

1st Quarter Report
April 19, 2001

Dear Shareholders,

In our last quarterly report, we included a press release that announced the proposed acquisition of Pathlight Technology, Inc. by Advanced Digital Information Corporation (ADIC). Since then, the SEC has approved the S-4 for this transaction. A meeting of Pathlight Shareholders is scheduled for May 9, 2001 and the merger is expected to close on May 11, 2001. It is important to note that 75% of the Pathlight shareholders have already approved the transaction and this transaction does not require the approval of the ADIC shareholders.

We anticipate receiving approximately 569,000 shares of ADIC in exchange for our Pathlight securities. We will not reflect the value of these shares in Rand's portfolio until ADIC's acquisition of Pathlight has been completed.

During the last six months, the Management and Board of Directors of Rand Capital have been evaluating various corporate and tax structures of Rand Capital to increase overall shareholder value. Based on our analysis, we believe that Rand Capital should change its fundamental corporate structure to become a Business Development Company (BDC) as defined by the Investment Company Act of 1940.

Rand intends to retain our fundamental focus of providing venture capital to private companies, however, the BDC structure will provide greater operational flexibility in both investing and operating companies. Specifically, Rand will be less restricted by current regulations governing our investment diversification and industry concentration; have the ability to utilize increased leverage capacity, including an SBIC exemption from the SEC; and be able to offer stock options for Management and Directors.

In the coming weeks, you will be receiving Rand Capital's annual proxy that will describe the election to become a Business Development Company, as well as other matters to be voted on at Rand's Annual Meeting, which is scheduled for July 20, 2001.

During the quarter, we have written off our investment in BNKR, Inc., as the company was unable to successfully develop an installed base of customers for its Internet banking platform and has ceased operations. Additionally, we exercised our options for two additional units of Platform Technology Holding, LLC. The net result of these activities, excluding any impact from the Pathlight transaction, is a decrease in our net asset value of \$0.07 cents, to end the quarter at \$1.39. Thank you for your continued support and interest in Rand.

Allen F. Grum

Portfolio Valuation / March 31, 2001

Company and Business	Type of Investment	Date Acquired	03/31/01	12/31/00		Per share	
			Value of Rand	Value of Rand	Value of Rand	Per share	
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	129,840	0.02
BNKR, Inc. Bloomington, MN. Provides turn-key solutions	Company has ceased operations	5/30/00	400,000	-	-	400,000	0.07

for on-line community
banking. www.bnkr.com

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BioWorks, Inc. Geneva, Series A Convertible 11/6/95 56,000 56,000 0.01 56,000 0.01
NY. Develops and Preferred Stock -
manufactures biological 32,000 shares
alternative to chemical
pesticides.
www.bioworksbiocontrol.com

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Clearview Cable TV, Common Stock - 400 2/23/96 55,541 55,541 0.01 55,541 0.01
Inc. New Providence, shares
NJ. Cable television
operator.

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Contract Staffing Series A 8% 11/8/99 100,000 100,000 0.02 100,000 0.02
Buffalo, NY. PEO Cumulative Preferred
providing human Stock - 10,000 shares
resource administration
for small businesses.
www.contract-staffing.com

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DataView, LLC Mt. 5.5% Membership 10/1/98 310,357 343,357 0.06 343,357 0.06
Kisco, NY. Designs, Interest
develops and markets
browser based software
for investment
professionals.
www.marketgauge.com

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Fertility Acoustics, Common Stock - 10/1/97 87,440 1,167,012 0.20 1,167,012 0.20
Inc. Buffalo, NY. 848,736 Shares
Developer of
proprietary methods to
diagnose onset of
ovulation.

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G-TEC Natural Gas 41.67% Class A 8/31/99 300,000 300,000 0.05 300,000 0.05
Systems Buffalo, NY. Membership Interest
Manufactures and 8% Cumulative Dividend
distributes systems
that allow natural gas
to be used as an
alternative fuel to
gases. www.gas-tec.com.

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HCI Systems Kennebunk, Series B Preferred 12/15/99 100,500 100,500 0.02 100,500 0.02
ME. Facilities Stock - 67,000 Shares
management software 5% Cumulative Dividend
solution.
www.hcisystems.com

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INRAD, Inc. (OTC: Convertible Series B 10/31/00 100,000 100,000 .02 100,000 .02
INRD.OB) Preferred Stock - 100
Northvale, NJ. Develops Shares
and manufactures 10% Dividend
products for laser
photonics industry.
www.inrad.com

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MemberWare Promissory Note at 9/16/99 100,000 150,000 0.03 150,000 0.03

Technologies, Inc. Prime Rate + 4.5% due
Pittsford, NY. Internet September 2004.
company engaged in web Common Stock - 40,000
related consulting Shares 34,000
services. warrants for shares
www.memberware.com of stock

MINRAD, Inc. Buffalo, 595,506 Common 8/4/97 874,030 1,111,000 0.19 1,111,000 0.19
NY. Developer of laser Shares. 53,628
guided surgical devices. Preferred Shares

Pathlight Technology, Class A Series 10/7/97 1,174,998 2,012,922 0.35 2,012,922 0.35
Inc. Ithaca, NY. Convertible Preferred
Develops SAN technology Stock - 200,000
for computer industry. shares with 6%
www.pathlight.com cumulative dividend.
Preferred Class B -
117,187 shares
Class C Preferred
Stock - 214,285
Shares
67,578 warrants for
shares of stock

Platform Technology Four units 9/24/97 63,045 115,000 0.02 60,000 0.01
Holdings, LLC
Charlottesville, VA.
Provides sales support
and management for
unique medical
businesses.

Ultra-Scan Corporation Common Shares - 49,290 12/11/92 302,586 369,675 0.06 369,675 0.06
Amherst, NY.
Ultrasonic finger print
technology.
www.ultra-scan.com

UStec, Inc. Victor, Promissory Note at 12/17/98 100,500 150,000 0.03 150,000 0.03
NY. Manufactures and 12% due January 2003
markets digital wiring 50,000 common shares
systems for residential 2,500 warrants for
new home construction. common shares
www.ustecnet.
com

Vanguard Modular Preferred Units - 12/16/99 270,000 270,000 0.05 270,000 0.05
Building Systems 2,673 Units with
Philadelphia, PA. Warrants
Leases and sells 14% Interest Rate
high-end modular space
solutions.
www.vanguardmodular.com

Other investments	Other	910,887	136	(0.01)	235	0.03
	Total portfolio	\$5,999,724	\$6,580,983	\$1.14	\$7,133,926	\$1.24
	investments					
	Cash and Cash		240,951	0.04	304,066	0.05
	equivalents					
	Net	323,893	0.06	286,914	0.05	
	receivables(payables)					
	Net Assets before	7,145,827	1.24	7,724,906	1.34	

Taxes				
Tax provision (benefit)	(877,790)	0.15	(660,790)	0.12
Net Assets	\$8,023,617		\$8,385,696	
Net Asset Value per Share (5,748,034 shares outstanding at December 31, 2000 and 5,763,034 at March 31, 2001)		\$1.39		\$1.46

* Publicly owned company

Note: Restricted securities, including securities of publicly-owned 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 if such 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. 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.

Rand Capital Corporation

Results from Annual Shareholders Meeting held April 13, 2000

(1) Board of Directors Elections

Reginald B. Newman II Chairman of the Board

Allen F. Grum

a, c	Luiz F. Kahl
g	Erland E. Kailbourne
c, g	Ross B. Kenzie
a	Willis S. McLeese
a, c, g	Jayne K. Rand

a - Member of audit committee

c - Member of compensation committee

g - Member of governance committee

Officers	Title	Email
Allen F. Grum	President/CEO	pgrum@randcap.com
Daniel P. Penberthy	Chief Financial Officer	dpenberthy@randcap.com

Corporate Data

Stock Listing NASDAQ SmallCap Market-symbol RAND

Transfer Agent and Registrar Continental Stock Transfer & Trust Company / www.continentalstock.com

General Counsel Hodgson Russ LLP

Independent Accountants Deloitte & Touche LLP

Number of Shareholders 823 (as of March 6, 2000)

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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