

October 21, 1999

Dear Shareholders:

During the third quarter of 1999, we made two new investments. We invested \$300,000 in G-TEC Natural Gas Systems. The company manufactures and distributes patented systems that allow natural gas to be used as an alternative to fuel gases such as acetylene, propane, propylene and MAPP gas. Typically, these gases are used in cutting, brazing, and heating of metals and are used by steel distributors, metal fabricators, scrapyards and automobile repair shops. G-TEC delivers a cheaper alternative as well as a safer, cleaner, and more convenient solution for industrial consumers. We also invested \$100,000 in MemberWare Technologies, Inc. They are a provider of Internet, Intranet, electronic commerce and document management solutions for trade associations. They have introduced AssociationCentral.com, an on-line portal that provides web users with information, products and services provided by trade associations.

Two of our investments were liquidated during the quarter. We sold our investment in Lightbridge, Inc. at a small profit and we were repaid by HealthWay Products, Inc. Our investment in HealthWay during the past three years produced a 24% annual return.

We have revalued several companies. Our valuation for Pathlight Technology, Inc. was increased by \$185,000 to reflect the completion of the company's recent equity financings. Additionally, we have adjusted our valuations of MINRAD, Inc. and BioVector, Inc. to reflect the values of an anticipated equity financing. During the quarter, we also wrote-off our investment in Reflection Technology, as the company has ceased operations.

The net result of these adjustments was to decrease our Net Asset Value from \$1.42 to \$1.33.

Thank you for your support.

Allen F. Grum
President

Portfolio Valuation / June 30, 1999

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Company and Business	Type of Investment	Date Acquired	September 30, 1999		June 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. www.americantactile.com	Convertible Debentures at 8% due June 2000 and April 2001 with detachable warrants	6/23/95	150,000	150,000	50,000 0.01	50,000 0.01
ARIA Wireless Systems, Inc. (OTC:AWSI)* Buffalo, NY. Markets wireless radio transmission communication equipment. www.ariawireless.com	Common Stock - 488,000 shares \$50,000 Demand Note at 15%	5/23/97	438,000	438,000	172,000 0.03	122,000 0.02
BioVector, Inc. Buffalo, NY. Medical technological sales force company.	Common Stock - 125,000 shares Preferred Stock - 225,000	4/17/97	445,030	445,030	370,000 0.06	520,030 0.09
BioWorks, Inc. Geneva, NY. Develops and manufactures	Series A Convertible Preferred Stock -	11/6/95	56,000	56,000	56,000 0.01	56,000 0.01

biological alternative to chemical pesticides. www.bioworksbiocontrol.com	32,000 shares						
Clearview Cable TV, Inc. New Providence, NJ. Cable television operator.	Common Stock - 400 shares	2/23/96	55,541	55,541	0.01	55,541	0.01
DataView, LLC Mt. Kisco, NY. Designs, develops and markets browser based software for investment professionals. www.dataviewllc.com/marketgauge/	4.7% Membership Interest	10/1/98	200,000	200,000	0.04	200,000	0.04
Ellicottville Energy, Inc. Ellicottville, NY. Cogeneration facility selling electricity to a regional utility.	Note at 9.3%, due June 29, 2000	6/29/99	145,000	145,000	0.03	145,000	0.03
Fertility Acoustics, Inc. Buffalo, NY. Developer of proprietary methods to diagnose onset of ovulation.	Common Stock -600,000 shares Option to purchase 180,000 shares	10/1/97	50,000	125,000	0.02	125,000	0.02
G-TEC Natural Gas Systems Buffalo, NY. Manufacturers and distributes systems that allow natural gas to be used as an alternative fuel to gases. www.gas-tec.com	41.67% Class A Membership Interest	8/31/99	300,000	300,000	0.05		
Hammertime, Inc. Clarence, NY. Exclusive licensed installer of kitchens and baths.	Convertible Preferred Stock - 1,000 Shares Senior Subordinated Note at 12% due October 2000 Promissory Note at 15%, due August 1999	10/1/98	300,000	300,000	0.05	300,000	0.04
HealthWay Products Company, Inc. Syracuse, NY. Manufactures air filters and climate control devices. www.healthway.com	Common Stock -1,000 shares Series A Preferred Stock	3/18/96	100,100	100	0.00	100,100	0.02
InfoMiners.com Amherst, NY. Data warehousing and decision support software for healthcare industries. www.infominers.com	Bridge loan at 10% due June 1999 147,000 warrants for shares of stock	12/21/98	420,000	420,000	0.07	420,000	0.07
Lightbridge, Inc. (NASDAQ:LTBG)* Burlington, MA. Provides software based services for wireless telecommunications industry. www.lightbridge.com	Common Stock - 5,843 shares sold August 1999	3/31/94	109,439	-0-	0.00	73,307	0.01
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	9/16/99	100,000	100,000	0.02		
MINRAD, Inc.	Common Stock -	8/4/97	429,000	741,000	0.13	949,512	0.17

Buffalo, NY. Developer of laser guided surgical devices.	118,689 shares						
Pathlight Technology, Inc. Ithaca, NY. Develops high technology Serial Storage Architecture 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	0.07
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
Reflection Technology, Inc. Waltham, MA. Develops and licenses proprietary virtual display technology. www.reflectiontech.com	Series J Convertible Preferred Stock - 243,903 shares	10/4/95	500,000	-0-	0.00	150,000	0.02
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
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	987,350	0.17		
Other investments	Other		471,296	1,724	0.00	62	0.00
	TOTAL PORTFOLIO investments		<u>5,690,900</u>	<u>4,793,715</u>	<u>0.84</u>	<u>3,850,552</u>	<u>0.68</u>
	Cash and Cash equivalents		1,657,362	0.29	3,076,444	0.54	
	NET receivables(payables)		91,797	0.01	79,078	0.01	
	Net Assets before Taxes		6,542,873	1.14	7,000,074	1.23	
	TAX PROVISION (benefit)		(1,071,880)	(0.19)	(1,071,880)	(0.19)	
	NET ASSETS		<u>7,614,753</u>	<u>8,077,954</u>			
	Net Asset Value per Share (5,708,034 shares outstanding during both periods)			1.33		1.42	

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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

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Officers	Title	Email
- - - - -	-----	----
<S>	<C>	<C>
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

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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

Buffalo, NY 14203
Tel: 716-853-0802
Fax: 716-854-8480