

**2009**

June 30, 2009

Semi-Annual Report



**RAND CAPITAL**  
CORPORATION

2200 Rand Building  
Buffalo, New York 14203



July 24, 2009

Dear Shareholders:

We finished the quarter with a net asset value of \$3.42 per share, a decrease from the previous quarter of \$0.11 per share. At the end of the second quarter, Rand's total investment portfolio was valued at \$27.5 million.

During the quarter, Rand made a follow-on investment in **Innov-X Systems, Inc.** totaling \$250,000. **Innov-X** develops systems that perform rapid, accurate chemical analysis to identify, differentiate and quantify most materials by elemental composition. Its products are commonly used in manufacturing and compliance testing environments. Rand also made a follow-on investment in **Niagara Dispensing Technologies, Inc.** with a loan of \$50,000. **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.

Also during the quarter, Rand revalued its investments in **Adampluseve, Inc.** (dba Adam), **APF Group, Inc.**, **Associates Interactive, LLC**, **Golden Goal LLC**, **G-TEC Natural Gas Systems** and **Niagara Dispensing**

**Technologies, Inc.** Each of these values was changed to reflect their current and expected financial performance.

Consistent with Rand's practice of selling publicly traded securities that we acquire, Rand began liquidation of its position in **Photonic Products Group, Inc.** (formerly INRAD, Inc.) with the sale of 35,500 shares. The remaining 30,500 shares will be sold as the market permits.

We continue to monitor our existing portfolio during these difficult economic times. Many of these companies have seen signs that business conditions are improving. Additionally, we are raising additional capital to further our investment purposes as a business development company. The results of the stock sale will be communicated at a later date.

Thank you for your continued support.

*Allen F. M.*

President's  
Letter

**Rand Capital Corporation and Subsidiaries Condensed Consolidated Schedule of Portfolio Investments / June 30, 2009 (Unaudited)**

Company, Geographic Location, Business Description, (Industry) & Website	Type of Investment	(b) Date Acquired	(c) Equity	Cost	June 30, 2009		March 31, 2009		
					(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	\$ 68,000	\$ .01	\$ 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%	684,804	684,804	.12	671,507	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	.35	2,000,000	0.35	
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	30,500 shares common stock.	10/31/00	<1%	76,250	42,700	.01	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>				\$ 4,503,674	\$ 7,850,253	\$ 1.38	\$ 7,971,597	\$ 1.40	
<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%	631,547	150,000	.03	311,918	.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	0	.00	293,518	.05	
Carolina Skiff LLC (e)(g) Waycross, GA. Manufacturer of fresh water, ocean fishing and pleasure boats. (Manufacturing) www.carolinaskiff.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	338,238	.06	438,238	.08	
Innov-X Systems, Inc. (g) Woburn, MA. Manufactures portable x-ray fluorescence (XRF) analyzers used in metals/alloy analysis. (Manufacturing) www.innovxsys.com	2,642 Series A preferred stock. \$250,000 note at 11% due March 31, 2017. Warrants for 21,924 common shares. 8% cumulative dividend. (j) Interest receivable \$182,411.	9/27/04	9%	1,250,000	9,011,700	1.58	8,761,700	1.53	
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. \$50,000 promissory note at 12% due June 1, 2010.	3/8/06	14%	1,331,783	1,052,082	.18	1,170,783	.21	
RAMSCO (e)(g) Alhany, 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>				\$ 7,170,664	\$ 13,805,202	\$ 2.41	\$ 14,229,157	\$ 2.48	
<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%	570,161	5,770,161	1.01	5,786,845	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	100,000	.02	198,000	.03	
<b>Subtotal Control Investments</b>				\$ 970,161	\$ 5,870,161	\$ 1.03	\$ 5,984,845	\$ 1.05	
<b>Other Investments</b>									
Various				2,044,269	22,841	.00	22,841	.00	
Total portfolio investments				\$ 14,688,768	\$ 27,548,275	4.82	\$ 28,208,440	4.93	
Cash and Money Market Investments					1,875,944	.33	1,967,663	0.34	
SBA Debenture Liability					(8,100,000)	(1.42)	(8,100,000)	(1.42)	
Portfolio Interest Receivable (net of Reserve)					1,175,593	.21	1,013,888	0.18	
Net Receivables (payables)					(62,634)	(0.01)	456,882	0.08	
Net assets pre-tax					\$ 22,437,178	\$ 3.92	\$ 23,642,944	\$ 4.13	
Tax Provisions (benefit)					2,878,479	.50	3,437,217	0.60	
Net Assets					\$ 19,558,699	\$ 3.42	\$ 20,205,727	\$ 3.53	

**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 June 30, 2009 and 5,718,934 at March 31, 2009.

- (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 June 30, 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 June 30, 2009, the aggregate cost of investment securities approximated \$14.7 million. Net unrealized appreciation aggregated approximately \$12.9 million, of which \$16.6 million related to appreciated investment securities and \$3.7 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, 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 .....	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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