

4th Quarter Report
January 18, 2001

Dear Shareholders,

We ended the quarter with our net asset value at \$1.46 per share. This represents a 10% increase from our net asset value of \$1.33 per share in the fourth quarter of last year. We made two investments during the quarter. We purchased 100 shares of Convertible Series B Preferred stock for \$100,000 in INRAD, Inc. INRAD is located in Northvale, New Jersey and develops, manufactures and supplies products for the Photonics industry primarily consisting of Crystals and Crystal Components, Custom Optics, and Systems and Instruments. INRAD is currently trading on the Bulletin Board (OTC: INRD.OB) but recently announced that it has filed for listing on NASDAQ Small Cap.

We also increased our investment in BNKR, Inc. by \$200,000 through participation in a Bridge Loan. This was part of a second round of financing led by Seed Capital Partners, which totaled \$1.5 million. BNKR, Inc. is currently pursuing marketing partners to broaden its variety of services to include brokerage, loan, credit cards and insurance.

We wrote off our investment in TSS-Transnet, Inc. and revalued our shares in ARIA Wireless to reflect the lower market price. Pathlight Technology, Inc. continues to expand its business and has recently issued press releases regarding their relationships with EMC, McData, Tokyo Electron and Tidalwire.

Thank you for your continued support and interest in Rand.

Allen F. Grum

Portfolio Valuation / December 31, 2000

Company and Business	Type of Investment	Date Acquired	12/31/00	9/30/00	Value of Rand	Value of Rand	Value of Rand
			Per share Cost	Per share Value			
American Tactile Corporation Medina, NY. Develops equipment and systems to produce signage. www.americantactile.com	Convertible Debentures at 8% due June 2000 and April 2001 with detachable warrants	6/23/95	150,000	50,000	0.01	50,000	0.01
ARIA Wireless Systems, Inc. (OTC:AWSI)* Buffalo, NY. Markets wireless radio transmission communication equipment. www.aria-glb.com	Common Stock - 488,000 shares \$105,840 Demand Notes at 15%	5/23/97	543,840	129,840	0.02	227,840	0.04
BNKR, Inc. Bloomington, MN. Provides turn-key solutions for on-line community banking. www.bnkr.com	Series A Convertible Preferred Stock - 200,000 shares Cumulative Dividend \$0.08 per share per annum 200,000 Note at 12% due February, 2001	5/30/00	400,000	400,000	0.07	200,000	0.03
BioWorks, Inc. Geneva, NY. Develops and manufactures biological alternative to chemical pesticides. www.bioworksbiocontrol.com	Series A Convertible Preferred Stock - 32,000 shares	11/6/95	56,000	56,000	0.01	56,000	0.01
Clearview Cable TV, Inc. New Providence, NJ. Cable television operator.	Common Stock - 400 shares	2/23/96	55,541	55,541	0.01	55,541	0.01
Contract Staffing Buffalo, NY. PEO providing human resource administration for small businesses. www.contract-staffing.com	Series A 8% Cumulative Preferred Stock - 10,000 shares	11/8/99	100,000	100,000	0.02	100,000	0.02
DataView, LLC Mt. Kisco, NY. Designs, develops and markets browser based software for investment professionals. www.marketgauge.com	5.5% Membership Interest	10/1/98	310,357	343,357	0.06	343,357	0.06
Fertility Acoustics, Inc. Buffalo, NY. Developer of proprietary methods to diagnose onset of ovulation.	Common Stock - 848,736 Shares	10/1/97	87,440	1,167,012	0.20	1,167,012	0.20
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.	41.67% Class A Membership Interest 8% Cumulative Dividend	8/31/99	300,000	300,000	0.05	300,000	0.05

Hammertime Kitchen & Bath Works, Inc. Clarence, NY. Exclusive Sears licensed installer of kitchens and baths.	Company has ceased operations	10/1/98				175,000	0.03		
HCI Systems Kennebunk, ME. Facilities management software solution. www.hcisystems.com	Series B Preferred Stock - 67,000 Shares 5% Cumulative Dividend	12/15/99	100,500	100,500	0.02	100,500	0.02		
INRAD, Inc. (OTC: INRD.OB) Northvale, NJ. Develops and manufactures products for laser photonics industry. www.inrad.com	Convertible Series B Preferred Stock - 100 Shares 10% Dividend	10/31/00	100,000	100,000	.02	-	-		
MemberWare Technologies, Inc. Pittsford, NY. Internet company engaged in web related consulting services. www.memberware.com	Promissory Note at Prime Rate + 4.5% due September 2004. Common Stock - 40,000 Shares 34,000 warrants for shares of stock	9/16/99	100,000	150,000	0.03	150,000	0.03		
MINRAD, Inc. Buffalo, NY. Developer of laser guided surgical devices. Merged with BioVector, Inc. December 1999.	595,506 Common Shares. 53,628 Preferred Shares	8/4/97	874,030	1,111,000	0.19	1,111,000	0.19		
Pathlight Technology, Inc. Ithaca, NY. Develops technology for computer industry. www.pathlight.com	Class A Series Convertible Preferred Stock - 200,000 shares with 6% cumulative dividend. Preferred Class B - 117,187 shares Class C Preferred Stock - 214,285 Shares 67,578 warrants for shares of stock	10/7/97	1,174,998	2,012,922	0.35	2,012,922	0.35		
Platform Technology Holdings, LLC Charlottesville, VA. Provides sales support and management for unique medical businesses.	Two units with option for two additional units	9/24/97	8,045	60,000	0.01	60,000	0.01		
TSS-Transnet Milton, Ontario. Canadian and U.S. trucking and logistics company.	Company filed for bankruptcy - October 2000	6/1/00	316,401	-	-	250,000	0.04		
Ultra-Scan Corporation Amherst, NY. Ultrasonic finger print technology. www.ultra-scan.com	Common Shares - 49,290	12/11/92	302,586	369,675	0.06	369,675	0.06		
UStec, Inc. Victor, NY. Manufacturers and markets digital wiring systems for residential new home construction. www.ustecnet.com	Promissory Note at 12% due January 2003 50,000 common shares 2,500 warrants for common shares	12/17/98	100,500	150,000	0.03	150,000	0.03		
Vanguard Modular Building Systems Philadelphia, PA. Leases and sells high-end modular space solutions. www.vanguardmodular.com	Preferred Units - 2,673 Units with Warrants 14% Interest Rate	12/16/99	270,000	270,000	0.05	270,000	0.05		
Preferred Stock Portfolio* ^ Motorola (MOT-A), Texaco (TXC-A)	Motorola - 4,000 shares; Texaco - 5,000 shares	7/15/99	214,606	207,844	0.04	879,303	0.15		
Other investments	Other		594,486	235	-	236	0.04		
Total portfolio			6,159,330	7,133,926	1.24	8,028,396	1.40		
investments									
Cash and Cash equivalents			304,066	0.05	80,041	0.01			
Net receivables(payables)			286,914	0.05	124,389	0.02			

**ADIC ACQUIRES RAND PORTFOLIO COMPANY, STORAGE AREA NETWORK [SAN] PIONEER,
PATHLIGHT TECHNOLOGY**

BUFFALO, NY, Rand Capital Corporation [NASDAQ-RAND] announced that its investment portfolio will be significantly affected by the recent announcement that Advanced Digital Information Corporation (NASDAQ:ADIC - news) has signed a definitive agreement to acquire privately-held Pathlight Technology, Inc., based in Ithaca, NY. The agreement, reached January 30, 2001, is valued at approximately \$265 million based on ADIC's closing price at the time of the announcement. Rand Capital owns approximately 5% of Pathlight. Following SEC review and completion of the acquisition, Rand's original \$1.2 million investment in Pathlight, currently valued at \$2.0 million, would be exchanged for ADIC stock having a value of approximately \$13 million based on the announced value of the transaction.

In October of 1997, Rand made its initial investment in Pathlight, investing \$100,000. A year later, Rand provided another \$100,000 investment. Pathlight used these funds to finance development of core technology and products. Following these two rounds of investments, Pathlight found itself in need of additional capital for further product development, marketing, and to assure customer confidence. Pathlight had by then begun to develop the hardware and software interfaces that could be used in Storage Area Networks (SAN), which many companies, including IBM, predicted would usurp traditional client/server technology. In 1999, Rand made its third investment in the company, providing \$225,000. On the strength of the SAN market, the strong support of other companies in the SAN sector, and Pathlight's products and OEM relationships, Rand participated in a fourth round of financing in January of 2000, providing \$750,000.

Rand's President, Allen F. Grum, stated: "Throughout the four rounds of investments in which Rand participated, Pathlight was able to demonstrate the viability of its future through the strength of its management, its ability to execute on a business plan and produce a useful product, and perhaps most importantly, market itself and establish OEM relationships for the distribution of its products. ADIC recognized the strength of Pathlight's technology, initially as a customer, complementing ADIC's existing storage hardware and software solutions."

As announced, the Pathlight acquisition calls for ADIC to exchange 10.3 million shares of common stock for all of the outstanding stock, warrants and stock options of Pathlight in a merger intended to be accounted for as a pooling-of-interests. Daniel Penberthy, Rand's Chief Financial Officer, reported that based on Rand's estimated ownership, it is expecting to receive approximately 525,000 shares of ADIC, also noting that the agreement provides for two escrow arrangements pursuant to which approximately 12.5% of the total of 10.3 million shares will be held in escrow. The escrow is scheduled to be released following the completion of the audit of the combined Company's results for fiscal year 2001 and to cover losses that may be incurred in connection with pending litigation filed by Crossroads Systems, Inc. against Pathlight alleging patent infringement. This escrow will be released following final settlement or adjudication of this litigation.

ADIC intends to register the shares issuable upon the closing of the merger under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-4, and to register the shares issuable upon exercise of options assumed in the merger pursuant to a Registration Statement on Form S-8. The merger is expected to close during ADIC's second quarter ending April 30, 2001 following registration of the shares issuable in the merger with the SEC and satisfaction of other closing conditions. The issuance of the securities to Rand will be subject to the completion of these filings, and the shares received by Rand may be subject to limitation on transfer based on pooling of interest requirements and under SEC Rule 145.

Rand Capital Corporation is a publicly held venture capital company, headquartered in Buffalo, New York, registered on the NASDAQ Small Cap Market under the symbol "RAND." Rand's investment strategy is to provide expansion capital and investment, as well as financial advisory services, to companies both inside and outside of the Western New York community.

This report contains forward-looking statements relating to the value of Rand's existing and future investment that are subject to certain risks and uncertainties, including the need for ADIC to complete the transaction and meet the

filing requirements of the Securities law. Excerpts of this release have been taken from ADIC's press release dated January 30, 2001.