

**2009**

March 31, 2009

First Quarter Report



**RAND CAPITAL**  
CORPORATION

2200 Rand Building  
Buffalo, New York 14203



April 30, 2009

Dear Shareholders:

We finished the quarter with a net asset value of \$3.53, a decrease from the previous quarter of \$0.01 or less than 1%. Rand's total assets were \$31.88 million of which \$28.21 was classified as portfolio investments with a cost basis of \$14.47 million.

During the quarter, Rand made a follow-on investment in **Golden Goal LLC** totaling \$32,237. **Golden Goal** is a youth soccer and lacrosse tournament park. Rand also made a follow-on investment in **Associates Interactive, LLC** with a loan of \$43,518. **Associates Interactive** is a provider of training content and certification used to train retail sales associates.

It continues to be a very difficult time for many of our companies to achieve the revenue goals they set. We have worked very closely with these companies to achieve cost savings necessary to offset the revenue shortfall. Although it may be an anomaly, several of our economically sensitive companies have been indicating that their businesses have bottomed.

Thank you for your continued support.

*Allen F. My*

President's  
Letter

**Rand Capital Corporation and Subsidiaries Condensed Consolidated Schedule of Portfolio Investments / March 31, 2009 (Unaudited)**

Company, Geographic Location, Business Description, (Industry) & Website	Type of Investment	(b) Date Acquired	(c) Equity	Cost	March 31, 2009		December 31, 2008		
					(d) Value	Per Share of Rand	(d) Value	Per Share of Rand	
<b>Non-Control/Non-Affiliate Investments: (k)</b>									
Adampluseve, Inc. (dba Adam) (g) New York, NY. Luxury sports wear company for men and women. (Fashion Design) www.shopadam.com	Warrants to purchase 1,715 Series A convertible preferred shares	7/14/06	2%	\$ 68,000	\$ 133,341	\$ 0.02	\$ 133,341	0.02	
GridApp Systems, Inc. (e)(g) New York, NY. Provider of database automation software that helps businesses gain control of their heterogeneous database applications through a centralized software console. (Software) www.gridapp.com	\$660,000 term note at 4% simple interest, 8% deferred interest (PIK) due January 4, 2012. \$6,667 convertible note at 4% due November 28, 2018.	11/25/08	3%	\$ 671,507	671,507	0.12	666,667	0.12	
Kionix, Inc. Ithaca, NY. Develops innovative MEMS-based inertial sensors used in consumer electronics, automation and healthcare sectors (Manufacturing) 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	2,000,000	0.35	2,000,000	0.36	
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	\$100,000 convertible note at 9% due January 9, 2010.	1/9/08	-	100,000	100,000	.02	100,000	.02	
Photonic Products Group, Inc. (OTC: PHPG.OB) (a)(i) Northvale, NJ. Develops and manufactures products for laser photonics industry. (Manufacturing) www.inrad.com	66,000 shares common stock.	10/31/00	<1%	165,000	112,000	.02	112,000	.02	
Somerset Gas Transmission Company, LLC (e) Columbus, OH. Natural gas transportation company. (Oil and Gas) www.somersetgas.com	26.5337 units.	7/10/02	2%	719,097	786,748	.14	786,748	.14	
Synacor, Inc. (g) Buffalo, NY. Develops provisioning platforms for aggregation and delivery of content and services across multiple digital devices. (Software) www.synacor.com	234,558 Series A preferred shares. 600,000 shares Series B preferred shares. 240,378 Series C preferred shares. 897,438 common shares.	11/18/02	4%	1,349,479	4,168,001	.73	4,168,001	.73	
<b>Subtotal Non-Control/Non-Affiliate Investments</b>				\$ 4,579,127	\$ 7,971,597	\$ 1.40	\$ 7,966,757	\$ 1.41	
<b>Affiliate Investments: (l)</b>									
APF Group, Inc. (e)(g) Yonkers, NY. Manufacturer of museum quality picture frames and framed mirrors for museums, art galleries, retail frame shops, upscale designers and prominent collectors. (Manufacturing) www.apfgroup.com	\$587,796 consolidated senior subordinated note at 8% due June 30, 2011. \$13,514 senior subordinated note at 14% due June 30, 2011. Warrants to purchase 10,2941 shares of common stock.	7/8/04	6%	619,253	311,918	.05	300,000	.05	
Associates Interactive, LLC (e)(g) Buffalo, NY. Provider of training content and certifications used to train retail sales associates. (Education and Training) www.associatesinteractive.com	\$247,813 promissory note at 9% due December 19, 2012. \$43,518 secured note at 10% due December 19, 2012. Investor units totaling 22.55% of company.	10/15/07	22%	293,518	293,518	.05	250,000	.04	
Carolina Skiff LLC (e)(g) Waycross, GA. Manufacturer of fresh water, ocean fishing and pleasure boats. (Manufacturing) www.carolinasriff.com	\$985,000 Class A preferred membership interest at 7.5%. Redeemable January 31, 2010. 5% common membership interest. (j) Interest receivable \$669,327.	1/30/04	5%	1,000,000	1,000,000	.17	1,000,000	.17	
EmergingMed.com, Inc. (g) New York, NY. Cancer clinical trial matching and referral service. (Software) www.emergingmed.com	\$500,000 senior subordinated note at 10% due December 19, 2010. Warrants for 7.0% of common stock. (j) Interest receivable \$164,167.	12/19/05	7%	500,000	500,000	.09	500,000	.09	
Golden Goal LLC (g) Fort Ann, NY. Youth soccer and lacrosse tournament park. (Sports and Entertainment) www.goldengoalpark.com	191,811 Class C units at 4%. \$38,237.98 convertible promissory notes at 13% due January 26, 2012.	12/10/07	6%	675,652	438,238	.08	400,000	.07	
Innov-X Systems, Inc. (g) Woburn, MA. Manufactures portable x-ray fluorescence (XRF) analyzers used in metals/alloy analysis. (Manufacturing) www.innovsys.com	2,642 Series A preferred stock. Warrants for 21,596 common shares. 8% cumulative dividend. (j) Interest receivable \$182,411.	9/27/04	9%	1,000,000	8,761,700	1.53	8,761,700	1.54	
Niagara Dispensing Technologies, Inc. Amherst, NY. Beverage dispensing technology development and products manufacturer, specializing in rapid pour beer dispensing systems for high volume stadium and concession operations. (Manufacturing) www.exactpour.com	202,081 Series B preferred stock. (g) 463,691 Series A preferred stock. 518,752 Series B preferred stock.	3/8/06	14%	1,281,783	1,170,783	.21	1,170,783	.20	
RAMSCO (e)(g) Albany, NY. Distributor of water, sanitary, storm sewer and specialty construction materials to the contractor, highway and municipal construction markets. (Distributor) www.ramsco.com	\$300,000 promissory notes at 9% due October 20, 2010. Warrants for 5.99% of common stock.	11/19/02	6%	300,000	300,000	.05	300,000	.05	
SOMS Technologies, LLC (g) Valhalla, NY. Produces and markets the microGreen Extended Performance Oil Filter. (Auto Parts Developer) www.microgreenfilter.com	\$250,000 secured convertible note at 10% due December 2, 2010.	12/2/08	-	250,000	250,000	.04	250,000	.04	
Ultra - Scan Corporation Amherst, NY. Biometrics application developer of ultrasonic fingerprint technology. (Electronics Hardware/Software) 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	.21	1,203,000	.21	
<b>Subtotal Affiliate Investments</b>				\$ 6,858,370	\$ 14,229,157	\$ 2.48	\$ 14,135,483	\$ 2.46	
<b>Control Investments (m)</b>									
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	\$250,000 subordinated note at 8% due June 28, 2010 with warrant to purchase 6.25 membership units. 25 membership units.	6/28/04	31%	586,844	5,786,845	1.02	5,803,201	1.02	
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	28.925% Class A membership interest. 8% cumulative dividend.	8/31/99	29%	400,000	198,000	.03	198,000	.03	
<b>Subtotal Control Investments</b>				\$ 986,844	\$ 5,984,845	\$ 1.05	\$ 6,001,201	\$ 1.05	
<b>Other Investments(e)</b>				2,044,269	22,841	.00	22,841	.00	
				\$ 14,468,610	\$ 28,208,440	4.93	\$ 28,126,282	4.92	
					1,967,663	0.34	2,757,653	0.48	
					(8,100,000)	(1.42)	(8,100,000)	(1.42)	
					1,013,888	0.18	1,013,888	0.18	
					456,882	0.08	17,866	0.01	
					\$ 23,642,944	\$ 4.13	23,815,689	4.17	
					3,437,217	0.60	3,588,723	0.63	
<b>Net Assets</b>				\$ 20,205,727	\$ 3.53		20,226,966	3.54	

**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, 2009 and 5,718,934 at December 31, 2008.

- (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, 2009 restricted securities represented 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 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 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 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. The Corporation has also adopted FAS No. 157
- "Fair Value Measurements" which defines fair value and establishes guidelines for measuring fair value and designates the Corporation's investment as generally "Level 3" assets due to their privately held restricted nature, their size and the nature of Rand's securities held.
- (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, 2009, the aggregate cost of investment securities approximated \$14.4 million. Net unrealized appreciation aggregated approximately \$13.7 million, of which \$16.6 million related to appreciated investment securities and \$2.9 million related to depreciated investment securities.
- (g) Rand Capital SBIC, Inc. investment.
- (h) Reduction in cost and value from previously reported balances reflects current principal repayment.
- (i) Publicly owned company.
- (j) Represents interest due (amounts over \$50,000 net of reserves) from investment included as interest receivable on the Corporation's Balance Sheet.
- (k) Non-Control/Non-Affiliate investments are investments that are neither Control Investments or Affiliated Investments.
- (l) 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.
- (m) 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, c	Ross B. Kenzie	
c	Willis S. McLeese	
c, 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**

	<b>Title</b>	<b>Email</b>
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 .....	820 (as of March 6, 2009)

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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