

RAND CAPITAL CORP  
Form 10-Q  
November 03, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2015**

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 814-00235**

**Rand Capital Corporation**

**(Exact Name of Registrant as specified in its Charter)**

**New York**  
**(State or Other Jurisdiction of**

**16-0961359**  
**(IRS Employer**

**Incorporation or Organization)**

**Identification No.)**

**2200 Rand Building, Buffalo, NY**  
**(Address of Principal executive offices)**

**14203**  
**(Zip Code)**

**(716) 853-0802**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of November 3, 2015, there were 6,328,538 shares of the registrant's common stock outstanding.

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**RAND CAPITAL CORPORATION**

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**RAND CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**As of September 30, 2015 and December 31, 2014**

	September 30, 2015 (Unaudited)	December 31, 2014
<b>ASSETS</b>		
Investments at fair value:		
Control investments (cost of \$1,195,841 and \$1,347,300, respectively)	\$ 9,870,841	\$ 10,022,300
Affiliate investments (cost of \$18,579,796 and \$15,188,935, respectively)	17,564,802	14,617,378
Non-affiliate investments (cost of \$8,751,037 and \$5,677,241, respectively)	8,933,066	5,665,698
Total investments, at fair value (cost of \$28,526,674 and \$22,213,476, respectively)	36,368,709	30,305,376
Cash	4,763,631	13,230,717
Interest receivable (net of allowance: \$122,000 at 9/30/15 and \$128,311 at 12/31/14)	209,216	165,094
Prepaid income tax	51,230	
Other assets	1,768,320	1,824,800
<b>Total assets</b>	<b>\$ 43,161,106</b>	<b>\$ 45,525,987</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (NET ASSETS)</b>		
<b>Liabilities:</b>		
Debentures guaranteed by the SBA	\$ 8,000,000	\$ 8,000,000
Income tax payable		2,065,795
Deferred tax liability	1,868,534	1,838,351
Profit sharing and bonus payable – officers	194,740	953,490
Accounts payable and accrued expenses	104,653	290,646
Deferred revenue	30,597	24,264
Total liabilities	10,198,524	13,172,546
Commitments and contingencies (See Note 5)		
<b>Stockholders equity (net assets):</b>		
Common stock, \$.10 par; shares authorized 10,000,000; shares issued 6,863,034; shares outstanding of 6,328,538 at 9/30/15 and 12/31/14	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment (loss)	(273,212)	(867,482)
Undistributed net realized gain on investments	18,463,557	18,290,374

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Net unrealized appreciation on investments	<b>4,951,635</b>	5,109,947
Treasury stock, at cost; 534,496 shares at 9/30/15 and 12/31/14	<b>(1,447,491)</b>	(1,447,491)
Total stockholders' equity (net assets) (per share 9/30/15: \$5.21, 12/31/14: \$5.11)	<b>32,962,582</b>	32,353,441
<b>Total liabilities and stockholders' equity</b>	<b>\$ 43,161,106</b>	<b>\$ 45,525,987</b>

See accompanying notes

Table of Contents**RAND CAPITAL CORPORATION AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF OPERATIONS****For the Three Months and the Nine Months Ended September 30, 2015 and 2014****(Unaudited)**

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investments	\$ 18,336	\$ 26,660	\$ 60,756	\$ 88,419
Affiliate investments	100,678	122,113	312,329	375,486
Non-Control/Non-Affiliate investments	61,312	57,576	176,534	136,920
Total interest from portfolio companies	180,326	206,349	549,619	600,825
Interest from other investments:				
Non-Control/Non-Affiliate investments	3,529	2,326	18,719	10,523
Total interest from other investments	3,529	2,326	18,719	10,523
Dividend and other investment income:				
Control investments	460,947	351,380	1,364,306	1,034,361
Affiliate investments	65,810		124,239	90,065
Non-Control/Non-Affiliate investments				2,531
Total dividend and other investment income	526,757	351,380	1,488,545	1,126,957
Fee income:				
Control investments	2,000	4,000	6,000	10,000
Affiliate investments	1,417	1,767	3,250	4,467
Non-Control/Non-Affiliate investments	4,250	3,527	12,417	6,083
Total fee income	7,667	9,294	21,667	20,550
<b>Total investment income</b>	<b>718,279</b>	<b>569,349</b>	<b>2,078,550</b>	<b>1,758,855</b>
<b>Operating expenses:</b>				
Salaries	149,555	147,668	448,665	443,006
Bonus and profit sharing				(45,635)
Employee benefits	27,745	26,431	87,546	89,187
Directors fees	37,950	14,250	89,000	88,500
Professional fees	33,702	25,724	127,204	126,236
Stockholders and office operating	41,716	23,789	156,830	109,439
Insurance	8,400	7,700	25,954	27,609
Corporate development	16,982	14,385	48,363	41,941

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Other operating	3,099	2,385	8,973	5,641
	<b>319,149</b>	262,332	992,535	885,924
Interest on SBA obligations	<b>77,569</b>	69,243	229,460	195,660
Bad debt expense				6,311
Total operating expenses	<b>396,718</b>	331,575	1,221,995	1,087,895
<b>Net investment income before income taxes</b>	<b>321,561</b>	237,774	856,555	670,960
Income tax expense (benefit)	<b>88,298</b>	(5,762)	262,285	92,081
<b>Net investment income</b>	<b>233,263</b>	243,536	594,270	578,879
<b>Net realized gain (loss) on investments:</b>				
Affiliate investments		160,634		(617,619)
Non-Control/Non-Affiliate investments			262,925	(446,939)
Net realized gain (loss) before income taxes		160,634	262,925	(1,064,558)
Income tax expense (benefit)		58,870	89,742	(363,356)
Net realized gain (loss) on investments		101,764	173,183	(701,202)
<b>Net increase (decrease) in unrealized appreciation on investments:</b>				
Control investments		5,336		5,336
Affiliate investments	<b>(250,000)</b>		(443,436)	29,980
Non-Control/Non-Affiliate investments	<b>321,300</b>	(195,157)	193,572	1,041,094
Change in unrealized appreciation before income taxes	<b>71,300</b>	(189,821)	(249,864)	1,076,410
Deferred income tax expense (benefit)	<b>18,066</b>	(67,963)	(91,552)	380,482
Net increase (decrease) in unrealized appreciation on investments	<b>53,234</b>	(121,858)	(158,312)	695,928
<b>Net realized and unrealized gain (loss) on investments</b>	<b>53,234</b>	(20,094)	14,871	(5,274)
<b>Net increase in net assets from operations</b>	<b>\$ 286,497</b>	\$ 223,442	\$ 609,141	\$ 573,605
<b>Weighted average shares outstanding</b>	<b>6,328,538</b>	6,407,199	6,328,538	6,408,763
<b>Basic and diluted net increase in net assets from operations per share</b>	<b>\$ 0.05</b>	\$ 0.03	\$ 0.10	\$ 0.09

See accompanying notes

Table of Contents**RAND CAPITAL CORPORATION AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS****For the Three Months and the Nine Months Ended September 30, 2015 and 2014****(Unaudited)**

	<b>Three months ended September 30, 2015</b>	<b>Three months ended September 30, 2014</b>	<b>Nine months ended September 30, 2015</b>	<b>Nine months ended September 30, 2014</b>
<b>Net assets at beginning of period</b>	<b>\$ 32,676,085</b>	<b>\$ 28,419,415</b>	<b>\$ 32,353,441</b>	<b>\$ 28,069,332</b>
Net investment income	<b>233,263</b>	243,536	594,270	578,879
Net realized gain (loss) on investments		101,764	173,183	(701,202)
Net increase (decrease) in unrealized appreciation on investments	<b>53,234</b>	(121,858)	(158,312)	695,928
Net increase in net assets from operations	<b>286,497</b>	223,442	609,141	573,605
Purchase of treasury stock		(87,972)		(88,052)
<b>Total increase in net assets</b>	<b>286,497</b>	<b>135,470</b>	<b>609,141</b>	<b>485,553</b>
<b>Net assets at end of period</b>	<b>\$ 32,962,582</b>	<b>\$ 28,554,885</b>	<b>\$ 32,962,582</b>	<b>\$ 28,554,885</b>
<b>Accumulated net investment (loss)</b>	<b>(\$ 273,212)</b>	<b>(\$ 310,438)</b>	<b>(\$ 273,212)</b>	<b>(\$ 310,438)</b>

See accompanying notes



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**RAND CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Nine Months Ended September 30, 2015 and 2014**  
**(Unaudited)**

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
<b>Cash flows from operating activities:</b>		
Net increase in net assets from operations	\$ 609,141	\$ 573,605
Adjustments to reconcile net increase in net assets to net cash used in operating activities:		
Depreciation and amortization	24,698	20,604
Original issue discount amortization	(11,619)	(11,619)
Change in interest receivable allowance	(6,311)	6,311