

2008

March 31, 2008



RAND CAPITAL
CORPORATION

2200 Rand Building
Buffalo, New York 14203



April 28, 2008

Dear Shareholders:

We ended the quarter with a net asset value of \$3.45.

During the quarter, Rand made one new investment and two follow-on investments. Rand invested \$100,000 in **Mezmeriz, Inc.** in the form of a Convertible Note. **Mezmeriz** is a developer of mirror technology that replaces silicon with carbon fibers in microelectronic mechanical systems (MEMS), which enables a new generation of high definition displays.

Subsequent to the quarter, we also participated in a \$3.9 million Series B round for **Niagara Dispensing Technologies, Inc.** As part of the transaction, we converted our debt into Series A stock and purchased \$700,000 of Series B shares. **Niagara Dispensing** is a beverage dispensing technology development and products manufacturer specializing in rapid pour beer dispensing systems for high volume stadium and concession operations.

Rand finalized its investment in **Associates Interactive, LLC** and we currently have \$250,000 invested in

Promissory Notes and equity. **Associates Interactive** is a provider of training content and certifications used to train retail sales associates.

During the quarter, **New Monarch Machine Tool, Inc.** repaid its debt totaling \$527,502. Rand currently owns 22.84 common shares in **Monarch** representing 15% of the Company. **Monarch** manufactures and services vertical/horizontal machining centers.

We finished the quarter with \$3.2 million in cash and an additional \$1.9 million unused leverage from the SBIC. We are actively pursuing new investments and look forward to reporting our efforts in the future.

Allen F. Myer

President's
Letter

Rand Capital Corporation and Subsidiaries Condensed Consolidated Schedule of Portfolio Investments / March 31, 2008 (Unaudited)

Company and Business	Type of Investment	(b) Date Acquired	(c) Equity	Cost	March 31, 2008		December 31, 2007	
					(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	\$ 133,341	0.02
APF Group, Inc. (e)(g) 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	\$566,504 consolidated senior subordinated note at 12.74% due December 30, 2010. Warrants to purchase 10,2941 shares of common stock.	7/8/04	6%	566,504	566,504	0.10	566,504	0.10
Associates Interactive, LLC (e)(g) Buffalo, NY. Provider of training content and certifications used to train retail sales associates. www.associatesinteractive.com	\$247,812.50 promissory note at 8% due December 19, 2012. Investor units totalling 21.88% of company.	10/15/07	22%	250,000	250,000	0.04	50,000	0.01
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 7.5%. Redeemable January 31, 2010. 5% common membership interest.	1/30/04	5%	1,000,000	1,227,000	0.22	1,227,000	0.21
Contract Staffing (e)(h) 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 shares of common stock.	11/8/99	10%	117,815	117,815	0.02	131,066	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. Warrants for 5.5% of common stock.	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%	650,350	4,150,350	0.73	4,165,451	0.73
Golden Goal LLC (g) Fort Ann, NY. Youth soccer and lacrosse tournament park. www.goldengoalpark.com	191,811 Class C units at 4%.	12/10/07	6%	637,414	637,414	.11	637,414	.11
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	28.925% Class A membership interest. 8% cumulative dividend.	8/31/99	29%	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. 8% cumulative dividend.	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
Mezmeriz, Inc. (g) Ithaca, NY. Developer of micro mirror technology that replaces silicon with carbon fibers in micro-electronic mechanical systems (MEMS), which enables a new generation of high definition displays. www.mezmeriz.com	\$100,000 convertible note at 9% due January 9, 2010.	1/9/08	-	100,000	100,000	.02	-	-
New Monarch Machine Tool, Inc. (e)(g)(h) Cortland, NY. Manufactures and services vertical/horizontal machining centers. www.monarchmt.com	22.84 shares of common stock.	9/24/03	15%	22,841	22,841	0.00	542,988	0.10
Niagara Dispensing Technologies, Inc. (e) Amherst, NY. Beverage dispense technology development and products manufacturer, specializing in rapid pour beer dispensing systems for high volume stadium and concession operations. www.exactpour.com	\$50,000 bridge note at 14% due March 7, 2009. (g) \$500,000 senior subordinated note at 9% due March 7, 2011. \$250,000 promissory note at 14% due July 10, 2008. \$75,000 bridge note at 14% due December 10, 2008. \$25,000 bridge note at 14% due January 9, 2009. \$45,000 bridge note at 14% due January 17, 2009. \$10,000 bridge note at 14% due February 4, 2009. \$94,990 bridge note at 14% due February 14, 2009. 200 shares common stock. Contingent warrants.	3/8/06	4%	1,090,000	979,000	0.17	865,010	0.15
Photonic Products Group, Inc. (OTC:PHPG,OB) (a)(i) Northvale, NJ. Develops and manufactures products for laser photonics industry. www.inrad.com	66,000 shares common stock.	10/31/00	<1%	165,000	272,000	0.05	262,700	0.04
RAMSCO (e)(g) Albany, NY. Distributor of water, sanitary, storm sewer and specialty construction materials to the contractor, highway and municipal markets. www.ramsco.com	\$300,000 promissory notes at 8% due October 20, 2010. Warrants for 5.99% of common stock.	11/19/02	6%	300,000	300,000	0.05	300,000	0.05
Rocket Broadband Networks, Inc. (g) Amherst, NY. Communications service provider of satellite TV, broadband internet and VoIP digital phone targeting multiple dwelling units. www.rocketbroadband.com	285,829 Series A preferred shares. 247,998 Series A-1 Preferred shares. 996,441 Series B Preferred shares.	12/20/05	11%	680,000	680,000	0.12	680,000	0.12
Somerset Gas Transmission Company, LLC (e) 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. (g) Buffalo, NY. Develops provisioning platforms for aggregation and delivery of content for broadband access providers. www.synacor.com	78,186 Series A preferred shares. 200,000 shares Series B preferred stock. 80,126 Series C preferred shares. Warrants for 299,146 common shares.	11/18/02	4%	1,349,479	4,168,001	0.73	4,168,001	0.73
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	4%	938,164	1,203,000	0.21	1,203,000	0.21
WinelsIt.com, Corp. Williamsville, NY. Marketing company specializing in customer loyalty programs supporting the wine and spirit industry. www.wineisit.com	(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. (e) \$20,000 note at 18% due April 1, 2009	12/18/02	2%	821,918	100,000	0.02	100,000	0.02
Other investments:	Other	Various		484,510	0	0.00	28,000	0.02
	Total portfolio investments			<u>\$ 13,367,135</u>	\$ 26,375,281	\$4.61	\$ 26,528,491	\$4.64
	Cash and Money Market Investments				3,206,341	0.56	4,396,595	0.77
	SBA Debenture Liability				(8,100,000)	(1.42)	(8,100,000)	(1.42)
	Portfolio Interest Receivables (net of reserve)				858,550	0.15	647,001	0.11
	Net receivables(payable)				1,085,427	0.19	827,702	0.14
	Net assets before taxes				23,425,599	4.10	24,299,788	4.25
	Tax provision (benefit)				3,712,843	(0.65)	4,428,175	(0.77)
	Net assets				<u>\$ 19,712,756</u>	<u>\$3.45</u>	<u>\$ 19,871,613</u>	<u>\$3.47</u>

Notes to Consolidated Schedule of Portfolio Investments

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, 2008 and 5,718,934 at December 31, 2007.

- (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, 2008 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 SBICs 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 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 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, 2008, the aggregate cost of investment securities approximated \$13.4 million. Net unrealized appreciation aggregated approximately \$13.0 million of which \$14.8 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 from previously reported balances 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, c	Ross B. Kenzie	
c	Willis S. McLeese	
a, g	Jayne K. Rand	
a, g	Robert M. Zak	
a	- Member of audit committee	
c	- Member of compensation committee	
g	- Member of governance committee	

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	896 (as of March 14, 2008)

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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