

1998
JUNE 30

Semi-Annual Report

[LOGO]

RAND CAPITAL CORPORATION

July 16, 1998

To Our Shareholders:

For the quarter ended June 30, 1998, we increased our net assets by \$31,122, or \$.01 per share. This represents the third consecutive quarter that Rand has shown an increase, having grown the asset base by \$314,000 over that time.

We increased our valuation of MINRAD, Inc. from \$460,000 to \$623,000 to reflect the success in raising new capital at a higher valuation. We are pleased to report that MINRAD has been issued patents and FDA approval for its LightSaber technology. Sales of this product should be seen in the upcoming quarters.

We have also increased our valuation in ARS, Inc. based on the accrual of warrants which increases the subordinating debentures yield to 18.74%. ARS is Rand's largest portfolio company, representing \$.19 per share. The largest manufacturer in the eastern United States of heat transfer products, the company assembles and distributes radiators and condensers for the automobile aftermarket industry and has more than 120 employees.

We participated in bridge financing for UStec, investing \$100,000 in the form of subordinated debt. UStec is a leading provider of digital wiring networks for the residential construction market. Finally, we revalued our holdings in LightBridge, Inc. to reflect a lower market value for its common stock.

Management at Rand remains committed to maximizing shareholder value. We continue to aggressively and actively pursue investment opportunities. However, we realize that it is prudent to invest wisely rather than quickly. We look forward to continuing to report these positive results.

I thank you for your support.

Allen F. Grum
President

STATEMENTS OF FINANCIAL POSITION

June 30, 1998 and December 31, 1997

ASSETS	Unaudited	
	June 30, 1998	December 31, 1997
Investments at Directors' valuation (cost: at 6/30/98 - \$4,520,536; at 12/31/97 - \$5,150,206)	\$ 3,987,589	\$ 4,143,541
Cash and cash equivalents	3,354,765	3,031,391
Interest receivable (net of allowance of \$57,042 at 6/30/98 and \$58,042 at 12/31/97)	53,146	103,436
Deferred tax asset	1,028,400	1,028,400
Other assets	92,592	148,732
TOTAL ASSETS	===== \$ 8,516,492	===== \$ 8,455,500

LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)

LIABILITIES:

Accounts payable and accrued expenses	\$ 86,855	\$ 113,980
Income taxes payable	0	300
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Total Liabilities	86,855	114,280
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STOCKHOLDERS' EQUITY (NET ASSETS):

Common stock, \$.10 par - shares authorized 10,000,000 issued and outstanding 5,708,034 at June 30, 1998 and December 31, 1997.	570,804	570,804
Capital in excess of par value	6,889,379	6,889,379
Undistributed net investment (loss)	(1,674,627)	(1,512,372)
Undistributed realized gain on investments	2,830,169	3,055,715
Net unrealized (depreciation) of investments	(186,088)	(662,306)
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Net Assets (per share 6/30/98 \$1.48; 12/31/97 - \$1.46)	8,429,637	8,341,220
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TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 8,516,492	\$8,455,500
	=====	=====

STATEMENTS OF OPERATIONS

Six months ended June 30, 1998 and year ended December 31, 1997

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	Unaudited June 30, 1998	December 31, 1997
INVESTMENT INCOME:		
<S>	<C>	<C>
Interest from portfolio companies	\$ 115,797	\$ 178,695
Interest from other investments	80,703	174,193
Other income	51,375	104,626
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	247,875	457,514
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EXPENSES:

Salaries	161,922	320,695	
Employee benefits	35,632	34,712	
Directors' fees	24,000	40,648	
Legal fees	11,832	34,334	
Professional fees	8,910	21,377	
Stockholder and office	27,795	106,862	
Insurance	26,680	94,357	
Corporate development	49,082	74,434	
Other operating	58,278	45,092	
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	404,131	772,511	
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INVESTMENT (LOSS) BEFORE INCOME TAXES		(156,256)	(314,997)
Income taxes provision	6,000	12,000	
Deferred income tax provision (benefit)	-	(25,248)	
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INVESTMENT (LOSS) - NET		(162,256)	(301,749)
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REALIZED AND UNREALIZED GAIN (LOSS)
ON INVESTMENTS:

Net gain (loss) on sales and dispositions	(225,546)	1,106,402
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Net realized gain (loss) on investments	225,546	1,106,402
Deferred income tax provision	0	309,073
NET REALIZED GAIN (LOSS)	(225,546)	797,329
UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS:		
Beginning of period	(1,006,665)	337,889
End of period	(532,947)	(1,006,665)
Increase (decrease) in unrealized appreciation	473,718	(1,344,554)
Deferred income tax provision (benefit)	2,501	504,392
NET INCREASE (DECREASE) IN UNREALIZED APPRECIATION	476,219	(840,162)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	250,673	(42,833)
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 88,417	\$ (344,582)

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Portfolio Valuation / June 30, 1998

Company and Business	Date Type of Investment	6/30/98		3/31/98		Value	of Rand	Value	of Rand
		Per share Acquired	Cost	Per share Value	of Rand				
ARIA Wireless Systems, Inc. (OTC:AWSI)* Buffalo, NY. Markets radio transmission communication equipment	Common stock - 488,000 shares	5/23/97	438,000	610,000	0.11	610,000	0.11		
ARS, Inc. Buffalo, NY. Assembles and distributes replacement automotive products	Participation in subordinated debenture at 12% due July, 2002 through April 2005 with detachable warrants	7/1/97	1,000,000	1,067,000	0.19	1,047,000	0.18		
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 165,000 common shares	4/17/97	50,000	125,000	0.02	125,000	0.02	360,000	0.06
Fertility Acoustics, Inc. Orchard Park, NY. Developer of proprietary methods used 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	First mortgage at 12%	2/26/88	172,034	172,034	0.03	174,866	0.03		

property

Lightbridge, Inc. (NASDAQ: LTBG)* Burlington, MA. Provides software based services for wireless tele- communications industry	Common stock - 14,253 shares	3/31/94	218,271	126,495	0.02	218,271	0.04
MINRAD, Inc. Orchard Park, NY. Developer of laser guided surgical devices	Common stock - 118,689 shares Option to purchase 5,000 shares	8/4/97	429,000	623,000	0.11	460,000	0.08
Pathlight Technology, Inc. Ithaca, NY. Develops high technology Serial Storage Architecture for computer industry	Class A Series 1(a) Convertible Preferred stock - 100,000 shares with 6% cumulative dividend	10/7/97	100,000	100,000	0.02	100,000	0.02
Reflection Technology, Inc. Waltham, MA. Develops and licenses proprietary virtual display technology	Series J convertible preferred stock - 243,903 shares	10/4/95	500,000	150,000	0.03	150,000	0.03
UStec Victor, NY Manufactures residential digital wiring systems	Promissory note @ 10% due December 1998. Warrants for 10,000 common shares	6/26/98	100,000	100,000	0.02	-	-
Other Investments (a)	Other		1,003,231	329,060	0.05	314,327	0.04
	Total portfolio investments		4,520,536	3,987,589	0.70	3,784,464	0.66
	Cash and cash equivalents		3,354,765	0.59	3,531,551	0.62	
	Net Receivables (payables)		58,883	0.01	54,100	0.01	
	Net assets before taxes		7,401,237	1.30	7,370,115	1.29	
	Tax provision (benefit)		(1,028,400)	(0.18)	(1,028,400)	(0.18)	
	Net assets		\$8,429,637		\$8,398,515		
	Net asset value per share (5,708,034 shares at June 30, 1998 and March 31, 1998)			\$1.48		\$1.47	

</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

OFFICERS	TITLE	EMail
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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