

RAND CAPITAL CORP  
Form 10-Q  
November 02, 2016

**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, 2016**

**.. 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)**

<b>New York</b> <b>(State or Other Jurisdiction of</b>	<b>16-0961359</b> <b>(IRS Employer</b>
<b>Incorporation or Organization)</b>	<b>Identification No.)</b>
<b>2200 Rand Building, Buffalo, NY</b> <b>(Address of Principal executive offices)</b>	<b>14203</b> <b>(Zip Code)</b>
<b>(716) 853-0802</b>	

**(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 to submit and post such files). Yes  No

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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 2, 2016, there were 6,321,988 shares of the registrant's common stock outstanding.

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**RAND CAPITAL CORPORATION**

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**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements and Supplementary Data**

**RAND CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As of September 30, 2016 and December 31, 2015**

	September 30, 2016 (Unaudited)	December 31, 2015
<b>ASSETS</b>		
Investments at fair value:		
Control investments (cost of \$99,500 and \$1,141,472, respectively)	\$ 99,500	\$ 13,916,472
Affiliate investments (cost of \$18,239,623 and \$17,663,217, respectively)	13,688,814	14,662,219
Non-Control/Non-Affiliate investments (cost of \$13,936,867 and \$8,606,053, respectively)	13,789,967	8,253,709
Total investments, at fair value (cost of \$32,275,990 and \$27,410,742, respectively)	27,578,281	36,832,400
Cash	11,708,164	5,844,795
Interest receivable (net of allowance: \$122,000 at 9/30/16 and 12/31/15)	312,523	215,224
Deferred tax asset	1,087,252	
Prepaid income taxes		65,228
Other assets	2,607,195	1,604,413
<b>Total assets</b>	<b>\$ 43,293,415</b>	<b>\$ 44,562,060</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (NET ASSETS)</b>		
<b>Liabilities:</b>		
Debentures guaranteed by the SBA (net of debt issuance costs)	\$ 7,820,923	\$ 7,800,373
Income tax payable	826,983	
Deferred tax liability		2,361,186
Profit sharing and bonus payable	1,593,659	282,000
Accounts payable and accrued expenses	153,233	238,911
Deferred revenue	53,483	25,930
Total liabilities	10,448,281	10,708,400
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 6,321,988 as of 9/30/16 and 6,328,538 as of 12/31/15	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,375,832)	(24,580)
Undistributed net realized gain on investments	27,515,011	18,262,401
Net unrealized (depreciation) appreciation on investments	(3,093,033)	5,795,237

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Treasury stock, at cost; 541,046 shares as of 9/30/16 and 534,496 as of 12/31/15	(1,469,105)	(1,447,491)
Total stockholders' equity (net assets) (per share 9/30/16: \$5.20, 12/31/15: \$5.35)	32,845,134	33,853,660
<b>Total liabilities and stockholders' equity</b>	<b>\$ 43,293,415</b>	<b>\$ 44,562,060</b>

See accompanying notes

**RAND CAPITAL CORPORATION AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**For the Three Months and the Nine Months Ended September 30, 2016 and 2015**
**(Unaudited)**

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investments	\$	\$ 18,336	\$ 11,828	\$ 60,756
Affiliate investments	<b>113,643</b>	100,678	273,218	312,329
Non-Control/Non-Affiliate investments	<b>110,395</b>	61,312	240,027	176,534
Total interest from portfolio companies	<b>224,038</b>	180,326	525,073	549,619
Interest from other investments:				
Non-Control/Non-Affiliate investments	<b>11,974</b>	3,529	33,683	18,719
Total interest from other investments	<b>11,974</b>	3,529	33,683	18,719
Dividend and other investment income:				
Control investments		460,947		1,364,306
Affiliate investments	<b>69,010</b>	65,810	149,807	124,239
Non-Control/Non-Affiliate investments	<b>3,011</b>		3,011	
Total dividend and other investment income	<b>72,021</b>	526,757	152,818	1,488,545
Fee income:				
Control investments		2,000	2,000	6,000
Affiliate investments	<b>2,083</b>	1,417	3,945	3,250
Non-Control/Non-Affiliate investments	<b>5,770</b>	4,250	13,004	12,417
Total fee income	<b>7,853</b>	7,667	18,949	21,667
<b>Total investment income</b>	<b>315,886</b>	718,279	730,523	2,078,550
<b>Operating expenses:</b>				
Salaries	<b>155,437</b>	149,555	466,312	448,665
Bonus and profit sharing			1,411,659	
Employee benefits	<b>38,730</b>	27,745	164,952	87,546
Directors fees	<b>47,380</b>	37,950	142,135	89,000
Professional fees	<b>86,938</b>	33,702	237,986	127,204
Stockholders and office operating	<b>50,846</b>	41,716	174,882	156,830
Insurance	<b>8,358</b>	8,400	25,876	25,954
Corporate development	<b>17,794</b>	16,982	49,319	48,363

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Other operating	3,495	3,099	9,470	8,973
	<b>408,978</b>	319,149	2,682,591	992,535
Interest on SBA obligations	<b>77,570</b>	77,569	232,709	229,460
<b>Total operating expenses</b>	<b>486,548</b>	396,718	2,915,300	1,221,995
<b>Net investment (loss) income before income taxes</b>	<b>(170,662)</b>	321,561	(2,184,777)	856,555
Income tax (benefit) expense	<b>(55,934)</b>	88,298	(833,525)	262,285
<b>Net investment (loss) income</b>	<b>(114,728)</b>	233,263	(1,351,252)	594,270
<b>Net realized gain on investments:</b>				
Control investments	<b>1,412,500</b>		14,588,813	
Non-Control/Non-Affiliate investments			168,140	262,925
Net realized gain before income taxes	<b>1,412,500</b>		14,756,953	262,925
Income tax expense	<b>526,862</b>		5,504,343	89,742
Net realized gain on investments	<b>885,638</b>		9,252,610	173,183
<b>Net change in unrealized depreciation or appreciation on investments:</b>				
Control investments	<b>(1,412,500)</b>		(12,775,000)	
Affiliate investments	<b>(666,011)</b>	(250,000)	(1,413,811)	(443,436)
Non-Control/Non-Affiliate investments		321,300	69,444	193,572
Change in unrealized depreciation or appreciation before income taxes	<b>(2,078,511)</b>	71,300	(14,119,367)	(249,864)
Deferred income tax (benefit) expense	<b>(736,301)</b>	18,066	(5,231,097)	(91,552)
Net (decrease) increase in unrealized depreciation or appreciation on investments	<b>(1,342,210)</b>	53,234	(8,888,270)	(158,312)
<b>Net realized and unrealized (loss) gain on investments</b>	<b>(456,572)</b>	53,234	364,340	14,871
<b>Net (decrease) increase in net assets from operations</b>	<b>(\$ 571,300)</b>	\$ 286,497	(\$ 986,912)	\$ 609,141
<b>Weighted average shares outstanding</b>	<b>6,325,299</b>	6,328,538	6,327,074	6,328,538
<b>Basic and diluted net (decrease) increase in net assets from operations, per share</b>	<b>(\$ 0.09)</b>	\$ 0.05	(\$ 0.16)	\$ 0.10

See accompanying notes

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**RAND CAPITAL CORPORATION AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS****For the Three Months and the Nine Months Ended September 30, 2016 and 2015****(Unaudited)**

	<b>Three months ended September 30, 2016</b>	<b>Three months ended September 30, 2015</b>	<b>Nine months ended September 30, 2016</b>	<b>Nine months ended September 30, 2015</b>
<b>Net assets at beginning of period</b>	<b>\$ 33,438,048</b>	<b>\$ 32,676,085</b>	<b>\$ 33,853,660</b>	<b>\$ 32,353,441</b>
Net investment (loss) income	<b>(114,728)</b>	233,263	(1,351,252)	594,270
Net realized gain on investments	<b>885,638</b>		9,252,610	173,183
Net (decrease) increase in unrealized depreciation or appreciation on investments	<b>(1,342,210)</b>	53,234	(8,888,270)	(158,312)
Net (decrease) increase in net assets from operations	<b>(571,300)</b>	286,497	(986,912)	609,141
Purchase of treasury stock	<b>(21,614)</b>		(21,614)	