

2011

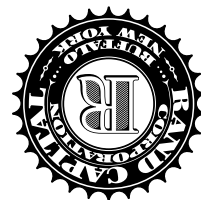
June 30, 2011

Semi-Annual Report



RAND CAPITAL
CORPORATION

2200 Rand Building
Buffalo, New York 14203



July 28, 2011

Dear Shareholders:

We ended the quarter with our Net Asset Value at \$3.35, unchanged from last quarter.

While overall the quarter has been quiet in regards to portfolio company valuation, we continue to see strong growth in portfolio company financial and sales performance.

With sixteen portfolio companies in a diversified cross section of industries we are seeing growth in all areas. **Gemcor II, LLC** (www.gemcor.com) is benefiting from increased commercial plane orders, **Synacor, Inc.** (www.synacor.com) is benefiting from the growth of its TV Everywhere technology, and **Carolina Skiff LLC** (www.carolinaskiff.com) is benefiting from increased boat sales. We believe this is the beginning of a trend, and is a good sign for the Rand portfolio in the future.

During the quarter, Rand made a \$250,000 follow-on investment in **Chequed.com, Inc.** (www.chequed.com) in the form of a convertible note financing of the business. **Chequed.com, Inc.** has created selection tools that help human resource departments connect employee screening

practices to business results, developed in partnership with The Research Foundation of The State University of New York and The University at Albany's Department of Psychology. Rand's \$500,000 **Liazon Corporation** (www.liazon.com) note was repaid. \$820,000 was reinvested into Series C-2 preferred stock in a financing round led by Bain Capital Investors (Boston, MA). **Liazon** is an employee benefits solution company who has developed and pioneered their proprietary Bright Choices Portal™, an online benefits store where employees shop for their benefits with money allocated to them by their employer.

We appreciate your continued interest and support of Rand Capital and look forward to a prosperous year.

Allen F. Myer

President's
Letter

Rand Capital Corporation and Subsidiaries Condensed Consolidated Schedule of Portfolio Investments / June 30, 2011 (Unaudited)

(a) Company, Geographic Location, Business Description, (Industry) & Website	(b) Date Acquired	(c) Equity	Cost	June 30, 2011		March 31, 2011		
				(d)(f) Value	Per Share of Rand	(d)(f) Value	Per Share of Rand	
Non-Control/Non-Affiliate Investments: (j)								
Chequed.com, Inc. (g) Saratoga Springs, NY. Predictive employee selection and development software. (Software) www.chequed.com	11/18/10	0%	\$ 500,000	\$ 500,000	\$.07	\$ 250,000	\$.04	
Liazon Corporation (e)(g) Buffalo, NY. Employee benefits solution company. (Health Benefits Provider) www.liazon.com	11/9/10	4%	858,199	1,000,000	.15	503,667	.07	
Mezmeriz, Inc. (g) Ithaca, NY. Developer of micro mirror technology that replaces silicon with carbon fibers in micro-electronic mechanical systems (MEMS) enabling efficient, wide-angle, Pico projectors to be embedded in mobile devices. (Electronics Developer) www.mezmeriz.com	1/9/08	4%	121,509	121,509	.02	121,509	.02	
Rheonix, Inc. (g) Ithaca, NY. Developer of microfluidic testing devices including channels, pumps, reaction vessels, & diagnostic chambers, for testing of small volumes of chemicals and biological fluids. (Manufacturing) www.rheonix.com	10/29/09	4%	753,000	889,000	.12	889,000	.12	
Somerset Gas Transmission Company, LLC (e) Columbus, OH. Natural gas transportation company. (Oil and Gas) www.somersetgas.com	7/10/02	3%	719,097	786,748	.12	786,748	.12	
Synacor, Inc. (g) Buffalo, NY. Develops provisioning platforms for aggregation and delivery of content and services across multiple digital devices. (Software) www.synacor.com	11/18/02	4%	1,349,479	4,168,001	.61	4,168,001	.61	
Subtotal Non-Control/Non-Affiliate Investments			\$ 4,301,284	\$ 7,465,258	\$ 1.09	\$ 6,718,925	\$ 0.98	
Affiliate Investments: (k)								
Carolina Skiff LLC (e)(g) Waycross, GA. Manufacturer of fresh water, ocean fishing and pleasure boats. (Manufacturing) www.carolinaskiff.com	1/30/04	7%	\$ 1,500,000	\$ 1,500,000	\$.22	\$ 1,500,000	\$.22	
EmergingMed.com, Inc. (e)(g) New York, NY. Cancer clinical trial matching and referral service. (Software) www.emergingmed.com	12/19/05	8%	675,045	675,045	.10	675,045	.10	
Microcision LLC (e)(g) Philadelphia, PA. Custom manufacturer of medical and dental implants. (Manufacturing) www.microcision.com	9/24/09	15%	1,630,109	1,630,109	.24	1,606,017	.24	
Mid America Brick & Structural Clay Products, LLC (g) Mexico, MO. Manufacturer of face brick for residential and commercial construction. (Manufacturing) www.midamericabrick.com	6/1/10	19%	800,000	800,000	.12	800,000	.12	
SOMS Technologies, LLC (g) Valhalla, NY. Produces and markets the microGreen Extended Performance Oil Filter. (Auto Parts Developer) www.microgreenfilter.com	12/2/08	12%	370,687	426,403	.06	426,403	.06	
Ultra - Scan Corporation Amherst, NY. Biometrics application developer of ultrasonic fingerprint technology. (Electronics Hardware/Software) www.ultra-scan.com	12/11/92	2%	938,164	1,203,000	.18	1,203,000	.18	
Subtotal Affiliate Investments			\$ 5,914,005	\$ 6,234,557	\$.92	\$ 6,210,465	\$.92	
Control Investments (l)								
Advantage 24/7 LLC (g) Williamsville, NY. Marketing program for wine and spirits dealers. (Marketing Company)	12/30/10	50%	\$ 100,000	\$ 100,000	\$.02	\$ 100,000	\$.02	
Gemcor II, LLC (e)(g)(h) West Seneca, NY. Designs and sells automatic riveting machines used in the assembly of aircraft components. (Manufacturing) www.gemcor.com	6/28/04	31%	871,965	6,071,965	.90	6,093,168	.89	
G-TEC Natural Gas Systems Buffalo, NY. Manufactures and distributes systems that allow natural gas to be used as an alternative fuel to gases. (Manufacturing) www.gas-tec.com	8/31/99	22%	400,000	100,000	.01	100,000	.01	
Subtotal Control Investments			\$ 1,371,965	\$ 6,271,965	\$ 0.93	\$ 6,293,168	\$ 0.92	
Other Investments		Various	524,851	96,341	0.0	22,841	0.0	
		Total portfolio investments	\$ 12,112,105	\$ 20,068,121	2.94	\$ 19,245,399	2.82	
		Cash and Money Market Investments		10,791,049	1.58	11,069,896	1.62	
		SBA Debenture Liability		(10,000,000)	(1.47)	(10,000,000)	(1.47)	
		Portfolio Interest Receivable (net of Reserve)		1,236,109	0.18	1,154,332	0.17	
		Net Receivables (payables)		1,734,508	0.25	2,317,973	0.34	
		Net assets pre-tax		\$ 23,829,787	\$ 3.49	\$ 23,787,600	\$ 3.49	
		Tax Provisions (benefit)		967,280	0.14	958,442	0.14	
		Net Assets		\$ 22,862,507	\$ 3.35	\$ 22,829,158	\$ 3.35	

Notes to Consolidated Schedule of Portfolio Investments

Note: This report includes the consolidated holdings of Rand Capital Corporation and Rand Capital SBIC, Inc. Additional investor information can be obtained at www.sec.gov. Net asset value calculated based on 6,818,934 shares outstanding at June 30, 2011 and 6,818,934 at March 31, 2011.

- (a) At June 30, 2011 restricted securities represented 100% of the value of the investment portfolio. Restricted securities are subject to one or more restrictions on resale and are not freely marketable. Freed Maxick & Battaglia, CPAs PC has not examined the business descriptions of the portfolio companies. Individual securities with values less than \$100,000 are included in "Other Investments."
- (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 & Battaglia, CPAs, PC has not audited the date acquired of the portfolio companies.
- (c) The equity percentages estimate the Corporation's ownership interest in the portfolio investment. The estimated ownership is calculated based on the percent of outstanding voting securities held by the Corporation or the potential percentage of voting securities held by the Corporation upon exercise of warrants or conversion of debentures, or other available data. Freed Maxick & Battaglia, CPAs, PC has not audited the equity percentages of the portfolio companies. The symbol "<1%" indicates that the Corporation holds an equity interest of less than one percent.
- (d) The Corporation uses Accounting Standards Codification (ASC) 820 "Fair Value Measurements" which defines fair value and establishes guidelines for measuring fair value. At June 30, 2011, ASC 820 designates all of the Corporation's investments as "Level 3" assets due to their privately held restricted nature. Under the valuation policy of the Corporation, unrestricted securities are valued at the closing price for publicly held securities for the last three days of the month. Restricted securities 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.
- (e) These investments are income producing. All other investments are non-income producing. Income producing investments have generated cash payments of interest or dividends within the last twelve months.
- (f) As of June 30, 2011, the total cost of investment securities approximated \$12.1 million. Net unrealized appreciation was approximately \$8.0 million, which was comprised of \$8.7 million of unrealized appreciation of investment securities and \$0.7 million related to unrealized depreciation of investment securities.
- (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 Balance Sheet.
- (j) Non-Control/Non-Affiliate investments are investments that are neither Control Investments nor Affiliated 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 or Rand holds a Board seat.
- (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.

Rand Capital Corporation

Board of Directors		
	Reginald B. Newman II	Chairman of the Board
	Allen F. Grum	
a, g	Erland E. Kailbourne	
a, g	Ross B. Kenzie	
c, g	Jayne K. Rand	
a, c	Robert M. Zak	
	a - Member of audit committee c - Member of compensation committee	
	g - Member of governance committee	
Officers		
	Allen F. Grum	President/CEO
	Daniel P. Penberthy	Executive Vice President CFO
		pgrum@randcapital.com
		dpenberthy@randcapital.com

Corporate Data	
Stock Listing	NASDAQ Capital Market-symbol RAND
Transfer Agent and Registrar	Continental Stock Transfer & Trust Company
	www.continentalstock.com
General Counsel	Hodgson, Russ LLP
Independent Accountants	Freed Maxick & Battaglia, PC
Number of Shareholders	816 (as of March 7, 2011)
Rand is actively seeking business opportunities for investment consideration. If you are aware of those businesses that may need Rand's support and assistance, please feel free to contact us.	Rand Capital Corporation 2200 Rand Building Buffalo, NY 14203 Tel: 716-853-0802 Fax: 716-854-8480 www.randcapital.com