

1998

March 31

First Quarter

[LOGO]

RAND CAPITAL
CORPORATION

April 14, 1998

During the first quarter, the Net Asset Value for Rand Capital Corporation (Rand) has increased from \$1.46 to \$1.47. This represents the second consecutive quarter, and three out of the previous four quarters, Rand has shown an increase in its Net Assets. This growth, and consistency in growth, can be attributed to the successful execution of our business plan.

During the quarter, ARIA Wireless Systems, Inc. (ARIA) began to trade under the symbol of AWSI on the OTC Bulletin Board System. This strategic initiative has increased the liquidity of our stock and has been well received by the investment community. Based on the recent appreciation of the stock, we increased our valuation in ARIA, from \$488,000 to \$610,000, or 25%.

Rand has also reached an agreement with Hammertime Kitchen and BathWorks, Inc. (Hammertime) to provide \$200,000 of expansion capital. Hammertime is a licensee of Sears Home Central and will provide kitchen and bath remodeling services in Western New York and Northwestern Pennsylvania. The capital and business plan contemplate expansion throughout the Eastern United States.

During the quarter we purchased \$420,000 of common stock in MINRAD, Inc. The company has developed a patented laser guided surgical device which is sold throughout the world. MINRAD has received over \$2 million in orders and recently entered into a European distribution agreement with MediCert, which provides for \$82 million in sales over 10 years. The company received the Health Care Industries Association Best New Technology award in 1997.

We continued to restructure our portfolio by selling our stock in Comptek Research, Inc. Our valuation of ARS, Inc. was increased to reflect the value of our warrants and we received full payment on our loan to UltraScan, Corp.

Over the last twelve months we increased our shareholder base by 18%. I welcome the new shareholders and look forward to sharing positive results in the future.

Regards,

Allen F. Grum
President

Portfolio Valuation / March 31, 1998

<TABLE>

<CAPTION>

Company and Business	Date Type of Investment	March 31, 1998		December 31, 1997		Value of Rand	Value of Rand
		Per share Acquired	Per share Cost	Per share Value	Per share Value		
<S> ARIA Wireless Systems, Inc. (OTC:AWSI)* Buffalo, NY. Markets radio transmission communication equipment	<C> Common stock -	<C> 488,000 shares	<C> 5/23/97	<C> 438,000	<C> 610,000	0.11	488,000 0.09
ARS, Inc.	Participation in subordinated	7/1/97	1,000,000	1,047,000	0.18	1,029,000	0.18

Buffalo, NY. Assembles and distributes replacement automotive products with detachable warrants	debenture at 12% due July, 2002 through April 2005							
BioVector, Inc. Orchard Park, NY. Medical technological sales force company	Common stock - 50,000 shares Convertible promissory note at 8%, due April 2002. Option to purchase 140,000 common shares	4/17/97	50,000	125,000	0.02	125,000	0.02	
Comptek Research, Inc. (AMEX: CTK)* Buffalo, NY. Develops electronic systems for military and non-military applications	Common stock - 49,221 shares^ sold March 1998. Term loan at prime less 1%, due June 1999	9/13/94	-	-	-	464,023	0.08	
Fertility Acoustics, Inc. Orchard Park, NY. Developer of proprietary methods to diagnose onset of ovulation.	Common stock - 50,000 shares Option to purchase 15,000 shares	10/1/97	50,000	125,000	0.02	125,000	0.02	
HealthWay Products Company, Inc. Syracuse, NY. Manufactures air filters and climate control devices	Promissory note at 24%, due June 1996. 4,667 warrants for Series A preferred stock	3/18/97	100,000	100,000	0.02	100,000	0.02	
J. Giardino Buffalo, NY. Owns and leases commercial property	First mortgage at 12%	2/26/88	174,866	174,866	0.03	194,921	0.03	
Lightbridge, Inc. (NASDAQ: LTBG)* Burlington, MA. Provides software based services for wireless telecommunications industry.	Common stock - 14,253 shares	3/31/94	218,271	218,271	0.04	218,271	0.04	
MINRAD, Inc. Orchard Park, NY. Developer of laser guided surgical devices.	Common stock - 39,563 shares Term loan at 12%, matured March 1998	8/4/97	429,000	460,000	0.08	40,000	0.01	
Pathlight Technology, Inc. Ithaca, NY. Develops high technology Storage Architecture for computer industry. with 6% cumulative dividend	Class A Series 1(a) Convertible Serial Preferred stock - 100,000 shares	10/7/97	100,000	100,000	0.02	100,000	0.02	
vReflection Technology, Inc. Waltham, MA. Develops and licenses proprietary virtual display technology	Series J convertible preferred stock - 243,903 shares	10/4/97	500,000	150,000	0.03	150,000	0.03	
Ultra-Scan Corporation Amherst, NY. Ultrasonic fingerprint scanning technology	Common stock - 47,583 shares Term loan at 6%, repaid January 1998	12/11/92	276,986	0	0	0	0	
			-	-	-	50,000	0.01	
Other Investment(a)	Other							
	Total portfolio investments		4,425,885	3,784,464	0.66	4,143,541	0.73	
	Cash and cash equivalents		3,531,551	0.62	3,031,391	0.53		
	Net receivables(payables)		54,100	0.01	138,188	0.02		
	Net assets before taxes		7,370,115	1.29	7,313,120	1.28		
	Tax provision(benefit)		(1,028,400)	(0.18)	(1,028,100)	(0.18)		
	Net assets		\$8,398,515		\$8,341,220			
	Net asset value per share (5,708,034 shares at March 31, 1998 and December 31, 1997)			\$1.47	\$1.46			

</TABLE>

* Publicly owned company ^ Unrestricted securities

(a) Includes Investments with valuation less than \$100,000 during both periods

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.

RAND CAPITAL CORPORATION

BOARD OF DIRECTORS (Elected by Shareholders April 14, 1998)

Reginald B. Newman II Chairman of the Board
g Thomas R. Beecher, Jr.
Allen F. Grum
a, c Luiz F. Kahl
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

Allen F. Grum President, Chief Executive Officer pgrum@randcap.com
Nora B. Sullivan Executive Vice President nsullivan@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 1,087 (as of March 10, 1998)

Rand is actively seeking good 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.

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