PROSPECTUS

RAND CAPITAL CORPORATION

1,791,122 COMMON SHARES

Rand Capital Corporation (the "Company" or "Rand") is a registered investment company that is classified as a diversified, closed-end management company. Its objective is long-term capital appreciation through high risk venture capital investments in companies having growth potential but whose securities, in most cases, have no public market. The Company's office is at 2200 Rand Building, Buffalo, New York 14203, telephone number (716) 853-0802.

The securities offered hereby will be offered and sold by the selling shareholders described under "Selling Shareholders" (the "Selling Shareholders") for their respective accounts. Each Selling Shareholder will receive all of the net proceeds from the sale of the Shares owned by such shareholder. The distribution of the Shares by the Selling Shareholders may be effected from time to time in one or more transactions in the over-the-counter market or in negotiated transactions at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Company will not receive any of the proceeds from the sale of the Shares.

This Prospectus sets forth concisely the information about the Company that a prospective investor ought to know before investing. This Prospectus and the attached Statement of Additional Information ("SAI") of even date should be retained for future reference. Additional information about the Company including the SAI has been filed with the Securities and Exchange Commission, and additional copies of the SAI are available upon oral or written request and without charge by writing to the Company or calling (716) 853-0802. The table of contents of the Statement of Additional Information appears at page 22 below.

The Common Stock is traded in the over-the-counter market and listed on NASDAQ under the symbol "RAND." On May 30, 1997 the last reported bid price for the Common Stock as reported on the NASDAQ consolidated reporting system was $1 13/32 per share. See "Price Range of Common Stock."

The Common Stock offered hereby involves a high degree of risk. See "SUMMARY OF THE OFFERING -- Risk Factors." Historically, the Company's shares have frequently traded at a discount from net asset value. See "FINANCIAL HIGHLIGHTS."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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<S>	Price to Public (1) <C>	Sales Load <C>	Proceeds to Company <C>
Per Share	$1.41	-0-	-0-
Total	$2,525,482	-0-	-0-

</TABLE>

(1) Estimated, based on last reported bid price for the Company's common stock on May 30, 1997.
(2) The expenses of the offering (other than commissions paid by the Selling Shareholders) are estimated to be $62,000 and will be borne by the

Company.

The date of this Prospectus and attached SAI is May 30, 1997.

No dealer, salesman, or other person has been authorized to give any information or make any representations, other than those contained in this Prospectus, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offering in any state in which such offering may not be lawfully made.

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Until June 24, 1997 (25 days after the commencement of this offering), all dealers effecting transactions in the Shares, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters.

Investors are advised to read this Prospectus and to retain it for future reference.

RAND CAPITAL CORPORATION, 2200 RAND BUILDING, BUFFALO, NY 14203
(716) 853-0802

FEE TABLE

The following table shows per share expenses of the Company as a percentage of net asset value per share.

Shareholder Transaction Expenses...................... -0-

Annual Expenses (as a percentage of net assets attributable to common shares) (1):

Management fees(2)........................ 6.16%

Other Expenses(3) 3.76%

Total Annual Expenses.................................. 9.92%

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(1) Estimated for the current fiscal year based on the average annual operating expenses of the Company for 1995 and 1996 as a percentage of net asset value attributable to common shares.

(2) Includes expenses incurred within the Company's own organization in connection with the research, selection and supervision of investments. Such expenses have been deemed to include salaries, employee benefits, director fees, consulting fees, and travel expenses.

(3) Other expenses include legal, accounting, stockholders and office expense, occupancy expense, insurance, and other expenses.

The purpose of the above table is to assist the investor in understanding the various costs and expenses that an investor in the fund will bear directly or indirectly.

The following Example estimates the aggregate amount of expenses expected to be incurred by the Company aggregated for the periods shown. THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES. ACTUAL EXPENSES MAY BE MORE OR LESS THAN THOSE SHOWN.

Example (1)	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment assuming a 5% annual return:	$99	$282	$445	$782

(1) The example assumes (a) the percentage rates listed under "Annual Expenses" remain the same each year except for interest expense on retired debt; (b) reinvestment of all dividends and distributions at net asset value; and (c) reflect all recurring and nonrecurring fees including any underwriting discounts and commissions.

SUMMARY

Except as specifically indicated otherwise, all numbers of Rand common stock indicated in this prospectus are approximate numbers resulting from adjustment for a five-for-four stock split on May 26, 1995.

THE ISSUER. Rand Capital Corporation is a registered investment company, classified as a diversified, closed-end management company, which primarily makes venture capital investments in small, developing, unseasoned companies. Rand commenced operations in 1969.

THE OFFERING. The Selling Shareholders identified under "Selling Shareholders" are offering hereby up to 1,791,122 shares (the "Shares") of the Company's common stock. The Selling Shareholders will sell the Shares on a delayed or continuous basis for their own accounts. The exact timing and amount of such sales will be within the discretion of the respective Selling Shareholders. See "Plan of Distribution."

TRADING. The Company's common stock has traded in the over-the-counter market since 1971 (NASDAQ symbol: RAND).

INVESTMENT OBJECTIVE AND POLICIES. The Company primarily invests for long-term capital appreciation, not current income. The Company typically invests in debt securities of a new or developing company and concurrently acquires an equity interest in the form of stock, warrants or options to acquire stock or the right to convert the debt securities into stock. The debt securities acquired by the Company must frequently be subordinated to the issuer's indebtedness to banks and other institutional lenders and would be considered below investment grade. When the Company acquires venture securities, they are not readily marketable and are usually restricted securities as to which there are substantial restrictions on resale under the Securities Act of 1933, as amended (the "Securities Act"). See "HISTORY AND BUSINESS -- Investment Objective and Policies."

RISK FACTORS. Investment in the Common Stock is speculative and involves substantial risks. Some of the principal risks are as follows.

1. HIGH RISK, ILLIQUID INVESTMENTS. The Company invests in

securities of new or young, developing companies, which generally have no record of earnings or success. The debt instruments that the Company receives when it makes venture investments are usually subordinated to bank lending and would be considered below "investment grade." The securities the Company acquires, when acquired, are not readily marketable and, even if a buyer can be found, the securities are "restricted securities" under the Securities Act and the sale of the securities is subject, therefore, to certain legal restrictions. The Company may invest 100% of its assets in "restricted securities." See "HISTORY AND BUSINESS -- Investment Objectives and Policies." Since there is no quoted market price for such securities, such securities must be valued in good faith by Rand's Board of Directors on some other basis, and such determination involves the risk that the securities may not be accurately valued.

2. LOSSES ON INVESTMENTS. The venture investments that the Company makes bear a high degree of risk and, during the ten year period ended December 31, 1996, approximately 15 of the 42 venture investments made by the Company have resulted in total or very substantial losses. In addition, the Company had operating losses in 20 of the last 28 years. See "HISTORY AND BUSINESS -- Investment Objective and Policies."

3. NO DIVIDENDS. The Company invests for capital appreciation, not current income. The Company has never paid a cash dividend. The Company has made distributions of the shares of venture companies on two occasions. See "DIVIDEND POLICIES."

4. SUBORDINATED LOANS; NEED FOR FOLLOW-ON INVESTMENTS. While the Company typically acquires both debt and equity securities in a venture company, the debt securities are usually subordinated to the venture company's indebtedness to banks. Even if the venture is successful, the Company may be requested to invest additional funds at a future date to keep the venture alive or otherwise protect the Company's investment. There is no assurance, however, that the Company will have the funds to make any desirable follow-on investment or that the Company's ability to make follow-on investments may not be limited by its diversification policies. See "HISTORY AND BUSINESS --Investment Objective and policies."

5. LIMITATIONS CREATED BY POLICY REGARDING DIVERSIFICATION OF INVESTMENTS. Due to the Company's election to be classified as a "diversified" investment company, the Company is required to maintain at least 75% of the value of its total assets in cash and cash items, government securities, securities of other investment companies, and other securities for the purposes of this calculation limited in respect of any one issuer to an amount not greater than 5% of the value of the total assets of the Company and to not greater than 10% of the outstanding voting securities of such issuer. See "HISTORY AND BUSINESS -- Diversification and Concentration of Investments." As of March 31, 1997, the Company's total assets were approximately $8,767,000. Accordingly, the Company is generally limited to making investments of $438,350 or less in any one issuer, and the Company's ability to make follow-on investments in companies in which its existing investment is approximately $438,350 or more may be severely limited at any time when its portfolio is approaching its diversification limits.

6. TAX STATUS. Unlike many investment companies, the Company has not qualified and may not qualify as a "regulated investment company" entitled to special tax benefits under Federal tax law. See the information under "TAX STATUS," in the attached Statement of Additional Information which is hereby incorporated herein by reference.

7. MARKET OVERHANG. The shares which the Selling Shareholders have indicated their intention to sell into the market from time to time creates a substantial "market overhang" of 1,821,122 shares, or 31.9% of the Company's outstanding stock, that may be sold into the market at any time. During the period from April

1, 1996 through April 1, 1997, the average weekly trading volume of the Company's Common Stock was approximately 50,000 shares (or approximately 0.9% of the shares currently outstanding). Given the historically thin trading market in the Company's common stock, this market overhang may reduce the market price of the Company's Common Stock and may lead to unusual downside volatility during the period that the Shares are being sold.

8. LEVERAGING. The Company may borrow money and leverage its assets, although it has only done so during its 28 year operating history (a) pursuant to obligations of its former subsidiary, Rand SBIC, Inc. to the U.S. Small Business Administration pursuant to the rules of that agency, and (b) on a fully secured, short term (less than 60 days) basis to meet immediate cash flow needs. The use of leverage exaggerates the effect of investment gains and losses. If the Company's investments failed to return anticipated interest, dividends or proceeds of sale, the use of leverage would create the risk that the Company would be unable to meet its obligations for borrowed money and be forced to liquidate some assets at distress prices. See "HISTORY AND BUSINESS -- Investment Objective and Policies."

9. LEGAL PROCEEDINGS -- SIGNIFICANT LITIGATION AFFECTING THE COMPANY. Based on a venture capital investment made by the Company in 1973, the Company was named as a defendant in an action to recover response and remediation costs in excess of $1,000,000 under the Federal Comprehensive Environmental Response, Cleanup and Liability Act (CERCLA), the New Jersey Spill Compensation and Control Act and various common law theories. Although the Company's Motion for Summary Judgement and dismissal of all claims against it has been granted and the Company believes that an appeal is unlikely, the Plaintiff's time for appeal has not yet run. See "LEGAL PROCEEDINGS."

10. NO PROCEEDS TO THE COMPANY, DILUTIVE EFFECT. The securities offered hereby will be sold for the accounts of the respective Selling Shareholders, and the Company will not receive any of the proceeds from such sales. Since the Company will bear expenses of the offering estimated at $62,000 as a result of the offering the net asset value of the Company's Common Stock will be reduced by that amount.

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FINANCIAL HIGHLIGHTS

	March 31, 1997 (unaudited)	December 31, 1996	December 31, 1995	December 31, 1994	December 31, 1993	December 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance						
Net Asset Value - Beginning	$1.53	2.21	3.19	3.07	3.07	2.12
Net Investment Income (loss)	(0.03)	(0.09)	(0.09)	(0.07)	(0.04)	(0.01)
Net Realized and Unrealized Gains (Losses)	0.04	(0.59)	(0.89)	0.18	(0.02)	0.96
Total From Investment Oper.	0.01	(0.68)	(0.98)	0.11	(0.07)	0.95
	0.00	0.00	0.00	0.00	0.00	0.00

Distributions - Net Invest Inc.	0.00	0.00	0.00	(0.14)	0.00	0.00
Distributions - Capital Gains						
Returns of Capital	0.00	0.00	0.00	0.00	0.00	0.00
Total Distributions	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative Effect of Change in Accounting Method	0.00	0.00	0.00	0.00	0.03	0.00
Change Resulting From Purchase or Sale of Company Stock	0.00	0.00	0.00	0.01	0.00	0.00
Net Asset Value - End	1.51	1.53	2.21	3.19	3.07	3.07
Per Share Market Value (Adjusted) - End	1.88	1.44	3.50	4	4-3/8	3-5/8
Total Investment Return	(0.01)	(0.31)	(0.31)	0.03	(0.02)	0.31
Ratios/Supple -mental Data						
Net Assets, End of Period	1.51	1.53	2.21	3.19	3.07	3.07
Ratio of Expenses to Average Net Assets	2.62%	9.75	8.73	6.13%	5.86%	6.66%
Ratio of Net Income (loss) to Average Net Assets	(1.84)%	(5.04)	(3.48)	(2.32)%	(1.11)%	(0.38)%
Portfolio Turnover	4.9%	22.50%	14%	5.00%	4.79%	7.72%
Number of Shares	5,708,034	4,225,477	4,225,477	4,185,477	3,357,170	3,357,170

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FINANCIAL HIGHLIGHTS (Con't)

	December 31, 1991	December 31, 1990	December 31, 1989	December 31, 1988	December 31, 1987
<S>	<C>	<C>	<C>	<C>	<C>

Per Share Operating Performance					
Net Asset Value - Beginning	2.07	2.53	2.44	2.07	2.13
Net Investment Income (loss)	0.02	(0.04)	0.00	0.00	0.00
Net Realized and Unrealized Gains (Losses)	0.06	(0.28)	0.09	0.40	(0.06)
Total From Investment Oper.	0.06	(0.32)	0.09	0.40	(0.06)
Distributions - Net Invest Inc.	0.00	0.00	0.00	0.00	0.00
Distributions - Capital Gains	0.00	0.00	0.00	0.00	0.00
Returns of Capital	0.00	0.00	0.00	0.00	0.00
Total Distributions	0.00	(0.14)	0.00	0.00	0.00
Cumulative Effect of Change in Accounting Method	0.00	0.00	0.00	(0.03)	0.00
Change Resulting From Purchase or Sale of Company Stock	0.00	0.00	0.00	0.00	0.00
Net Asset Value - End	2.12	2.07	2.53	2.44	2.07
Per Share Market Value (Adjusted) - End	1-3/8	1-1/8	1-1/4	1-1/8	1-1/8
Total Investment Return	0.03	(0.15)	0.04	0.16	(0.03)
Ratios/Supple-mental Data					
Net Assets, End of Period	2.13	2.07	2.53	2.44	2.07
Ratio of Expenses to Average Net Assets	9.34%	8.96%	8.58%	9.88%	10.32%
Ratio of Net Income (loss) to Average Net Assets	.92%	(1.89)%	0.00%	0.00%	0.00%
Portfolio Turnover	36.76%	14.78%	13.82%	7.36%	31.59%

Number of Shares	3,357,170	3,357,170	3,357,170	3,357,170	3,357,170

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NOTES:

(1) Data has been restated to reflect 25% stock distributions in 1992, 1993, 1994 and 1995, and reflects the Company's private placement in 1997.

(2) The information contained in this Table of Financial Highlights was obtained from the Company's Annual Report to Shareholders for each indicated year. The financial highlights for the years 1996, 1995, 1994, 1993, 1992, 1991, 1990 and 1989 were audited by Deloitte & Touche LLP whose report on such information for each of the five years in the period ended December 31, 1996 is included in the Annual Report for each respective year.

HISTORY AND BUSINESS

Introduction

Rand Capital Corporation, which was organized as a New York corporation in February 1969, is a venture capital investment company having as its principal purpose investment in small, young and, in some cases, newly-created enterprises which are principally engaged in the development or exploitation of inventions, technological improvements, new products and services not previously generally available. It is registered under the Investment Company Act of 1940 (the "1940 Act") and is classified under the 1940 Act as a closed-end, diversified, management investment company.

The Company has operated under its present name since 1969. During the past five years the Company has not engaged in any business other than as an investment company.

Investment Objective and Policies

The Company's investment objective is long-term capital appreciation, primarily through investments in small, developing companies. Accordingly, it invests its funds principally in undertakings commonly referred to as "venture capital" investments, which involve a high degree of risk and which, in the Company's opinion, have the potential for significant capital appreciation.

Typically, the Company will invest in unseasoned companies, and, in some cases, it may assist in the formation of new companies and may be a substantial shareholder. On occasion, it may invest in companies which have been operating for a period of time and have a record of revenues or earnings. Generally, the portfolio company's capital will be supplied by its founders on an equity basis, by the Company through a combination of debt and equity securities and by banks or other institutions as senior or secured creditors. The bank and institutional lenders generally require that the Company subordinate its rights as a creditor to their rights. The venture debt securities that the Company invests in would be considered to be below investment grade.

Enterprises selected for investment will ordinarily have developed or will be developing what the Company considers new or unusual concepts such as advanced technology or new products, methods or techniques of production or marketing. In selecting companies for investment, the Company will consider quality of management and any operating record; the soundness of the idea, service or product to be developed or being developed; the effect of market and economic conditions and governmental policies on the company and its products; the nature of its competition; and, if substantial plant and equipment are necessary to the company's operations, the suitability or cost of such facilities.

When acquiring debt securities, the Company will consider the ability of the issuer to service interest and principal repayment requirements. The economic terms of the investment are generally a matter of negotiation between the Company and the venture company; other investors may also participate in the negotiation. In some cases where the long-term prospects of the investment appear attractive to the Company, but continuing development work will preclude payment of interest in the near-term, the Company will agree to a deferment of interest payments. The Company frequently defers payment of principal installments by portfolio companies for periods of up to three years. However, the Company's own requirements of current income to meet some or all of its operating expenses will necessarily act as some restraint upon a repeated selection of investments which fail to produce current income. In 1996, on the basis of a re-evaluation made by the Company and its Board of Directors, a determination was made to place greater emphasis on making investments that provide a current return.

From time to time, because of a temporary lack of suitable venture capital opportunities or in order to provide liquidity to support the Company's operations, the Company may invest in liquid and current income-type investments consisting of federal or state government securities and securities issued by their agencies and instrumentalities that are guaranteed by them, certificates of deposit, bankers' acceptances, commercial paper or other short-term securities, high-rated, publicly-traded corporate debt obligations, first mortgage construction loans where a commitment has been obtained from a long-term lender to acquire the permanent first mortgage loan to be placed upon the completed property, money market funds, or it may retain its funds in cash. Such investments in liquid and current income-type investments do not themselves have the potential for significant capital appreciation called for by the Company's principal investment strategy.

The Company spends a substantial portion of its employee's time monitoring its investments and furnishing advisory services to the companies in its venture capital investment portfolio. Upon occasion, the Company has received compensation in cash and in securities of a portfolio company for advisory services furnished to a portfolio company. Although such compensation has rarely been significant in the past, the Company, under appropriate circumstances, will seek to increase its income from such advisory services in the future. Where the Company deems it beneficial to have its nominee on the board of directors of a venture company in which it invests, it may obtain a commitment by the portfolio company or its shareholders to effect that result. As of the date of this Prospectus, nominees of the Company serve on the boards of directors of four of the companies in which it has venture investments.

Fundamental Policies

The following investment policies of the Company are fundamental policies and may not be changed without approval of the lesser of (1) more than 50% of the Company's outstanding voting securities or (2) 67% or more of the voting securities present at a meeting of security holders at which a quorum is present.

1. The Company may invest up to 100% of its assets in restricted securities.

2. The Company may issue senior securities in the form of debentures and preferred stock and may borrow money from banks and other lenders, on an unsecured basis, all within the limitation of the 1940 Act. However, an order issued by the Securities and Exchange Commission which permitted Rand to invest in a small business investment company subsidiary prohibits the issuance of preferred stock. See "Other Restrictions on Investment" hereunder and "Capital Stock -- Preferred Stock."

3. The Company will not:

(a) purchase and sell commodities or commodity contracts;

(b) trade in contracts commonly called puts or calls or combinations thereof, except that it may acquire warrants, options or other rights to subscribe to or sell securities in furtherance of its investment objectives;

(c) underwrite securities of other issuers, except that it may acquire portfolio securities under circumstances where, if sold, the Company might be deemed a statutory underwriter for purposes of the Securities Act of 1933;

(d) purchase any securities of a company if any of the directors or officers of the Company owns more than 1/2 of 1% and such persons owning more than 1/2 of 1% together own 5% or more, of the shares of such company.

4. The Company will diversify its investments so as to maintain its classification as a "diversified company" within the meaning of the 1940 Act, that is, at least 75% of the value of its total assets shall be represented by cash and cash items (including receivables), Government securities, securities of other investment companies, and other securities for the purposes of this calculation limited in respect of any one issuer to an amount not greater in value than 5% of the value of the total assets of the Company and to not more than 10% of the outstanding voting securities of such issuer. "Government securities" refers to any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.

5. The Company will not concentrate its investments in any one industry, that is, it will not invest more than 25% of its total assets (at values current at the time of the investment) in any one industry.

6. The Company may invest in real estate development companies, but it may not directly hold real estate except for office use or in connection with the orderly liquidation of a debt or other investment. Holdings in real estate companies and for office use will not exceed 25% of the value of its total assets after each such investment.

7. The Company may make loans and purchase debt securities in furtherance of its investment objectives. The loans that the Company makes are made in connection with high-risk, venture capital investments, are usually subordinated to bank or other institutional loans, and would be considered below "investment grade." See, "SUMMARY -- Risk Factors --1. High risk, illiquid investments," above.

The Company does not have any policy directly limiting the amount of its portfolio turnover. However, high portfolio turnover is not generally consistent with the Company's investment objective of long term capital appreciation through venture capital investments. During the last three full fiscal years, the aggregate dollar amounts of purchases and sales of portfolio securities, other than Government securities, were: 1996 -- $5,001,693; 1995 -- $3,889,108 and, 1994 -- $1,228,797.

Insofar as the Company's investment policies would permit it to invest in a real estate investment company, see "Other Restrictions on Investment," below.

The Company's policy not to acquire puts or calls, except rights to acquire or sell securities to further its investment objectives, has been interpreted by the Company's management in light of its principal investment strategy to seek long term-capital appreciation through high risk venture capital investments in companies having growth potential, but whose securities are generally not publicly traded. Thus, in the case of call options, the Company has made loans to portfolio companies and received debt instruments in face amounts equal to the amounts loaned together with warrants to purchase common stock from the portfolio company at prices that would generally be favorable to the Company if the portfolio company is successful during the period prior to the expiration date of the warrant. Frequently, the warrants are exercisable at the option of the Company by conversion of part or all of the debt instrument in lieu of additional cash payments. Generally, this procedure is an alternative to making an investment in the common or preferred stock of the portfolio company and, accordingly, is not viewed as creating additional risks but is seen as providing cash flow through interest payments on the debt instruments while preserving some ability to cash-out of the investment at maturity or upon default on the debt instrument in the event that the portfolio company is not successful within an appropriate time period. The debt securities thus acquired by the Company must frequently be subordinated to the issuer's indebtedness to banks and other institutional lenders and would be considered below "investment grade."

In the case of put options, the Company occasionally makes investments in the common stock of a portfolio company while simultaneously obtaining a put option to sell the stock, at the Company's option, back to the portfolio company at an amount equal to its purchase price during a period of time. This investment format is also viewed as a means of reducing risk as compared with investing in the portfolio company's common stock without having such an option.

The term "call option" is frequently used to designate a short-term contract (generally having a duration of nine months or less) under which the purchaser of the call option, in return for payment of the option premium (the option's current market price), obtains the right to buy a publicly traded security to which the option relates at a specified exercise price at any time during the term of the option. The writer of the call option, who receives the premium, assumes the obligation to deliver the underlying security against payment of the exercise price at any time during the term of the option. The term "put option" is frequently used to designate a similar short-term contract that gives the purchaser of the option, in return for the premium paid, the right to sell the underlying publicly traded security at a specified exercise price at any time during the term of the option. The writer of the put option receives the premium and assumes the obligation to buy the underlying security at the exercise price whenever the option is exercised. The Company's Board of Directors does not consider the writing of or trading in these kinds of "put options" or "call options" to be related to its investment objectives and, accordingly, it views them as prohibited under its fundamental investment policies.

Diversification and Concentration of Investments

Two of the Company's fundamental investment policies, which cannot be changed except with prior shareholder approval, are to make diversified investments and to avoid concentrating its investments in any industry. Under the classification of investment companies provided under Section 5 of the 1940 Act, a "diversified company" must maintain at least 75% of its total assets in cash and cash items (including receivables), Government securities, securities of other investment companies, and other securities for the purposes of the calculation limited in respect of any one issuer to an amount not greater in value than 5% of the value of the total assets of the investment company and to not more than 10% of the outstanding voting securities of such issuer, provided that a diversified company does not lose its status as such based on a subsequent discrepancy between these requirements and the values of its various investments if any such discrepancy did not exist immediately after making an acquisition. As provided in Section 8(b) of the 1940 Act as interpreted by the Staff of the Securities and Exchange Commission, a registered investment company must announce any policy of concentrating its investments in a particular industry or group of industries, and an investment company avoids concentrating in any industry or group of industries by avoiding making any investment in an industry if, immediately after making the investment, more than 25% of the Company's total assets would be invested in securities of issuers within the industry.

During 1994 and 1995 certain investments, which were acquired in accordance with the Company's policies for diversification of investments and against concentration in one industry or group of industries, appreciated in value to such an extent that the Company's portfolio temporarily ceased to be non-diversified and its investments became concentrated beyond the amount permitted by the Company's policies. The appreciation of these investments did not cause the Company to be in violation of its policies requiring diversification and against concentration within a single industry, because those policies govern the way in which new investments may be made, and they do not affect existing investments whose value has changed.

Presently, the Company's portfolio of investments is diversified. Nevertheless, if an existing investment were to subsequently increase in value to an extent that caused the Company's portfolio to be non-diversified and excessively concentrated in a single industry, all investments in portfolio securities would thereafter have to be (a) limited to not more than 5% of total assets and not more than 10% of voting securities of the issuer, and (b) made in a different industry. These limitations could adversely affect the Company's ability to make investments in a manner that would be judged by management as being most likely to receive optimum returns.

Although the Company intends to continue to follow its policies of diversifying its investments and not concentrating its investments in any one industry, where significant appreciation in the value of an existing investment causes the Company's portfolio to no longer be diversified and to be concentrated to an extent that would not have been permissible for a new investment, the Company will not liquidate part or all of the investment solely for the purpose of establishing diversification and removing the concentration, but will retain the investment until the Board of Directors determines that it would be in the best interest of the Company to dispose of the investment.

Other Restrictions on Investment

In addition to the fundamental policies enumerated above, statutory requirements affect investment concentration. Section 12(d) of the 1940 Act prevents the Company from investing in an unregistered investment company if, immediately after acquisition of the securities of the other company, the Company would have more than 5% of its assets invested in the securities of the other company or the Company would own more than 3% of the voting securities of the other company.

The Company does not ordinarily expect to acquire a majority interest in its venture investments. However, it is the Company's policy that, subject to the limitations created by its policy on diversification, when the Company believes it necessary to protect its investment or enhance its investment opportunities, the Company may acquire up to 100% of the equity interest in another company.

Recent Private Sale of Common Stock

The Company made a private offering of common stock in which it sold 1,174,037 on January 16, 1997 and 308,520 shares on

March 3, 1997 to private investors pursuant to the terms of Subscription Agreements dated as of those dates (collectively, the "Subscription Agreement"). The Subscription Agreement contained registration rights provisions whereby the Company agreed to cause the offer and sale of as many of the shares as the subscribers should request to be registered under the Securities Act of 1933 for sale to the public. This Prospectus has been prepared and filed pursuant to the registration rights provisions under the Subscription Agreement.

Share Price Data

The Company's common stock is traded in the over-the-counter market and listed on NASDAQ under the symbol "Rand." The following table shows the per share net asset value ("NAV"), the high bid price, the premium or discount (expressed as a percentage) of the high bid price to per share NAV, the low bid price, and the premium or discount (expressed as a percentage) of the low bid price to per share NAV for the Company's common stock during the two most recent fiscal years and for each full fiscal quarter since the beginning of the current fiscal year. The bid prices are over-the-counter market quotations that reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. The stock price bid data and net asset values have been adjusted for stock distributions including a five-for-four stock distribution to shareholders of record on May 26, 1995.

<TABLE>
<CAPTION>

<S>	NAV <C>	High Bid <C>	% of NAV <C>	Low Bid <C>	% of NAV <C>
1995:					
1st Quarter......	$3.25	$4.20	129%	$3.60	111%
2nd Quarter......	$3.30	$5.375	163%	$4.50	136%
3rd Quarter......	$3.33	$7.00	210%	$5.25	158%
4th Quarter......	$2.21	$6.50	294%	$3.00	136%
1996:					
1st Quarter......	$2.11	$3.50	166%	$1.00	47%
2nd Quarter......	$1.76	$2.25	128%	$1.375	99%
3rd Quarter......	$1.66	$2.125	128%	$1.50	90%
4th Quarter......	$1.53	$1.688	110%	$1.188	78%
1997:					
1st Quarter......	$1.51	$2.00	132%	$1.438	95%

</TABLE>

Information concerning the Company's allocation of brokerage, transfer and dividend paying agent, and custodian is hereby incorporated by reference from information presented under the heading "ALLOCATION OF BROKERAGE, TRANSFER AGENT, AND CUSTODIANSHIP" in the attached Statement of Additional Information.

PLAN OF DISTRIBUTION

The securities offered hereby will be offered and sold by the selling shareholders described under "Selling Shareholders" (the "Selling Shareholders") for their respective accounts. The Company will not receive any of the net proceeds from the Common Stock being offered by the Selling Shareholders.

The Selling Shareholders may sell shares of Common Stock in any of the following ways: (i) through dealers; (ii) through agents; or (iii) directly to one or more purchasers. The distribution of the Shares by the Selling Shareholders may be effected from time to time in one or more transactions in the over-the-counter market or in negotiated transactions at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Selling Shareholders may effect such transactions by selling Shares to or through broker-dealers, including broker-dealers who are market makers in the Common Stock, and such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the Selling Shareholders and/or commissions from purchasers of Shares for whom they may act as agent. The Selling Shareholders and any broker-dealer or agents that participate in the distribution of the Shares by the Selling Shareholders may be deemed to be underwriters under the Securities Act of 1933, and any discounts, concessions or commissions received by any such broker-dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act.

SELLING SHAREHOLDERS

The following table sets forth information regarding (1) the name of each Selling Shareholder, (2) the amount and percentage of Shares owned by each Selling Shareholder immediately prior to the commencement of the Offering, (3) the number of Shares to be offered hereunder by each Selling Shareholder, and (4) the amount and percentage of Shares expected to be owned by each Selling Shareholder after the completion of the Offering. Except for the Shares to be sold by Mr. Newman and Colmac Holdings Limited, all of the Shares were acquired by the Selling Shareholders pursuant to the private offering described under "HISTORY AND BUSINESS -- Recent Private Offering." Except under the terms of such private offering and as indicated in the foot notes to the table, no Selling Shareholder has had any material relationship with the Company during the last three years.

<TABLE>
<CAPTION>

	BEFORE THE OFFERING			AFTER THE OPENING	
NAME	SHARES OWNED	PERCENT OF OUTSTANDING	TO BE SOLD	SHARES OWNED	PERCENT OF OUTSTANDING
<S>	<C>	<C>	<C>	<C>	<C>
Gregory Abbott	48,429	*	48,429	-0-	*
The Clatskanie Trust, C. Balbach TTE	20,000	*	12,000	8,000	*
The Todd Trust, C. Balbach TTE	20,000	*	20,000	-0-	*
Paul D. Bauer	22,900	*	12,900	10,000	*
Thomas R. Beecher, Jr. (1)	29,835	*	10,000	19,835	*
Venture Investment Club	64,516	1.1%	64,516	-0-	*
Mark A. Browning	13,000	*	13,000	-0-	*
Samuel R. Cappiello	39,758	*	32,258	7,500	*
Mark Chaplin	10,000	*	10,000	-0-	*
Barington Capital Group, LP	32,258	*	32,258	-0-	*
Donald I. Dussing	16,129	*	16,129	-0-	*
James R. Endler, IRA	32,258	*	32,258	-0-	*
Michael Farrell	64,516	1.1%	64,516	-0-	*
Patricia A. Fors	64,516	1.1%	64,516	-0-	*
Richard Garman	50,000	*	50,000	-0-	*

Arthur A. Glick	16,129	*	16,129	-0-	*
The Deerfield Corporation	161,290	2.8%	161,290	-0-	*
Herbert J. Heimerl, Jr.	6,451	*	6,451	-0-	*
William N. Hudson, Jr.	26,500	*	26,500	-0-	*
Luiz F. Kahl (1)	64,516	1.1%	64,516	-0-	*
Allan G. Kenzie (2)	100,000	1.8%	20,000	80,000	1.4%
Langley H. Kenzie (2)	20,000	*	15,294	4,706	*
David & Margot Kenzie (2)	10,000	*	10,000	-0-	*
Michael & Joe Steinitz	10,000	*	10,000	-0-	*
Daniel C. Kenzie (2)	10,000	*	10,000	-0-	*
Allen G. Kenzie, TTE (2) FBO Langley C. King	16,000	*	16,000	-0-	*
Allan G. Kenzie, TTE (2) FBO Connor A. King	16,000	*	16,000	-0-	*
Rachel K. King, TTE (2) FBO Mary L. Kenzie	20,000	*	20,000	-0-	*
Mary L. Kenzie, TTE (2) FBO Rachel K. King	20,000	*	20,000	-0-	*
Lippes Family, LLC	20,000	*	20,000	-0-	*
Paul E. Locke	5,000	*	5,000	-0-	*
Wendelyn M. Duquette, Trustee FBO Laura C. Duquette	2,000	*	2,000	-0-	*
Wendelyn M. Duquette, TTE FBO Nicole O. Duquette	2,000	*	2,000	-0-	*
Wendelyn M. Duquette, TTE FBO Maxwell A. Duquette	2,000	*	2,000	-0-	*
Theodore E. Marks, II, TTE FBO Derek R. Marks	2,000	*	2,000	-0-	*

Theodore E. Marks, II, TTE FBO Mathew G. Marks	2,000	*	2,000	-0-	*
Theodore E. Marks, II, TTE FBO Theodore E. Marks, III	2,000	*	2,000	-0-	*
Heather R. Palmer	6,000	*	6,000	-0-	*
Joshua R. Marks	6,000	*	6,000	-0-	*
Wendelyn M. Duquette	3,000	*	3,000	-0-	*
Theodore E. Marks, III	3,000	*	3,000	-0-	*
E.W.M. Investments, Inc.	10,000	*	10,000	-0-	*
Donald McClellan	10,000	*	10,000	-0-	*
Frank McGuire	32,258	*	32,258	-0-	*
Colmac Holdings Limited (3)	400,000	7.0%	100,000	300,000	5.3%
Reginald B. Newman, II (1)	500,000	8.8%	500,000	-0-	*
Susan M. Nycek (5)	1,340	*	1,340	-0-	*
J.H. Paull, TTE FBO Melissa S. Paull	20,000	*	20,000	-0-	*
J.H. Paull, TTE FBO Allison S. Paull	20,000	*	20,000	-0-	*
Robin K. Penberthy (4)	9,000	*	6,500	2,500	*
Gregory Photiadis	6,451	*	6,451	-0-	*
Jayne K. Rand (1)	215,734	3.8%	100	215,634	3.8%
Karl I. Riner	10,000	*	10,000	-0-	*
Pierre & Madeleine Savoie	3,225	*	3,225	-0-	*
Gerald C. Saxe	64,516	*	64,516	-0-	*
Richard & Jarilyn Searns (6)	6,451	*	6,451	-0-	*
Olympic Management Systems	20,000	*	20,000	-0-	*
Randy Strauss	6,451	*	6,451	-0-	*
James H. Thompson	20,000	*	20,000	-0-	*
Joseph N. Williams	3,225	*	3,225	-0-	*

Frederick W. Winter (1)	1,745	*	645	1,100	*

</TABLE>

* Less than 1%.
(1) Director of the Company.
(2) Ross B. Kenzie is Director of the Company. Langley H. Kenzie is Ross Kenzie's wife; the other persons indicated are adult members of Ross Kenzie's family who do not share his household.
(3) Willis S. McLeese, a director of the Company, is the Chairman and principal owner of Colmac Holdings Limited.
(4) Chief Financial Officer and Secretary of Company.
(5) Office Manager of the Company.
(6) Respectively, the Chief Executive Officer and Executive Vice President of Key Resource Group, LLC, an entity to which the Company has, subject to certain conditions, undertaken to make a $450,000 venture capital investment.

USE OF PROCEEDS

Each of the Selling Shareholders will receive all of the net proceeds from the sale of the Shares owned by such shareholder. The Company will not receive any of the net proceeds from the sale of the Shares.

MANAGEMENT

The business and affairs of the Company are managed under the direction of its Board of Directors as required by New York law. The day-to-day operations of the Company are conducted through its officers.

The President and the Executive Vice President of the Company, Allen F. Grum and Nora B. Sullivan, are primarily responsible for the day to day management of the Company's portfolio. Information concerning the length of time Mr. Grum and Ms. Sullivan have been primarily responsible for the Company's portfolio and concerning their business experience is included in the attached Statement of Additional Information under the caption "MANAGEMENT," and is hereby incorporated herein by reference. Information concerning Willis S. McLeese, a director who is not a resident of the United States, is included in the attached Statement of Additional Information and is hereby incorporated herein by reference. Information concerning brokerage allocation, custodianship of the Company's investment securities, and the Company's transfer agent is included in the attached Statement of Additional Information under the caption "ALLOCATION OF BROKERAGE, TRANSFER AGENT AND CUSTODIANSHIP," and is hereby incorporated herein by reference.

To the knowledge of the Company, no person: (a) beneficially owns, either directly or through one or more controlled companies, more than 25% of the voting securities of the Company; (b) has acknowledged or asserted that it controls the Company: or (c) has been adjudged under Section 2(a)(9) of the Investment Company Act of 1940 to control the Company.

CAPITAL STOCK

Rand is authorized to issue 500,000 shares of a class of Preferred Stock having a par value of $10 per share and 10,000,000 shares of Common Stock having a par value of $.10 per share.

As of the date of this Prospectus, 5,708,034 shares of Common Stock are issued and outstanding. No shares of Preferred Stock have been issued.

Common Stock

Holders of Common Stock are entitled to dividends and other distributions when and as declared by the Board of Directors and to share ratably in assets available for distribution on liquidation or dissolution of the Company, subject however to the prior rights of holders of the Preferred Stock, when issued. Shares of Common Stock have no conversion rights, are not subject to redemption and have no sinking fund. There are no restrictions on the purchase by the Company of Common Stock, except as provided by law. Each share of Common Stock, voting as a single class, is entitled to one vote for the election of directors and all other matters requiring shareholder vote, and these shares have no cumulative voting rights.

All the outstanding shares of Common Stock are validly issued, fully paid and non-assessable. All shares of Common Stock to be sold pursuant to the offering contained in this Prospectus are currently issued and outstanding. Holders of shares of Common Stock do not have preemptive rights.

Preferred Stock

Subject to the limitations of the 1940 Act and the terms of an Exemptive Order of the Securities and Exchange Commission dated November 5, 1975 pursuant to which the Company was permitted to make investments in a small business investment company subsidiary (the "Exemptive Order"), the Preferred Stock may be issued in one or more series from time to time as the Board of Directors may determine. The Exemptive Order prohibits issuance of any Preferred Stock, and cannot be amended without the specific approval of the Commission. If Preferred Stock were permitted to be issued, the Board of Directors would be authorized under the Company's Certificate of Incorporation to fix the number of shares to be included in each series, the dividend rate, and the designation, relative rights, preferences and limitations (including the right of conversion into Common Stock, if any) pertaining to each such series. No such series shall, however, have a preference or priority over any other series of Preferred Stock on the distribution of the Company's assets or with respect to the payment of dividends.

Under the 1940 Act, Preferred Stock cannot be issued or sold unless immediately after such issuance or sale, the Preferred Stock shall have an asset coverage of 200%; that is, the aggregate involuntary liquidation preference of such Preferred Stock, or the amount to which the Preferred Stock is entitled on the Company's involuntary liquidation, and the aggregate amount of senior securities representing indebtedness may not exceed 50% of the Company's total assets (less all liabilities and indebtedness not represented by senior securities) after issuance or sale of such Preferred Stock. Dividends and other distributions on the shares of Common Stock would be prohibited unless at the time of declaration or distribution the Preferred Stock has at least 200% asset coverage after deducting the amount of the distribution. Preferred Stock would have priority over any class of stock as to distribution of assets and payment of dividends, which dividends would be cumulative.

Tax Status

Information concerning tax matters relating the Company is hereby incorporated by reference to the information under the caption "TAX STATUS" in the attached Statement of Additional Information.

DIVIDEND POLICIES

The Company generally retains all of its cash for use in investments and operating expenses. The Company has never paid a cash dividend on its Common Stock and has no present intention of paying cash dividends on the Common Stock.

In August of 1977, the Company distributed to its shareholders from its portfolio 211,190 common shares of Astronics Corporation, and in July of 1990 the Company distributed to its shareholders from its portfolio 137,496 common shares of Research Frontiers, Inc. Shares of the same class as the shares distributed were publicly traded on the over-the-counter market prior to distributions. From time to time the Company may consider distributing other securities in its portfolio to its shareholders particularly if securities of the same class are registered under the Securities Exchange Act of 1934 and traded in the public securities markets and if the distribution will not violate the provisions of the Securities Act. There is no present intention to make any such distribution.

From time to time the Company has made distributions of its common stock to its shareholders in the form of stock splits. The most recent such distribution was a five-for-four stock split with a record date of May 26, 1995 that was distributed on June 16, 1995.

The Company has entered into no agreements which restrict the payment of dividends.

LEGAL PROCEEDINGS

Stearns & Foster Bedding Company.

On March 21, 1994, a lawsuit was brought against a number of parties, including the Company, in the U.S. District Court for the District of New Jersey, under the title Stearns & Foster Bedding Company v. The Franklin Corporation, et al, (Civil Action No. 94-967 (JCL)). The action sought contribution pursuant to the federal Comprehensive Environmental Response Cleanup and Liability Act (CERCLA) and the New Jersey Spill Compensation and Control Act for response and environmental remediation costs in excess of $1 million to be incurred in connection with the clean-up of a property owned from 1976 to 1979 by a company alleged to have been under the control of Rand through a venture capital investment. In December of 1996, the Court granted the Company's Motion for Summary Judgment and dismissed all of the claims against it. Although the Plaintiff has the right to appeal the dismissal, the Company has been advised that the Plaintiff has reached a settlement with one of the other Defendants for its remaining claims and, if the settlement is consummated, the litigation will be terminated without right of appeal.

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OF
STATEMENT OF ADDITIONAL INFORMATION

The following table of contents identifies the location of information in the attached Statement of Additional Information.

PART B

STATEMENT OF ADDITIONAL INFORMATION

RAND CAPITAL CORPORATION
2200 RAND BUILDING

BUFFALO, NEW YORK 14203

Rand Capital Corporation (the "Company" or "Rand") is a registered investment company, classified as a diversified, closed-end, management investment company with an investment objective of long-term capital appreciation through high risk venture capital investments in companies having growth potential but whose securities, in most cases, have no public market. This Statement of Additional Information relating to the Company is not a prospectus and should be read in conjunction with the Company's prospectus. A copy of the Company's prospectus can be obtained from the Company, 2200 Rand Building, Buffalo, New York 14203, telephone number (716) 853-0802. The date of this Statement of Additional Information and of the prospectus to which this Statement of Additional Information relates is May 30, 1997.

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STATEMENT OF ADDITIONAL INFORMATION

The following table of contents identifies the location of information in this Statement of Additional Information.

PORTFOLIO TURNOVER

While Rand's investment objective of long term capital appreciation through venture capital investments leads to relatively infrequent sales of individual portfolio securities, the nature of its investments can lead to substantial fluctuations in "portfolio turnover" (see "Portfolio Turnover" in the Financial Highlights table of the attached Prospectus) resulting from dramatic fluctuations in the value of individual investments among the relatively small number of investments in the Company's portfolio. During 1995 and 1996, the Company wrote down and wrote off a number of investments including its investments in Aria Wireless Systems, Inc. and Bydatel Corporation, which had constituted a significant portion of its aggregate portfolio value. During 1996, the Company also made a determination that it would generally not maintain investments in entities after their stock became publicly traded, and this policy resulted in the sale of other investments in 1996 and in the first quarter of 1997. Generally, the Company's management believes that once a portfolio company's stock becomes publicly traded the value of the investment becomes subject to market fluctuations which may not reflect the intrinsic values which Rand seeks to identify and pursue in its normal operations.

MANAGEMENT

The following information is given with respect to each director and officer of the Company.

<TABLE>
<CAPTION>

Positions
Held with Principal Occupation

Name, Age and Address	the Company	During Past Five Years
<S>	<C>	<C>
Allen F. Grum (39) 2200 Rand Building Buffalo, New York 14203	President, Director	President of the Company since January 1996, Director since April 1996; prior thereto Senior Vice President of the Company since June 1, 1995; Executive Vice President of Hamilton Financial Corporation (mortgage bankers) 1994; Senior Vice President of Marine Midland Mortgage Corporation, 1991-1994.
Nora B. Sullivan (39) 2200 Rand Building Buffalo, New York 14203	Executive Vice President	Executive Vice President of the Company since September 1995; Senior Associate at Barakat & Chamberlain (financial and economic consulting firm) February to July 1995; attended Columbia Business School from 1993-4, where she received an MBA in Finance and International Business; prior thereto, General Counsel to Integrated Waste Management (solid waste management company) 1991-1992.
Robin K. Penberthy (33) 2200 Rand Building Buffalo, New York 14203	Chief Financial Officer, Secretary	Chief Financial Officer and Secretary of the Company since January 1996; Scholastic Aptitude Test (SAT) Instructor for The Princeton Review during 1995; prior thereto Administrative Vice President-Investor Relations Manager at Marine Midland Mortgage Corporation 1993-94; various officer positions at Marine Midland Mortgage Corporation since prior to 1992.
*Reginald B. Newman, II (59) 700 Grand Island Boulevard Tonawanda, New York 14150	Chairman of Board	Chairman of the Board of Directors of the Company since April 1996, and a Director since 1987; President of NOCO Energy Corporation (petroleum distributor) since prior to 1992.
Thomas R. Beecher, Jr. (61) 200 Theater Place Buffalo, New York 14202	Director	Director since 1969, Chairman of the Board August 1991 to April 1996; Attorney; President of Beecher Securities Corporation, (family-owned venture capital company) since

		prior to 1992.
Luiz F. Kahl (60) 6255 Sheridan Drive Williamsville, NY 14221	Director	Director since January 1997; President of Vector Group LC (private investment company) since February 1996; President and Chief Executive Officer of The Carborundum Company (producer of structural and electronic ceramic materials) since prior to 1992; Director of National Fuel Gas (utility company) since 1992.
Ross B. Kenzie (65) 369 Franklin Street Buffalo, New York 14202	Director	Director since April 1996; Director of Merchants Insurance since prior to 1991. Retired since prior to 1992.
*Willis S. McLeese 45 St. Clair Ave. W. Suite 902 Toronto, Ontario	Director	Director since 1986; Chairman of Colmac Holdings Limited (developer, owner and operator of co-generation and alternative energy electric power generating plants), Toronto, Canada since prior to 1992.
Jayne K. Rand (36) One M&T Plaza Buffalo, New York 14203	Director	Director since 1989; Vice President of Manufacturers & Traders Trust Co. since 1993, prior thereto Assistant Vice President of Marine Midland Bank, N.A. since prior to 1992.
Frederick W. Winter (53) University of Buffalo School of Management 160 Jacobs Management Center Buffalo, New York 14260	Director	Director since 1996. Dean of the School of Management, University of New York at Buffalo since 1994; prior thereto was Head of the Department of Business Administration at the University of Illinois since prior to 1992; Director of Bell Sports, Inc. (bicycye and sporting goods manufacturer) since prior to 1992; Director of Alkon Corporation (manufacturer of pneumatic parts and fittings) since 1992.

</TABLE>

Persons designated by an asterisk (*) in the above table are "interested persons" within the meaning of Section 2(a)(19) of the Investment Company Act of 1940, as amended. Mr. Newman and Mr. McLeese are "interested persons" based upon the percentage ownership of the Company's common stock that each one owns.

Willis S. McLeese, who is a resident of Ontario, Canada, has a majority of his assets in the United States through his ownership of Colmac Holdings Limited which owns 100% of Colmac Dynamics, Inc., a Delaware corporation. Mr. McLeese has not authorized an agent in the United States to receive notice of service of process.

Compensation

The following table sets forth information with respect to compensation paid or accrued by the Company in fiscal year 1996 to each director of the Company and to each executive officer or any affiliated person of the Company with aggregate compensation from the Company in excess of $60,000, and to each director of the Company. The Company is not part of a fund complex.

<TABLE>
<CAPTION>
COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund	Pension or Retirement Benefits Accrued as Part of Fund Expenses	Estimated Annual Benefits Upon Retirement
<S>	<C>	<C>	<C>
Allen F. Grum President, Director	$102,405	$2,750(1)	$3,701(2)
Nora B. Sullivan Executive Vice President	$87,042	$2,550(1)	-0-
Reginald B. Newman II Chairman	$6,250	-0-	-0-
Thomas R. Beecher, Jr. Director	$3,750	-0-	-0-
Ross B. Kenzie Director	$4,250	-0-	-0-
Willis S. McLeese Director	$4,750	-0-	-0-
Jayne K. Rand Director	$6,250	-0-	-0-
Donald A. Ross Director, Consultant	$3,750(3)	-0-	(3)
Frederick W. Winter Director	$4,500	-0-	-0-

</TABLE>

(1) Included within the indicated compensation is payment of Company contributions to the Company's 401(k) Profit Sharing Plan. To date, an aggregate of $5,300 has been deferred for payment to Mr. Grum and Ms. Sullivan. Under such plan, participants may elect to contribute up to 20% of their compensation on a pre-tax basis by salary reduction. For eligible employees, the Company may make a discretionary flat contribution of 1% of compensation and match an eligible contribution of up to a maximum of five percent (5%). In addition, the Company may contribute an annual discretionary amount as determined by the Board of Directors. In 1996, the Company did not make any discretionary contributions to the 401(k) Plan.

(2) Includes pension benefit payable to the Company's Defined Benefit Pension Retirement Plan described below. Amounts

indicated do not include any benefits payable pursuant to the Company's 401(k) Profit Sharing Plan.

(3) See "Consulting and Deferred Compensation Agreements." below. Mr. Ross' service as a director ended on April 17, 1997.

Consulting and Deferred Compensation Agreements

Effective December 31, 1995, the Company and Donald A. Ross terminated his employment agreement and entered into a Consulting Agreement and a Deferred Compensation Agreement. Under the terms of the Consulting Agreement, Mr. Ross was paid $10,000 in 1996 for providing part-time consulting services, assistance in maintaining continuity in business relations during the transition to new management, and such other services related to the Company's business operations as the Company may reasonably request. Such amounts included any amounts payable for service as a director and on any committee of the Board of Directors. In addition, Mr. Ross receives: medical insurance coverage for the duration of his life and that of his wife for himself, his wife and his dependents, and during the period of his consulting agreement, the use of a car and up to $1,500 in annual maintenance fees therefor, and $2,400 annual membership dues at a business club and reimbursement of business entertainment expenses of up to $2,000 per year at the club. The Consulting Agreement ran for the period of 12 months and was subject to annual review by the Company. This Agreement was not renewed for 1997. Under the Deferred Compensation Agreement, Mr. Ross, or his heirs, received deferred payment for services previously rendered in the amount of $60,000 for 1996, and will receive $31,000 for each year thereafter until Mr. Ross reaches age 70.

Defined Benefit Pension Retirement Plan

From 1988 to 1996, the Company maintained a Defined Benefit Pension Retirement Plan (the "Defined Benefit Plan") for all full time employees meeting minimum age and service requirements. At the later of age 65 or the fifth year of participation, participants are entitled to accrued monthly pension benefits computed under a final average pay formula equal to 75% of average monthly compensation, up to a maximum of $50,000 per year, reduced proportionately for each year of service less than ten. The non-forfeitable right of an employee to pension benefits accrues after a three year period of employment. Benefits are not reduced by social security payments or by payments from other sources. The Defined Benefit Plan is funded through Company contributions, and benefits are payable under one of several payment options including lifetime annuity and lump sum settlement. Mr. Grum's benefits are not fully vested. This plan was terminated in September 1996.

Compensation of Directors

During 1996, under the Company's standard compensation arrangements with directors, each non-employee director receives an annual fee of $1,000 plus $750 for attendance at each meeting of the Board of Directors and each meeting of a Committee not held on the same day as a Board meeting, and the Chairman of the Board, Mr. Newman, received an annual fee of $2,500 plus $750 for attendance at Board and Committee meetings.

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

The following table sets forth the holdings of each person who owns of record or beneficially five percent or more of the Company's Common Stock, and by all officers and directors as a group, as of March 13, 1997.

<TABLE>
<CAPTION>

Name and Address	Amount and Nature of Ownership (1)	Percent of Class

---------------- ----------------- ----------

More than 5% owners:

<S>	<C>	<C>
Reginald B. Newman II 700 Grand Island Boulevard Tonawanda, New York 14150	500,000	8.8%
Willis S. McLeese (2) 45 St. Clair Avenue, West Suite 902 Toronto, Canada	400,000	7.0%
All Directors and Officers as a group (11 persons):	1,390,058(3)	24.4%

____

</TABLE>

(1) The beneficial ownership information presented is based upon information furnished by each person or contained in filings made with the Securities and Exchange Commission. All amounts of securities listed are owned both of record and beneficially unless otherwise noted.

(2) Such shares are owned by Colmac Holdings Limited, a corporation of which Mr. McLeese is the Chairman and principal owner.

(3) Except as indicated in (2) above and 9,835 shares as to which members of the group have sole voting and shared investment control, members of the group have sole voting and investment power over the shares indicated. To the knowledge of the Company, no person: (a) beneficially owns, either directly or through one or more controlled companies, more than 25% of the voting securities of the Company; (b) has acknowledged or asserted that it controls the Company: or (c) has been adjudged under Section 2(a)(9) of the Investment Company Act of 1940 to control the Company.

INVESTMENT ADVISORY AND OTHER SERVICES

The Company has no investment adviser and is not a party to any management-related service contracts. The Company is advised by its officers under the supervision of its Board of Directors. Deloitte & Touche LLP independent auditors, with an office at Suite 250, Key Bank Tower, 50 Fountain Plaza, Buffalo, New York 14202 acts as independent auditors for the Company. In such capacity, Deloitte & Touche LLP examines and audits the accounts of the Company.

ALLOCATION OF BROKERAGE, TRANSFER AGENT AND CUSTODIANSHIP

Brokerage

Because the Company primarily makes venture capital investments by negotiated transactions involving securities which are not publicly traded, the Company does not ordinarily pay brokerage on its purchase of portfolio securities. From time to time the Company has sought to increase its return on its cash awaiting venture capital investment by purchasing certificates of deposit and government or mortgage backed debt securities from the issuing banks or from dealers in these securities.

The Company has no agreement, understanding or allocation formula with respect to the placement of brokerage. In selecting brokers, the Company may give consideration to a broker who has presented prospective investments to it or has furnished research or other information to it which has been useful in evaluating an investment. However, no Company employee is authorized knowingly to permit any broker to charge the Company a commission exceeding the lowest commission generally available to it.

Transfer Agent

The Company's transfer agent, registrar and dividend paying agent is Continental Stock Transfer & Trust Company, 2 Broad Street, New York, New York 10007.

Custodianship

The Company maintains custody of its own portfolio securities and does not have a third-party custodian. The Company's portfolio securities are kept in a vault maintained at a branch office of Marine Midland Bank, N.A. located in the Rand Building at LaFayette Square, Buffalo, New York 14203.

TAX STATUS

Subchapter M of the Internal Revenue Code establishes special tax provisions for a "regulated investment company." The Company does not now qualify and does not expect to qualify as a regulated investment company for 1997 and is therefore subject to regular corporate tax rates. Rand Capital and Rand SBIC file consolidated tax returns.

The Company may choose to become a regulated investment company in any year in which it can qualify and such election is determined to be beneficial to it. There is no assurance that it will be able to qualify. Once made, an election cannot be revoked.

If the Company were to qualify and to elect to be a regulated investment company, it would (i) distribute all of its net investment income and gains to shareholders and these distributions would be taxable as ordinary income or capital gains, (ii) shareholders might be proportionately liable for taxes on income and gains of the Company, but shareholders not subject to tax on their income would not be required to pay tax on amounts distributed to them, and (iii) the Company would inform shareholders of the amount and nature of the income or gains. Tax items which are treated differently for alternative minimum taxation and regular taxation must be apportioned between a regulated investment company and its shareholders.

In order for the Company to qualify for tax treatment as a regulated investment company, at least (1) 90% of the Company's gross income must be derived from dividends, interest, payments with respect to securities loans, and gains from a sale or other disposition of stock or securities, and less than 30% of its gross income may be derived from the sale or distribution of stock or securities held for less than 3 months, and (2) 50% of the value of its total assets at the close of each quarter must be represented by cash and cash equivalent items, government securities, securities of other regulated investment companies, and securities of companies of which the Company owns 10% or less of the outstanding voting securities and the Company must not invest more than 25% of its assets in any one issuer.

FINANCIAL STATEMENTS

The Statements of Financial Position at December 31, 1995 and December 31, 1996, including the Portfolio of Investments at December 31, 1996 and the related Statements of Operations and Changes in Net Assets for each of the years then ended, and the Schedules of Selected Per Share Data and Ratios for each of the five years in the period ended December 31, 1996, together with the report thereon of Deloitte & Touche LLP dated January 24, 1997 are contained on pages 3 through 16 of the Rand Capital Corporation Annual Report for 1996 and are incorporated herein by reference.