

2007

March 31, 2007

Quarterly Report



RAND CAPITAL
CORPORATION

2200 Rand Building
Buffalo, New York 14203



April 26, 2007

Dear Shareholders:

I am pleased to report that we increased our net asset value to \$3.01 during the last quarter. This was the fifth consecutive quarter that we increased our net assets.

We made no new investments during the quarter. Strong operating performance by **Gemcor**, **Carolina Skiff**, and **Topps Meat Company** generated increased dividends from these **Limited Liability Company (LLC)** investments.

Adampluseve, LLC received an equity investment from a private equity fund focused on luxury goods and they repaid our debt. We revalued our warrant position to reflect the terms of this investment. **UStec** was also sold during the quarter.

Many of our companies continue to achieve commercial success. **Kionix, Inc.** was recently recognized as a global leader in the design and manufacture of high performance, silicon micromachined (MEMS) inertial sensors. **Synacor, Inc.** was recently picked to power www.virginmedia.com. Virgin Media is the largest broadband internet provider in the United Kingdom.

I look forward to sharing the future success of these companies and our other investments in the future.

Allen F. M.

President's
Letter

Consolidated Portfolio Valuation / March 31, 2007

Company and Business	Type of Investment	(b) Date Acquired	(c) Equity	Cost	March 31, 2007		December 31, 2006	
					(d) Value	Per Share of Rand	(d) Value	Per Share of Rand
Adampluseve, Inc. (g) New York, NY. Luxury sports wear company for men and women. www.adampluseve.com	Warrants to purchase 1,715 Series A convertible preferred shares	7/14/06	3%	\$ 68,000	\$ 133,341	0.02	\$ 566,667	0.10
APF Group, Inc. (g)(h) Mount Vernon, NY. Manufacturer of museum quality picture frames and framed mirrors for museums, art galleries, retail frame shops, upscale designers and prominent collectors. www.apfgroup.com	\$584,328 Consolidated Senior Subordinated note at 12.74% due June 30, 2011. Warrants to purchase 10,2941 shares of common stock.	7/8/04	6%	570,960	570,960	0.10	586,488	0.10
Carolina Skiff, LLC (e)(g) Waycross, GA. Manufacturer of fresh water, ocean fishing and pleasure boats. www.carolinaskiff.com	\$985,000 Class A preferred membership interest at 11%. Redeemable January 31, 2010. 5% common membership interest.	1/30/04	5%	1,000,000	1,227,000	0.21	1,227,000	0.21
Contract Staffing Buffalo, NY. PEO providing human resource administration for small businesses. www.contract-staffing.com	Preferred stock repurchase agreement through March 31, 2010 at 5%.	11/8/99	10%	141,400	141,400	0.02	141,400	0.02
EmergingMed.com, Inc. (g) New York, NY. Cancer clinical trial matching and referral service. www.emergingmed.com	\$500,000 Senior Subordinated note at 10% due December 19, 2010.	12/19/05	5%	500,000	500,000	0.09	500,000	0.09
Gemcor II, LLC (e)(g)(h) West Seneca, NY. Designs and sells automatic riveting machines used in the assembly of aircraft components. www.gemcor.com	\$250,000 note at 8% due June 28, 2010 with warrant to purchase 6.25 membership units. 25 membership units.	6/28/04	31%	708,989	708,989	0.12	722,933	0.13
G-TEC Natural Gas Systems Buffalo, NY. Manufactures and distributes systems that allow natural gas to be used as an alternative fuel to gases. www.gas-tec.com	33.057% Class A membership interest. 8% cumulative dividend.	8/31/99	33%	400,000	198,000	0.03	198,000	0.03
Innov-X Systems, Inc. (g) Woburn, MA. Manufacturers portable x-ray fluorescence (XRF) analyzers used in metals/alloy analysis. www.innovxsys.com	2,642 Series A Convertible preferred stock. Warrants for 21,596 common shares	9/27/04	9%	1,000,000	8,761,700	1.53	8,761,700	1.53
Kionix, Inc. Ithaca, NY. Develops innovative MEMS-based technology applications. www.kionix.com	30,241 shares Series B preferred stock. 696,296 shares Series C preferred stock. (g) 2,862,091 shares Series A preferred stock. 714,285 shares Series B preferred stock.	5/17/02	2%	1,506,044	1,221,567	0.21	1,221,567	0.21
New Monarch Machine Tool, Inc. (e)(g)(h) Cortland, NY. Manufactures and services vertical/horizontal machining centers. www.monarchmt.com	\$527,876.85 note at 12% due January 13, 2009. \$300,000 note at 12% due January 13, 2009. Warrants for 22.84 shares of common stock.	9/24/03	11%	651,333	651,333	0.11	692,662	0.12
Niagara Dispensing Technologies, Inc. (g) Tonawanda, NY. Beverage dispense technology development and products manufacturer, specializing in beer dispensing systems. www.exactpour.com	\$500,000 Senior Subordinated note at 8% due March 7, 2011. Adjustable warrant for 4% of common stock.	3/8/06	4%	540,000	540,000	0.09	500,000	0.09
Photonic Products Group, Inc. (OTC:PHPG,OB) (a)(f) (Formerly INRAD, Inc.) Northvale, NJ. Develops and manufactures products for laser photonics industry. www.inrad.com	100 shares convertible Series B preferred stock, 10% dividend. 22,000 shares common stock.	10/31/00	<1%	155,000	138,500	0.02	133,220	0.02
RAMSCO (e)(g)(h) Albany, NY. Distributor of water, sanitary, storm sewer and specialty construction materials to the contractor, highway and municipal markets. www.ramsco.com	\$916,947.23 notes at 13% due November 18, 2007. Warrants to purchase 12.5% of common shares.	11/19/02	13%	793,644	793,644	0.14	819,428	0.14
Rocket Broadband Networks, Inc. (g) Rochester, NY. Communications service provider of satellite TV, broadband internet and VoIP digital phone targeting multiple dwelling units. www.rocketbroadband.com	533,827 Series A-1 Preferred shares.	12/20/05	8%	400,000	400,000	0.07	400,000	0.07
Somerset Gas Transmission Company, LLC Columbus, OH. Natural gas transportation company. www.somersetgas.com	26,5337 units.	7/10/02	2%	719,097	786,748	0.14	786,748	0.14
Synacor, Inc. (e) (g) Buffalo, NY. Develops provisioning platforms for aggregation and delivery of content for broadband access providers. www.synacor.com	200,000 shares of Series B preferred stock. 78,186 Series A preferred shares. 80,126 Series C preferred shares. Warrants for 299,146 common shares.	11/18/02	4%	999,478	3,818,000	0.67	3,818,000	0.67
Topps Meat Company, LLC (e)(g) Elizabeth, NJ. Producer and supplier of premium branded frozen hamburgers and portion controlled meat products. www.toppsmeat.com	Preferred A and Class A common membership interest.	4/3/03	3%	595,000	927,000	0.16	927,000	0.16
Ultra-Scan Corporation Amherst, NY. Biometrics application developer of ultrasonic fingerprint technology. www.ultra-scan.com	536,596 common shares, 107,104 Series A-1 preferred shares. (g) 95,284 Series A-1 preferred shares.	12/11/92	3%	938,164	1,203,000	0.21	1,203,000	0.21
UStec, Inc. Victor, NY. Markets digital wiring systems for new home construction. www.ustecnet.com	\$100,000 note at 5% due February 1, 2007 (e). 50,000 common shares. Warrants for 139,395 common shares.	6/26/98	<1%	100,500	0	0.00	311,000	0.05
WineIsIt.com, Corp (e) Amherst, NY. Marketing company specializing in customer loyalty programs supporting the wine and spirit industry. www.wineisit.com	\$20,000 note at 12% due April 26, 2007. (g) \$500,000 Senior Subordinated note at 10% due December 17, 2009. \$250,000 note at 10% due April 16, 2005. Warrants to purchase 100,000 shares Class B common stock.	12/18/02	2%	821,918	100,000	0.02	100,000	0.02
Other investments:	Other	Various		517,343	31,333	0.04	33,001	0.03
				Total portfolio investments	\$ 13,126,870	\$ 22,852,516	\$ 23,649,814	\$ 4.14
				Cash and Money Market Investments		4,215,573	4,299,852	0.75
				SBA Debenture Liability		(8,100,000)	(8,100,000)	(1.42)
				Portfolio Interest Receivables (net of reserve)		503,861	507,242	0.09
				Net receivables(payable)		1,170,176	644,072	0.11
				Net assets before taxes		20,642,126	21,000,980	3.67
				Tax provision (benefit)		(3,412,000)	(4,218,575)	(0.74)
				Net assets	\$ 17,230,126	\$ 3.01	\$ 16,782,405	\$ 2.93

Note: This report includes the consolidated holdings of Rand Capital Corporation and Rand Capital SBIC, L. P. Additional investor information can be obtained at www.sec.gov.
Net asset value calculated based on 5,718,934 shares outstanding at March 31, 2007 and 5,718,934 at December 31, 2006.

- (a) Unrestricted securities are freely marketable securities having readily available market quotations. All other securities are restricted securities, which are subject to one or more restrictions on resale and are not freely marketable. At March 31, 2007 restricted securities represented approximately 99% of the value of the investment portfolio. Freed Maxick & Battaglia, CPAs, PC has not examined 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.
- (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 or the potential percentage of voting securities held by the Corporation upon exercise of its 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 equity interest of less than one percent.
- (d) The Corporation has adopted the SBA's valuation guidelines for SBIC's which describes the policies and procedures used in valuing investments. Under the valuation policy of the Corporation, unrestricted securities are valued at the closing price for publicly held securities for the last three days of the month. Restricted securities including securities of publicly-held companies, which are subject to restrictions on resale, are valued at fair value as determined by the Board of Directors. Fair value is considered to be the amount

- which the Corporation might reasonably expect to receive if the portfolio securities were sold on the valuation date. Valuations as of any particular date, however, are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of securities and these favorable or unfavorable differences could be material. Among the factors considered by the Board of Directors in determining the fair value of restricted securities are the financial condition and operating results, projected operations, and other analytical data relating to the investment. Also considered are the market prices for unrestricted securities of the same class (if applicable) and other matters which may have an impact on the value of the portfolio company.
- (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) Income Tax Information - As of March 31, 2007, the aggregate cost of investment securities approximated \$13.1 million. Net unrealized appreciation aggregated approximately \$9.7 million of which \$11.5 million related to appreciated investment securities and \$1.8 million related to depreciated investment securities.
- (g) Rand Capital SBIC, L.P. investment.
- (h) Reduction in cost and value reflects current principal payment.
- (i) Publicly owned company.

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	Willis S. McLeese	
c, g	Jayne K. Rand	
c, g	Robert M. Zak	
	a - Member of audit committee	c - Member of compensation committee
	g - Member of governance committee	

Officers

Officers	Title	Email
Allen F. Grum	President/CEO	pgrum@randcapital.com
Daniel P. Penberthy	Executive Vice President CFO	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	998 (as of March 17, 2006)

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.

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