

January 20, 2000

Dear Shareholders:

The fourth quarter was a busy one for Rand and for our portfolio companies. We made three new investments and increased our investment in one additional company. Specifically, we made the following new investments:

1. \$270,000 in Vanguard Modular Building Systems, located in Philadelphia, Pennsylvania. Vanguard leases and sells high-end modular space solutions, such as classrooms to school districts and modular complexes to the healthcare, commercial and government industries. The investment was in a preferred stock with warrants.

2. \$100,000 in Contract Staffing, Inc., located in Buffalo, New York. Contract Staffing provides total human resource solutions for small businesses. Specifically, they assume the legal risk and responsibility for payroll, tax reporting, benefit administration, workers' compensation and other human resource functions, allowing small business owners the time to run their businesses. We purchased preferred stock with a warrant for 10% of the company.

3. \$100,500 in HCI Systems, Inc., located in Wells, Maine. They are a leader in facilities management software solutions. HCI's IMP System provides total control over every aspect of assets and property operations. We purchased 67,000 shares of preferred stock.

4. \$100,000 in DataView, LLC, located in Mt. Kisco, New York. DataView designs and develops graphically rich browser based products, which provide advanced data-visualization tools for instant analysis of financial information. This was our third investment in DataView and we purchased a convertible note.

Our portfolio companies were also active raising money. Due to the sale of new equity, we increased our valuations of MemberWare Technologies, Inc. and DataView, LLC. During the fourth quarter, MINRAD, Inc. merged with BioVector, Inc. and we received MINRAD stock as consideration for our BioVector preferred stock.

We have also revalued our position in ARIA Wireless Systems, Inc. to reflect an increase in the price of their stock. Finally, we sold our remaining shares of Lightbridge, Inc. and Ellicottville Energy Corporation repaid our Note.

It was a great quarter for us, and I look forward to another successful year. Almost all of our investments have strengthened their outlook. We are finally beginning to see the long term success that we anticipated when we made these investments.

We end the quarter with our Net Asset Value unchanged at \$1.33.

Thank you for your support.

Allen F. Grum
President

Portfolio Valuation / December 31, 1999

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Company and Business	Type of Investment	Date Acquired	December 31, 1999		September 30, 1999	
			Per Cost	Per Value	Per share of Rand	Per share Value of Rand
American Tactile Corporation Medina, NY. Develops equipment and systems to produce signage.	Convertible Debentures at 8% due June 2000 and April 2001 with	6/23/95	150,000	50,000	0.01	50,000 0.01

www.americantactile.com detachable warrants

ARIA Wireless Systems, Inc. Common Stock - 5/23/97 543,840 288,840 0.05 172,000 0.03
 (OTC:AWSI)* 488,000 shares
 Buffalo, NY. Markets wireless \$105,840 Demand Notes
 radio transmission at 15%
 communication equipment.
 www.ariawireless.com

BioVector, Inc. 4/17/97 - 370,000 0.06
 Buffalo, NY.
 Medical technological sales
 force company.
 Merged with MINRAD,
 Inc. December 1999.

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

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

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

DataView, LLC 5.5% Membership 10/1/98 310,357 343,357 0.06 200,000 0.04
 Mt. Kisco, NY. Designs, Interest
 develops and markets
 browser based software for
 investment professionals.
 www.dataviewllc.com/marketgauge/

Ellicottville Energy, Inc. Note at 9.3%, due 6/29/99 - 145,000 0.03
 Ellicottville, NY. June 29, 2000
 Cogeneration facility selling Note Repaid
 electricity to a regional December 16, 1999
 utility.

Fertility Acoustics, Inc. Common Stock - 10/1/97 50,000 125,000 0.02 125,000 0.02
 Buffalo, NY. Developer of 600,000 shares
 proprietary Option to purchase
 methods to diagnose onset of 180,000 shares
 ovulation.

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

Hammertime, Inc. Convertible 10/1/98 300,000 300,000 0.05 300,000 0.05
 Clarence, NY. Exclusive Sears Preferred Stock -
 licensed installer 1,000 Shares
 of kitchens and baths. Senior Subordinated
 Note at 12% due
 October 2000
 Promissory Note at
 15%, due August 1999

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

solution.
www.hci.com

InfoMiners.com Amherst, NY. Data warehousing and decision support software for healthcare industries. www.infominers.com	Bridge loan at 10% due June 1999 147,360 warrants for shares of stock	12/21/98	420,000	420,000	0.07	420,000	0.07
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	100,000	0.02
MINRAD, Inc. Buffalo, NY. Developer of laser guided surgical devices. Merged with BioVector, Inc. December 1999.	595,507 Common Shares. 53,628 Preferred Shares	8/4/97	874,030	1,111,000	0.19	741,000	0.13
Pathlight Technology, Inc. Ithaca, NY. Develops SAN 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 67,578 warrants for shares of stock	10/7/97	425,000	610,000	0.11	425,000	0.11
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
UStec, Inc. Victor, NY. Manufacturers and markets digital wiring systems for residential new home construction. www.ustecnet.com	Promissory Note at 12% due December 2003 50,000 warrants for common shares	12/17/98	100,000	100,000	0.02	100,000	0.02
Vanguard Modular Building Systems Philadelphia, PA. Leases and sells high-end modular space solutions.	Preferred Units - 2,673 Units with Warrants	12/16/99	270,000	270,000	0.05		
Preferred Stock Portfolio Merrill Lynch (MER-F), Motorola (MOT-A), Citicorp (CIH-A), Texaco (TXC-A)	Merrill Lynch - 12,000 shares; Motorola - 10,000 shares; Citicorp - 10,000 shares; Texaco - 12,000 shares	7/15/99	1,047,888	897,000	0.15	987,350	0.17
Other investments	Other		971,396	160		1,824	0.00
	Total Portfolio investments		<u>6,182,597</u>	5,319,398	0.93	4,793,715	0.84
	Cash and Cash equivalents		1,137,233	0.20	1,657,362	0.29	

NET receivables(payables)	74,561	0.01	91,797	0.01
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Net Assets before Taxes	6,531,192	1.14	6,542,874	1.14
TAX PROVISION (benefit)	(1,071,880)	(0.19)	(1,071,880)	(0.19)
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NET ASSETS	7,603,072		7,614,754	
	=====		=====	
Net Asset Value per Share (5,708,034 shares outstanding during both periods)		1.33		1.33

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* Publicly owned company ^ Unrestricted securities as defined in Note (a)

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

Board of Directors (Elected by Shareholders April 27, 1999)

	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

<TABLE>

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Officers	Title	Email
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<S>	<C>	<C>
Allen F. Grum	President, Chief Executive Officer	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
General Counsel	Hodgson, Russ, Andrews, Woods & Goodyear, LLP
Independent Accountants	Deloitte & Touche LLP
Number of Shareholders	786 (as of March 15, 1999)

Rand is actively seeking business opportunities for investment consideration. If you are aware of such businesses which may need Rand's support and assistance, please feel free to contact us. Rand Capital Corporation 2200 Rand Building

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Fax: 716-854-8480