shares with a total cost of $1,447,491 at March 31, 2015. Therefore, at March 31, 2015, the Corporation had authorization to purchase an additional 465,504 shares of common stock.

***Profit Sharing and Stock Option Plan* -** In 2001, the stockholders of the Corporation authorized the establishment of an Employee Stock Option Plan (the Option Plan), that provides for the award of stock options to purchase up to 200,000 common shares to eligible employees. In 2002, the Corporation placed the Option Plan on inactive status as it developed a new profit sharing plan for the Corporation s employees in connection with the formation of its SBIC subsidiary. As of March 31, 2015, no stock options had been awarded under the Option 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 stock options will be granted under the Option Plan while any profit sharing plan is in effect with respect to the Corporation.

In 2002, the Corporation established a Profit Sharing Plan (the Plan) for its executive officers in accordance with Section 57(n) of the 1940 Act. Under the Plan, the Corporation will pay its executive officers aggregate profit sharing payments equal to 12% of the net realized capital gains of its SBIC subsidiary, net of all realized capital losses and unrealized depreciation of the SBIC subsidiary, for the fiscal year, computed in accordance with the Plan and the Corporation s interpretation of the Plan. Any profit sharing paid or accrued cannot exceed 20% of the Corporation s net income, as defined. For purposes of the 20% profit sharing test, the Corporation interprets net income to be the total of the Corporation s net investment gain (loss) and its net realized gain (loss) on investments, prior to inclusion of the estimated profit sharing obligation. The profit sharing payments are split equally between the Corporation s two executive officers, each of whom is fully vested in the Plan.

There were no amounts earned pursuant to the Plan for the three months ended March 31, 2015 and March 31, 2014, respectively. During the year ended December 31, 2014, the Corporation approved and accrued $899,500 under the Plan, of which $717,500 was paid during the three months ended March 31, 2015. During the year ended December 31, 2013, the Corporation approved and accrued $887,244 under the Plan, of which $784,560 was paid during the three months ended March 31, 2014.

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Income Taxes - The Corporation reviews the tax positions it has taken to determine if they meet a more likely than not threshold for the benefit of the tax position to be recognized in the consolidated financial statements. A tax position that fails to meet the more likely than not recognition threshold will result in either a reduction of a current or deferred tax asset or receivable, or the recording of a current or deferred tax liability.

It is the Corporation s policy to include interest and penalties related to income tax liabilities in income tax expense. There were no amounts recognized for interest or penalties related to tax expense for the three months ended March 31, 2015 or 2014, respectively.

The Corporation is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2011 through 2014. In general, the Corporation s state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2011 through 2014. The Corporation s uncertain tax positions are not material and are not expected to change significantly within the next 12 months.

Concentration of Credit and Market Risk The Corporation s financial instruments potentially subject it to concentrations of credit risk. Cash is invested with banks in amounts which, at times, exceed insurable limits. Management does not anticipate non-performance by such banks.

At March 31, 2015, Gemcor II, LLC (Gemcor), Rheonix, Inc. (Rheonix), Microcision, LLC (Microcision), Carolina Skiff LLC (Carolina Skiff) and SciAps, Inc. (Sciaps) represented 30%, 8%, 6%, 5% and 5%, respectively, of the fair value of the Corporation s investment portfolio.

Note 3. INVESTMENTS

The Corporation s investments are carried at fair value in accordance with Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures , which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements.

Loan investments are defined as traditional loan financings with no equity features. Debt investments are defined as debt financings that include one or more equity features such as conversion rights, stock purchase warrants, and/or stock purchase options. A financing may also be categorized as a debt financing if it is accompanied by the direct purchase of an equity interest in the company.

The Corporation uses several approaches to determine the fair value of an investment. The main approaches are:

Loan and debt securities are valued at cost when it is representative of the fair value of an investment or sufficient assets or liquidation proceeds are expected to exist from a sale of a portfolio company at its estimated fair value.

The loan and debt securities may also be valued at an amount other than the price the security would command in order to provide a yield to maturity equivalent to the current yield of similar debt securities. A loan or debt instrument may be reduced in value if it is judged to be of poor quality, collection is in doubt or insufficient liquidation proceeds exist.

Equity securities may be valued using the market approach or income approach. The market approach uses observable prices and other relevant information generated by similar market transactions. It may include the use of market multiples derived from a set of comparables to assist in

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pricing the investment. Additionally, the Corporation adjusts valuations if a subsequent significant equity financing has occurred that includes a meaningful portion of the financing by a sophisticated, unrelated new investor. The income approach employs a cash flow and discounting methodology to value an investment.

ASC 820 classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, used in the Corporation s valuation at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable and significant inputs to determining the fair value.

Financial assets are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Any changes in estimated fair value are recorded in the statement of operations as Net (decrease) increase in unrealized appreciation on investments.

Under the valuation policy, the Corporation values unrestricted publicly traded companies, categorized as Level 1 investments, at the average closing bid price for the last three trading days of the reporting period.

In the valuation process, the Corporation values private securities, categorized as Level 3 investments, using financial information from these portfolio companies, which may include:

Financial information obtained from each portfolio company, including unaudited statements of operations, balance sheets and operating budgets;

Current and projected financial, operational and technological developments of the portfolio company;

Current and projected ability of the portfolio company to service its debt obligations;

The current capital structure of the business and the seniority of the various classes of equity if a deemed liquidation event were to occur;

Pending debt or capital restructuring of the portfolio company;

Current information regarding any offers to purchase the investment; or past sales transactions;

Current ability of the portfolio company to raise additional financing if needed;

Changes in the economic environment which may have a material impact on the operating results of the portfolio company;

Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;

Qualitative assessment of key management;

Contractual rights, obligations or restrictions associated with the investment; and

Other factors deemed relevant by the Corporation s management to assess valuation.

This information is used to determine financial condition, performance, and valuation of the portfolio companies. The valuation may be reduced if a portfolio company s performance and potential have deteriorated significantly. If the factors that led to a reduction in valuation are overcome, the valuation may be readjusted.

Equity Securities

Equity Securities may include Preferred Stock, Common Stock, Warrants and Limited Liability Company Membership Interests.

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The significant unobservable inputs used in the fair value measurement of the Corporation s equity investments are EBITDA and revenue multiples, where applicable, the financial and operational performance of the business, and the senior equity preferences which may exist in a deemed liquidation event. Standard industry multiples may be used when available; however, the Corporation s portfolio companies are typically small and in early stages of development and these industry standards may be adjusted to more closely match the specific financial and operational performance of the portfolio company. Due to the nature of certain investments, fair value measurements may be based on other criteria, which may include third party appraisals. Significant changes to the unobservable inputs, such as variances in financial performance from expectations, may result in a significantly higher or lower fair value measurement.

Another key factor used in valuing equity investments is recent arms-length equity transactions with unrelated new investors entered into by the portfolio company. The terms of these equity transactions may not be identical to the equity transactions between the portfolio company and the Corporation, and the impact of the difference in transaction terms on the market value of the portfolio company may be difficult or impossible to quantify.

When appropriate the Black-Scholes pricing model is used to estimate the fair value of warrants for accounting purposes. This model requires the use of highly subjective inputs including expected volatility and expected life, in addition to variables for the valuation of minority equity positions in small private and early stage companies. Significant changes in any of these unobservable inputs may result in a significantly higher or lower fair value measurement.

For recent investments, the Corporation generally relies on the cost basis, which is deemed to represent the fair value, unless other fair market value inputs are identified causing the Corporation to depart from this basis.

Loan and Debt Securities

The significant unobservable inputs used in the fair value measurement of the Corporation s loan and debt securities are the financial and operational performance of the portfolio company, similar debt with similar terms with other portfolio companies, as well as the market acceptance for the portfolio company s products or services. These inputs will likely provide an indicator as to the probability of principal recovery of the investment. The Corporation s loan and debt investments are often junior secured or unsecured debt securities. Fair value may also be determined based on other criteria where appropriate. Significant changes to the unobservable inputs may result in a change in fair value. For recent investments, the Corporation generally relies on the cost basis, which is deemed to represent the fair value, unless other fair market value inputs are identified causing the Corporation to depart from this basis.

The following table provides a summary of the significant unobservable inputs used to fair value the Corporation s Level 3 portfolio investments as of March 31, 2015:

nvestment Type	Market Approach EBITDA Multiple	Market Approach Liquidation Seniority	Market Approach Revenue Multiple	Market Approach Transaction Pricing	Black Scholes Pricing Model Stock Pricing & Volatility	Face Value Liquidation Seniority	Totals
on-Control/Non-Affiliate quity	$ 786,748	$	$	$ 2,004,653	$ 97,625	$	$ 2,889,026

Non-Control/Non-Affiliate Debt						2,974,640	2,974,640
Total Non-Control/Non-Affiliate	**$ 786,748**	**$**	**$**	**$ 2,004,653**	**$ 97,625**	**$ 2,974,640**	**$ 5,863,666**
Affiliate Equity	$ 2,113,348	$ 22,841	$ 100,000	$ 10,308,380	$ 22,000	$	$ 12,566,569
Affiliate Debt						3,939,027	3,939,027
Total Affiliate	**$ 2,113,348**	**$ 22,841**	**$ 100,000**	**$ 10,308,380**	**$ 22,000**	**$ 3,939,027**	**$ 16,505,596**
Control Equity	$ 9,399,500	$	$	$	$	$	$ 9,399,500
Control Debt						574,184	574,184
Total Control	$ 9,399,500	$	$	$	$	$ 574,184	$ 9,973,684
Total Level 3 Investments	**$ 12,299,596**	**$ 22,841**	**$ 100,000**	**$ 12,313,033**	**$ 119,625**	**$ 7,487,851**	**$ 32,342,946**
Range	4.5X-10X	1X	1X	Not Applicable	$ 1.13	Not Applicable	
Weighted Average	5X	1X	1X	N/A	$ 1.13	N/A	

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The following table provides a summary of the components of Level 1, 2 and 3 Assets Measured at Fair Value on a Recurring Basis at March 31, 2015:

		Fair Value Measurements at Reported Date Using		
Description	March 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
Loan investments	$ 574,184	$	$	$ 574,184
Debt investments	6,913,667			6,913,667
Equity investments	25,203,095	348,000		24,855,095
Total	$ 32,690,946	$ 348,000	$ 0	$ 32,342,946

The following table provides a summary of the components of Level 1, 2 and 3 Assets Measured at Fair Value on a Recurring Basis at December 31, 2014:

		Fair Value Measurements at Reported Date Using		
Description	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
Loan investments	$ 622,801	$	$	$ 622,801
Debt investments	5,384,339			5,384,339
Equity investments	24,298,236	606,000		23,692,236
Total	$ 30,305,376	$ 606,000	$ 0	$ 29,699,376

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The following table provides a summary of changes in Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) for the three months ended March 31, 2015:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Venture Capital Investments			
Description	**Loan Investments**	**Debt Investments**	**Equity Investments**	**Total**
Ending Balance, December 31, 2014, of Level 3 Assets	$ 622,801	$ 5,384,339	$ 23,692,236	$ 29,699,376
Purchases of Securities/Changes to Securities/Non-cash conversions:				
First Wave Products Group, LLC (First Wave)		25,385		25,385
GiveGab, Inc. (Give Gab)			212,833	212,833
HealthTeacher, Inc. (Health Teacher)		1,001,444	25	1,001,469
KnowledgeVision Systems, Inc. (Knowledge Vision)			200,001	200,001
Mercantile Adjustment Bureau, LLC (Mercantile)		2,499		2,499
OnCore Golf Technology, Inc. (Oncore Golf)			150,000	150,000
Rheonix, Inc. (Rheonix)		300,000		300,000
SciAps, Inc. (Sciaps)		200,000		200,000
Tilson Technology Management, Inc. (Tilson)			600,000	600,000
Total Purchases of Securities/Changes to Securities/Non-cash conversions		1,529,328	1,162,859	2,692,187
Repayments of Securities				
Gemcor II, LLC (Gemcor)	(48,617)			(48,617)
Total Repayments of Securities	(48,617)			(48,617)
Transfers within Level 3				
Ending Balance, March 31, 2015, of Level 3 Assets	$ 574,184	$ 6,913,667	$ 24,855,095	$ 32,342,946

Change in unrealized appreciation on investments for the period included in changes in net assets $ -

Net realized (losses) on investments for the period included in changes in net assets $ -

The following table provides a summary of changes in Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) for the three months ended March 31, 2014:

Description	Loan Investments	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Venture Capital Investments Debt Investments	Equity Investments	Total
Ending Balance, December 31, 2013, of Level 3 Assets	$ 1,466,604	$ 4,172,417	$ 21,655,032	$ 27,294,053
Realized Losses included in net change in net assets from operations				
EmergingMed.com, Inc. (Emerging Med)		(778,253)		(778,253)
Liazon Corporation (Liazon)			(2,767)	(2,767)
Total Realized Losses		(778,253)	(2,767)	(781,020)
Unrealized Gains or Losses included in net change in net assets from operations				
Emerging Med		778,253		778,253
Mezmeriz, Inc. (Mezmeriz)			(391,373)	(391,373)
Total Unrealized Gains and Losses		778,253	(391,373)	386,880
Purchases of Securities/Changes to Securities/Non-cash conversions:				
CrowdBouncer, LLC (Crowdbouncer)			270,000	270,000
First Wave Products Group, LLC (First Wave)		21,256		21,256
GiveGab, Inc.			153,388	153,388
Knoa Software, Inc. (Knoa)		45,000		45,000
Liazon			2,767	2,767
Mercantile Adjustment Bureau, LLC (Mercantile)		2,499		2,499
Total Purchases of Securities/Changes to Securities/Non-cash conversions		68,755	426,155	494,910
Repayments of Securities				
Gemcor II, LLC (Gemcor)	(73,833)			(73,833)
Total Repayments of Securities	(73,833)			(73,833)
Transfers within Level 3				
Ending Balance, March 31, 2014, of Level 3 Assets	$ 1,392,771	$ 4,241,172	$ 21,687,047	$ 27,320,990

Change in unrealized appreciation for the period included in changes in net assets	$ 386,880
Total realized (losses) for the period included in changes in net assets	($ 781,020)

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NOTE 4. - OTHER ASSETS

At March 31, 2015 and December 31, 2014 other assets was comprised of the following:

	March 31, 2015	December 31, 2014
Escrow receivable from BinOptics Corporation	$ 1,510,248	$ 1,510,248
Deferred debenture costs, net	220,176	227,027
Prepaid expenses	55,010	
Dividend receivable	26,201	37,978
Operating receivables	23,897	2,027
Escrow receivable from Ultra-Scan	500	32,962
Equipment (net)	13,184	14,558
Total other assets	$ 1,849,216	$ 1,824,800

During 2014, the Corporation sold its investment in BinOptics Corporation and a portion of the proceeds are held in escrow and scheduled to be released during 2016. During 2013, the Corporation sold its investment in Ultra-Scan Corporation (Ultra-Scan) and a portion of the sales proceeds were held in escrow and released in the first quarter of 2015.

Note 5. COMMITMENTS AND CONTINGENCIES

The Corporation did not have any commitments to fund any investments as of March 31, 2015.

Note 6. UNCONSOLIDATED SIGNIFICANT SUBSIDIARY

In accordance with the SEC s Regulation S-X Rule 4.08(g), the Corporation has an unconsolidated significant subsidiary that is not required to be consolidated. Accordingly, certain comparative financial information is presented below.

	For the periods ended (Unaudited)	
	March 31, 2015 (in thousands)	March 31, 2014 (in thousands)
Income Statement:		
Net sales	$ 9,775	$ 7,050
Gross profit	2,235	1,789
Net income	1,660	1,130

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Note 7. FINANCIAL HIGHLIGHTS

The following schedule provides the financial highlights, calculated based on weighted average shares outstanding, for the three months ended March 31, 2015 and the year ended December 31, 2014:

	Three months ended March 31, 2015 (Unaudited)	Year ended December 31, 2014
Income from investment operations (1):		
Investment income	$ 0.10	$ 0.40
Operating expenses	0.07	0.39
Investment income before income taxes	0.03	0.01
Income tax expense	0.01	0.01
Net investment income	0.02	0.00
Purchase of treasury stock (2)	0.00	0.02
Net realized and unrealized gain on investments	0.01	0.71
Increase in net asset value	0.03	0.73
Net asset value, beginning of period	5.11	4.38
Net asset value, end of period	$ 5.14	$ 5.11
Per share market price, end of period	$ 3.95	$ 4.09
Total return based on market value	(3.42%)	33.2%
Total return based on net asset value	0.55%	15.26%
Supplemental data:		
Ratio of operating expenses before income taxes to average net assets	1.36%	8.27%
Ratio of operating expenses including taxes to average net assets	1.66%	16.28%
Ratio of net increase in net assets from operations to average net assets	0.55%	0.07%
Portfolio turnover	8.55%	21.5%
Net assets, end of period	$ 32,532,989	$ 32,353,441
Weighted shares outstanding, end of period	6,328,538	6,391,175

(1) *Per share data are based on weighted average shares outstanding and the results are rounded to the nearest cent.*

(2) *Net increase is due to purchase of common stock at prices less than beginning of period net asset value per share.*

The Corporation s interim period results could fluctuate as a result of a number of factors; therefore results for any interim period should not be relied upon as being indicative of performance for the full year or in future periods.

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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 the consolidated financial statements and related notes included elsewhere in this report. Historical results and percentage relationships among any amounts in the consolidated financial statements are not necessarily indicative of trends in operating results for any future periods.

FORWARD LOOKING STATEMENTS

Statements included in this Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report 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, as amended, and in Section 21E of the Securities Exchange Act of 1934, as amended. Additional oral or written forward-looking statements may be made by us from time to time, and forward-looking statements may be included in documents that are filed with the Securities and Exchange Commission. Forward-looking statements involve risks and uncertainties that could cause results or outcomes to differ materially from those expressed in the forward-looking statements. Forward-looking statements may include, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions and are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as believes, forecasts, intends, possible, expects, estimates, anticipates, or plans and simila are intended to identify forward-looking statements. Among the important factors on which such statements are based are assumptions concerning the state of the United States economy and the local markets in which our portfolio companies operate, the state of the securities markets in which the securities of the our portfolio companies trade or could be traded, liquidity within the United States financial markets, and inflation. Forward-looking statements are also subject to the risks and uncertainties described under the caption Risk Factors contained in Part II, Item 1A of this report and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

There may be other factors not identified that affect the accuracy of our forward-looking statements. Further, any forward-looking statement speaks only as of the date it is made and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time that may cause our business not to develop as we expect, and we cannot predict all of them.

Overview

We are an internally managed investment company that lends to and invests in small and medium-sized companies primarily in connection with loans or investments made concurrently by other investors. We have elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). As a BDC we are required to comply with certain regulatory requirements. We make the majority of our investments through our wholly-owned subsidiary, Rand Capital SBIC, Inc. (Rand SBIC), which operates as a small business investment company (SBIC) and has been licensed by the U.S. Small Business Administration (SBA) since 2002. We anticipate that most, if not all, of our investments in the next year will be originated through Rand SBIC.

Outlook

At the end of the first quarter of 2015, we had approximately $7.9 million in cash on hand available for future investments. We believe the combination of cash on hand and prospective investment income provides sufficient capital for us to continue to add new investments to our portfolio while still reinvesting in existing

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portfolio companies that continue to demonstrate growth potential. The following short and long-term trends provide us with confidence in our ability to grow Rand:

- We believe that economic conditions in the United States are improving, and we expect that well run businesses should be able to compete effectively given the low cost of capital, strengthening business and consumer spending, and eager reception of new technologies and service concepts.

- Given our increased scale we are able to invest larger amounts in companies, which will provide us with an opportunity to accelerate our rate of growth.

- We continue to manage risk by investing alongside other investors, when possible.

- We seek to be actively involved with the management and governance of our portfolio companies, which enables us to support their operating and marketing efforts and to facilitate their growth.

- As our portfolio continues to expand, our costs will decline as a percentage of net asset value.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles (GAAP), which require the use of estimates and assumptions that affect the reported amounts of assets and liabilities. A summary of our critical accounting policies can be found in our Annual Report on Form 10-K for the year ended December 31, 2014 under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations.

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Financial Condition

Overview:	3/31/15	12/31/14	(Decrease) Increase	% (Decrease) Increase
Total assets	$ 42,793,331	$ 45,525,987	($ 2,732,656)	(6.0%)
Total liabilities	10,260,342	13,172,546	(2,912,204)	(22.1%)
Net assets	$ 32,532,989	$ 32,353,441	$ 179,548	0.6%

Net asset value per share (NAV) was $5.14 at March 31, 2015 and $5.11 at December 31, 2014.

The outstanding SBA leverage at March 31, 2015 is $8,000,000 and will mature from 2022 to 2025. Cash approximated 24% of net assets at March 31, 2015 and 41% at December 31, 2014.

Composition of the Our Investment Portfolio

Our financial condition is dependent on the success of our portfolio holdings. We have invested substantially all of our assets in small to medium-sized companies. The following summarizes our investment portfolio at the dates indicated.

	3/31/15	12/31/14	Increase (Decrease)	% Increase (Decrease)
Investments, at cost	$ 24,653,556	$ 22,213,476	$ 2,440,080	11.0%
Unrealized appreciation, net	8,037,390	8,091,900	(54,510)	(0.7%)
Investments at fair value	$ 32,690,946	$ 30,305,376	$ 2,385,570	7.9%

Our total investments at fair value, as estimated by management and approved by the Board of Directors, approximated 101% of net assets at March 31, 2015 and 94% of net assets at December 31, 2014.

The change in investments during the three months ended March 31, 2015, at cost, is comprised of the following:

	Cost Increase (Decrease)
New investments:	
HealthTeacher, Inc. (Health Teacher)	$ 1,000,025
Tilson Technology Management, Inc. (Tilson)	600,000
Rheonix, Inc. (Rheonix)	300,000
GiveGab, Inc. (Give Gab)	212,833
Knowledge Vision Systems Inc. (Knowledge Vision)	200,001
SciAps, Inc. (Sciaps)	200,000
OnCore Golf Technology, Inc. (Oncore Golf)	150,000

Total of new investments	2,662,859
Other changes to investments:	
First Wave Products Group, LLC (First Wave) interest conversion and OID amortization	25,384
Mercantile Adjustment Bureau, LLC (Mercantile) OID amortization	2,499
Health Teacher interest conversion	1,444
Total of other changes to investments	29,327
Investments repaid, sold or liquidated	
Gemcor II, LLC (Gemcor) repayment	(48,617)
Synacor, Inc. (Synacor) shares sold	(203,490)
Total investments repaid, sold or liquidated	(252,107)
Net change in investments, at cost	**$ 2,440,079**

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Results of Operations

Investment Income

Our investment objective is to achieve long-term capital appreciation on our equity investments while investing in a mixture of debenture and equity instruments, which may provide a current return on a portion of the investment portfolio. The equity features contained in our investment portfolio are structured to realize capital appreciation over the long-term.

Comparison of the three months ended March 31, 2015 to the three months ended March 31, 2014

	March 31, 2015	March 31, 2014	(Decrease) Increase	% (Decrease) Increase
Interest from portfolio companies	$ 186,074	$ 193,179	($ 7,105)	(3.7%)
Interest from other investments	6,821	5,166	1,655	32.0%
Dividend and other investment income	441,519	313,919	127,600	40.6%
Fee income	7,333	5,683	1,650	29.0%
Total investment income	$ 641,747	$ 517,947	$ 123,800	23.9%

Interest from portfolio companies - Our portfolio interest income decreased slightly during the three months ended March 31, 2015 versus the three months ended March 31, 2014 due to the decrease in principal balances on loan and debt investments with Gemcor, II, LLC and Carolina Skiff, LLC, respectively.

After reviewing the portfolio company s performance and the circumstances surrounding our investment, we ceased accruing interest income on Mezmeriz in 2014.

Interest from other investments - The increase in interest from other investments is primarily due to higher average cash balances during the three months ended March 31, 2015 versus the same three month period in 2014.

Dividend and other investment income - Dividend income is comprised of distributions from limited liability companies (LLCs) and corporations in which we have invested. Our investment agreements with certain LLCs require those LLCs to distribute funds to us for payment of income taxes on our allocable share of the LLC s profits. These portfolio companies may also elect to distribute additional discretionary distributions. Dividend income will fluctuate based upon the profitability of these LLCs and corporations and the timing of the distributions, if any.

Dividend income for the three months ended March 31, 2015 consisted of distributions from Gemcor II, LLC (Gemcor) for $412,151, Carolina Skiff LLC (Carolina Skiff) for $26,201, and Tilson Technology Management, Inc. (Tilson) for $3,167. Dividend income for the three months ended March 31, 2014 consisted of a distribution from Gemcor for $283,086 and Carolina Skiff for $30,833.

Fee income - Fee income consists of the revenue associated with the amortization of financing fees charged to the portfolio companies upon successful closing of Rand SBIC financings and income associated with portfolio company board attendance fees. The financing fees are amortized ratably over the life of the instrument associated with the fees. The unamortized fees are carried on the balance sheet under the line item Deferred revenue.

The income associated with the amortization of financing fees was $4,333 and $2,183 for the three months ended March 31, 2015 and 2014, respectively. The income from board fees was $3,000 and $3,500 for the three months ended March 31, 2015 and 2014, respectively.

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Operating Expenses

Comparison of the three months ended March 31, 2015 to the three months ended March 31, 2014

	March 31, 2015	March 31, 2014	Increase	% Increase
Total Operating expenses	$ 440,385	$ 380,668	$ 59,717	15.7%

Operating expenses predominately consist of interest expense on outstanding SBA borrowings, compensation expense, and general and administrative expenses including stockholder and office operating expenses and professional fees.

The 15.7% or $59,717 increase in total operating expenses for the three months ended March 31, 2015 as compared to the same three month period in 2014 is due to an increase in professional fees resulting from the increasing regulatory environment in which we operate and an increase in SBA interest expense due to the higher outstanding average balance during the three months ended March 31, 2015 as compared to the three months ended March 31, 2014.

Realized Gains and Losses on Investments

Comparison of the three months ended March 31, 2015 to the three months ended March 31, 2014

	March 31, 2015	March 31, 2014	Increase
Realized gain (loss) on investments before income taxes	$ 131,744	($ 781,020)	$ 912,764

During the three months ended March 31, 2015, we recognized a net realized gain of $131,744 on the sale of 153,000 shares of Synacor, Inc. (Synacor). Synacor trades on the NASDAQ Global Market under the symbol SYNC . As of March 31, 2015, we owned 148,582 shares of Synacor.

During the three months ended March 31, 2014, we recognized a realized loss of $778,253 on our investment in Emerging Med.com when it was sold during January 2014. We did not receive any proceeds from the sale. We also recognized a loss of $2,767 on an adjustment to the Liazon Corporation escrow receivable during the three months ended March 31, 2014.

Change in Unrealized Appreciation of Investments

Comparison of the three months ended March 31, 2015 to the three months ended March 31, 2014

	March 31, 2015	March 31, 2014	Decrease
Change in unrealized appreciation before income taxes	($ 54,509)	$ 386,880	($ 441,389)

The decrease in unrealized appreciation before income taxes for the three months ended March 31, 2015 was comprised of the following:

	March 31, 2015
Synacor, Inc. (Synacor)	($ 54,509)
Total change in net unrealized appreciation of investments before income taxes during the three months ended March 31, 2015	($ 54,509)

Synacor, as a publicly traded stock, is marked to market at the end of each quarter. We valued our 148,582 shares of Synacor at a three day average bid price of $2.34 at March 31, 2015.

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The increase in unrealized appreciation for the three months ended March 31, 2014 was comprised of the following:

	March 31, 2014
EmergingMed.com, Inc. (Emerging Med) to a realized loss	$ 778,253
Mezmeriz	(391,373)
Total change in net unrealized appreciation before income taxes during the three months ended March 31, 2014	$ 386,880

The Emerging Med investment was written off during the three months ended March 31, 2014, after the company was sold and we did not receive any proceeds from the sale.

The Mezmeriz investment was revalued during the three months ended March 31, 2014 after we reviewed the portfolio company and its financials and determined that the business of this portfolio company had deteriorated since the time of the original funding. The portfolio company still remains in operation and is developing new business strategies.

All of these value adjustments resulted from a review by management using the guidance set forth by ASC 820 and our established valuation policy.

Net Increase in Net Assets from Operations

We account for our operations under GAAP for investment companies. The principal measure of our financial performance is net increase (decrease) in net assets from operations on our consolidated statements of operations. For the three months ended March 31, 2015 and 2014, the net increase (decrease) in net assets from operations was $179,548 and ($169,613), respectively.

Liquidity and Capital Resources

Our principal objective is to achieve growth in net asset value per share through capital appreciation. Therefore, a significant portion of our 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.

As of March 31, 2015, our total liquidity was $7,948,799 in cash.

Management expects that the cash on hand at March 31, 2015, coupled with the scheduled interest payments from our portfolio investments, will be sufficient to meet our liquidity needs throughout 2015. Future exits from portfolio companies may increase the amount of liquidity available for new investments, operating activities and future SBA debenture obligations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our investment activities contain elements of risk. The portion of our investment portfolio consisting of equity and debt securities in private companies is subject to valuation risk. Because there is typically no public market for the equity and debt securities in which we invest, the valuation of the equity interests in the portfolio is stated at fair value as determined in good faith by our management and approved by our Board of Directors. This is in accordance with our investment valuation policy (see the discussion of valuation policy contained in Note 3.-Investments in the consolidated financial statements contained in Item 1 of this report, which is hereby incorporated herein by reference.) In the absence of readily ascertainable market values, the estimated value of the 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 on the consolidated statement of operations as Net (decrease) increase in unrealized appreciation on investments.

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At times a portion of our portfolio may include marketable securities traded in the over-the-counter market. In addition, there may be a portion of the 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 markets to trade in an orderly fashion, we may not be able to realize the fair value of our marketable investments or other investments in a timely manner.

As of March 31, 2015, we did not have any off-balance sheet arrangements or hedging or similar derivative financial instrument investments.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. The Corporation maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms, and that this information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of the Corporation s disclosure controls and procedures as of March 31, 2015. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation s controls and procedures were effective as of March 31, 2015.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during the Corporation s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation s internal control over financial reporting.

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PART II.

OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

See Part I, Item 1A, Risk Factors, of the Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period		Total number of shares purchased (1)	Average price paid per share (2)	Total number of shares purchased as part of publicly announced plan (3)	Maximum number of shares that may yet be purchased under the share repurchase program
1/1/2015	1/31/2015				465,504
2/1/2015	2/28/2015				465,504
3/1/2015	3/31/2015				465,504

(1) There were no shares repurchased during the first quarter of 2015.
(2) The average price paid per share is calculated on a settlement basis and includes commission.
(3) On October 23, 2014, the Board of Directors extended the repurchase authorization of up to 1,000,000 shares of the Corporation s common stock on the open market at prices no greater than the then current net asset value through October 23, 2015.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

(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.

(3)(i)	Certificate of Incorporation of the Corporation, incorporated by reference to Exhibit (a) (1) and (a) (2) of Form N-2 filed with the Securities Exchange Commission on April 22, 1997. (File No. 333-25617).
(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. (File No. 333-25617).
(4)	Specimen certificate of common stock certificate, incorporated by reference to Exhibit (d) (1) of Form N-2 filed with the Securities Exchange Commission on April 22, 1997. (File No. 333-25617).
(31.1)	Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended, filed herewith
(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, filed herewith
(32.1)	Section 1350 Certifications Rand Capital Corporation furnished herewith

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 5, 2015

RAND CAPITAL CORPORATION

By: /s/ Allen F. Grum
Allen F. Grum, President

By: /s/ Daniel P. Penberthy
Daniel P. Penberthy, Treasurer

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