

March 31, 2000
 First Quarter Report
 April 13, 2000

Dear Shareholders:

I am pleased to report that we grew our Net Asset Value by 14% to \$1.51. This represents a continuation of the strong performance of our portfolio companies. In particular we are pleased with the performance of Pathlight Technology, Inc., Fertility Acoustics, Inc. and ARIA Wireless Systems Inc.

Rand increased its investment in Pathlight Technology, Inc. with a \$750,000 participation in the corporation's recent \$5 million issuance of Series C Preferred Stock. The investment represents the fourth round of financing that Rand has participated in since 1997. Rand now owns approximately 5.2% of Pathlight.

Pathlight competes in the Storage Area Network Infrastructure Market for Gateways and Routers. During the quarter, they announced OEM agreements with Aviv Corporation, ECCS, Inc., Glyph Technologies, Overland Data, Unisys Corporation and Computer Network Technology. Additionally, IBM strengthened its relationship with Pathlight by announcing that the Pathlight Virtual Private SAN technology would be included in each SAN Gateway.

Pathlight also engaged the Investment Banking firm of Chase H&Q to assist the Board of Directors in evaluating strategic alternatives.

As a result of the financing, in conjunction with Pathlight's execution on its business plan, and the establishment of several key OEM relationships, Rand has increased its valuation of Pathlight from \$610,000 to \$2,012,922.

Rand has exercised its options with Fertility Acoustics, Inc. and has acquired an additional 180,000 shares at \$0.21 per share. Rand also received an additional 68,736 shares as part of the BioVector, Inc. closeout. This brings its total shares to 848,736 of common stock. During the quarter Kimberly-Clark Corporation made an investment in Fertility Acoustics at \$2.75 per share. Due to the strategic relationship and consistent with our valuation policy, we are discounting the value by 50% and valuing our shares of Fertility Acoustics, at \$1.38. This increases our value of Fertility Acoustics from \$125,000 to \$1,167,012.

We also increased our valuation of ARIA Wireless Systems, Inc. and our preferred stock portfolio to reflect an increase in their market price. We were also repaid on our term loan with InfoMiners.com.

It was a great quarter for us, and I look forward to our continuing success. I want to thank our shareholders and Directors for helping us achieve these results.

Allen F. Grum

PORTFOLIO VALUATION / MARCH 31, 2000

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Company and Business	Type of Investment	Date Acquired	March 31,	December 31,		Value of Rand	Value of Rand
			2000	1999	of Rand		
			Per Share	Per Share			
			Costs	Value			
American Tactile Corporation Medina, NY.	Convertible Debentures at 8% due June 2000 and April 2001 with	6/23/95	150,000	50,000	0.01	50,000	0.01

signage. detachable warrants
www.americantactile.com

ARIA Wireless Systems, Common Stock - 5/23/97 543,840 349,840 0.06 288,840 0.05
Inc. (OTC:AWSI)* 488,000 shares
Buffalo, NY. Markets \$105,840 Demand
wireless radio Notes at 15%
transmission
communication equipment.
www.aria-gib.com.com

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

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

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

DataView, LLC Mt. Kisco, 5.5% Membership 10/1/98 310,357 343,357 0.06 343,357 0.06
NY. Designs, develops Interest
and markets browser
based software for
investment
professionals.
www.dataviewllc.com/
marketgauge/
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Company and Business	Type of Investment	Date Acquired	March 31,		December 31,		Value of Rand	Value of Rand
			2000	Per Share	1999	Per Share		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Fertility Acoustics, Inc. Buffalo, NY. Developer of proprietary methods to diagnose onset of ovulation.	Common Stock - 848,736 Shares	10/1/97	87,440	1,167,012	0.20	125,000	0.02	
G-TEC Natural Gas Systems Buffalo, NY. Manufactures 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% Cumulative Dividend	8/31/99	300,000	300,000	0.05	300,000	0.05	
Hammertime Kitchen & Bath Works, Inc. Clarence, NY. Sears licensed installer	Convertible Preferred Stock - Exclusive 1,000 Shares Senior Subordinated Note	10/1/98	300,000	300,000	0.05	300,000	0.05	

of kitchens and baths. at 12% due October
2000 Promissory
Note at 15%, due
August 1999

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

InfoMiners.com Amherst, Bridge loan repaid 12/21/98 0 0.0 420,000 0.07
NY. Data warehousing March 31, 2000
and decision support
software for healthcare
industries.
www.infominers.com

MemberWare Technologies, Promissory Note at 9/16/99 100,000 150,000 0.03 150,000 0.03
Inc. Pittsford, NY. Prime Rate + 4.5%
Internet company engaged due September 2004.
in web related Common Stock -
consulting services. 40,000 Shares
www.memberware.com 34,000 warrants for
shares of stock

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Company and Business	Type of Investment	Date Acquired	March 31, 2000		December 31, 1999		Value of Rand	Value of Rand
			Per Share	Costs	Per Share	Value		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
MINRAD, Inc. Buffalo, NY. Developer of laser guided surgical devices. Merged with BioVector, Inc. December 1999.	546,621 Common Shares. 53,628 Preferred Shares	8/4/97	874,030	1,111,000	0.19	1,111,000	0.19	
Pathlight Technology, Inc. Ithaca, NY. Develops SAN technology for computer industry. www.pathlight.com	Class A Series Convertible Preferred Stock - 200,000 shares with 6% cumulative dividend. Preferred Class B - 117,187 shares Class C Preferred Stock - 214,285 Shares 67,578 warrants for shares of stock	10/7/97	1,174,996	2,012,922	0.35	610,000	0.11	
Platform Technology Holdings, LLC Charlottesville, VA. Provides sales support and management for unique medical businesses.	Two units with option for two additional units	9/24/97	8,045	60,000	0.01	60,000	0.01	
USTec, Inc. Victor, NY. Manufacturers and markets digital wiring systems for residential new home construction. www.ustecnet.com	Promissory Note at 12% due December 2003 50,000 warrants for common shares	12/17/98	100,000	100,000	0.02	100,000	0.02	

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Company and Business	Type of Investment	Date Acquired	March 31, 2000		December 31, 1999		of Rand	Value	of Rand
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<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>		
Vanguard Modular Building Systems Philadelphia, PA. Leases and sells high-end modular space solutions. www.vanguardmodular.com	Preferred Units - 2,673 Units with Warrants	12/16/99	270,000	270,000	0.05	270,000	0.05		
Preferred Stock Portfolio* (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	925,838	0.16	879,000	0.15		
Other investments	Other		971,398	164		160			
Total portfolio investments			6,550,035	7,452,174	1.30	5,319,398	0.93		
Cash and Cash equivalents			646,881	0.11	1,137,233	0.20			
Net receivables(payables)			97,663	0.02	74,561	0.01			
Net Assets before Taxes			8,196,718	1.43	6,531,192	1.14			
Tax provision (benefit)			(471,880)	(0.08)	(1,071,880)	(0.19)			
Net Assets			8,668,598		7,603,072				
			1.51		1.33				

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Net Asset Value per Share (5,708,034 shares outstanding at December 31, 1999 and 5,723,034 shares outstanding at March 31, 2000)

* 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 13, 2000)

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

OFFICERS

TITLE

EMAIL

Allen F. Grum President/CEO pgrum@randcap.com

Daniel P. Penberthy Chief Financial Officer dpenberthy@randcap.com

CORPORATE DATA

Stock Listing NASDAQ SmallCap Market-symbol RAND

Transfer Agent

and Registrar Continental Stock Transfer & Trust Company

General Counsel Hodgson, Russ, Andrews, Woods

& Goodyear, LLP

Independent Accountants Deloitte & Touche LLP

Number of Shareholders 823 (as of March 6, 2000)

Rand is actively seeking business opportunities for investment consideration. If you are aware of those businesses that may need Rand's support and assistance, please feel free to contact us.

Rand Capital Corporation

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Buffalo, NY 14203

Tel: 716-853-0802 Fax: 716-854-8480