

RENN Fund, Inc.
Form N-CSR
March 10, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT
OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES**

Investment Company Act File Number 811-22299

RENN Fund, Inc.

(Exact name of Registrant as specified in charter)

8080 N. Central Expressway, Suite 210/LB 59

Dallas, Texas 75206

(Address of principal executive offices)

214-891-8294

(Registrant's telephone number, including area code)

Russell Cleveland

President and CEO

RENN Capital Group, Inc.

8080 N. Central Expressway, Suite 210/LB 59

Dallas, Texas 75206

(Name and address of agent for service of process)

214-891-8294

(Agent's telephone number, including area code)

Date of fiscal year end: December 31

December 31, 2014

(Date of reporting period)

Item 1. Annual Report to Shareholders

ANNUAL REPORT TO SHAREHOLDERS

OF

RENN FUND, INC.

December 31, 2014

Dear Shareholders,

2014 turned out to be an interesting year in which the Dow Jones Industrial Average and the S&P 500 both made new highs. However, smaller companies lagged behind as the Russell 2000 Index failed to match the large company indexes. We have gone through these periods before. Our net asset value per share closed at \$2.21 in 2014 versus \$2.36 in 2013. I do believe we have several “horses” that could really run in 2015.

Of most importance is Bovie Medical (NYSE:BVX). A new management team took charge in 2014, led by Robert Gershon, an industry veteran. The main task was to roll-out a revolutionary new surgical system, J-Plasma. Mr. Gershon added a whole new marketing team. I believe we will see real growth results in 2015 and hopefully a much higher stock price. We added to our position and now have 700,000 shares. I am quite optimistic about the potential here.

Flamel Technologies (NASDAQ:FLML) a specialty pharmaceutical company made a move from \$3.25 in 2013 to a high of approximately \$19 in 2014 per share closing at \$17.13 on December 31, 2014. This was based on new drug approvals by the FDA. Currently the stock is trading about \$14 per share. In early 2015 we sold one-half of our position to take a major profit. We are currently holding 100,000 shares.

AnchorFree, Inc., a privately held company had another good year in terms of new users. Historically, over 300 million people have downloaded, “Hot Spot Shield.” The company provides privacy, security, and access worldwide. AnchorFree is launching new products in 2015. The company is placing new emphasis on paid subscribers to enhance value.

iSatori, Inc. (OTC:IFIT) a consumer products company providing nutraceutical, weight loss, energy, and muscle building products had a mixed year. Weight loss products were hurt by a slow down, especially at GNC, a major customer. A new product “Bio-Gro” is showing significant growth. Hopefully, 2015 will be a much better year.

Points International (NASDAQ:PCOM) had significant appreciation in 2013 into early 2014 but retreated back to \$12.79 on December 31, 2014. The company has announced a buyback program for its shares. As a leader in the loyalty industry with a concentration on airline mileage, the company continues to grow. Our Fund owns 51,300 shares.

In our semi-annual report we outlined a number of steps that could be taken to enhance shareholder value including liquidating the Fund. Your Board of Directors and investment manager continue to examine alternatives. The feeling now is that we have planted a “good garden” which we need to let mature.

Sincerely,

Russell Cleveland

President and CEO

ANNUAL REPORT TO SHAREHOLDERS

**OF
RENN FUND, INC.**

DECEMBER 31, 2014

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RENN Fund, Inc.

Schedule of Investments

December 31, 2014

Allocation of Assets by Industry (% of Fund's Net Assets)

Industry	%
Pharmaceutical Preparations	34.76 %
Surgical & Medical Instruments & Apparatus	26.13 %
Communication Services	16.30 %
Nutraceuticals	8.48 %
Services-Business Services, NEC	6.65 %
Jewelry, Silverware & Plated Ware	1.87 %
Services-Advertising	0.83 %
Crude Petroleum & Natural Gas	0.22 %
Other Assets and Liabilities	4.76 %
	100.0%

Allocation of Assets by Country (% of Fund's Net Assets)

See Accompanying Notes to Financial Statements

RENN Fund, Inc.

Schedule of Investments

December 31, 2014

SCHEDULE OF INVESTMENTS

Unaffiliated Investments

Shares or

Principal Amount	Company	Cost	Value ⁽⁷⁾
	CONVERTIBLE BONDS – 0.20%⁽³⁾⁽⁴⁾⁽⁸⁾		
	Crude Petroleum & Natural Gas–0.20%		
\$1,000,000	PetroHunter Energy Corporation 8.5% Maturity December 31, 2014	\$1,000,000	\$20,000
	Total Unaffiliated Convertible Bonds	1,000,000	20,000
	COMMON EQUITIES – 70.26%⁽³⁾⁽⁴⁾		
	Business Services, NEC – 6.65%		
51,300	Points International, Ltd.	280,440	656,127
	Crude Petroleum & Natural Gas – 0.02%		
808,445	PetroHunter Energy Corporation	101,056	1,617
	Jewelry, Silverware, and Plated Ware—1.87%		
100,000	Charles & Colvard Ltd.	444,317	184,000
	Services-Advertising—0.83%		
100,000	Tiger Media, Inc.	685,598	82,000
	Pharmaceutical Preparations –34.76%		
200,000	Flamel Technologies	1,148,882	3,426,000
	Surgical & Medical Instruments & Apparatus – 26.13%		
700,000	Bovie Medical Corporation	1,610,358	2,576,000
	Total Unaffiliated Common Equities	4,270,651	6,925,744
	TOTAL UNAFFILIATED INVESTMENTS	\$5,270,651	\$6,945,744

Aggregate Gross Unrealized Appreciation of all Unaffiliated Securities \$3,618,447

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Aggregate Gross Unrealized Depreciation of all Unaffiliated Securities	\$(1,943,354)
Net Unrealized Appreciation/Depreciation of all Unaffiliated Securities	\$1,675,093
Aggregate Cost of All Unaffiliated Securities for Income Tax Purposes	\$5,270,651

See Accompanying Notes to Financial Statements

RENN Fund, Inc.

Schedule of Investments

December 31, 2014

SCHEDULE OF INVESTMENTS

Affiliated Investments

Shares	Company	Cost	Value ⁽⁷⁾
	CONVERTIBLE PREFERRED EQUITIES – 15.32%⁽²⁾⁽³⁾⁽⁴⁾		
	<i>Communications Service</i> NEC – 15.31%		
233,229	AnchorFree, Inc. Convertible Preferred Series A ⁽¹⁾	\$419,812	\$1,508,992
	Nutraceuticals – 0.01%		
37.5	iSatori Technologies, Inc. Preferred Series D	75,000	703
	Total Convertible Preferred Securities	494,812	1,509,695
	COMMON EQUITIES – 8.47%⁽²⁾⁽³⁾⁽⁴⁾⁽⁶⁾		
	Nutraceuticals – 8.47%		
1,113,790	iSatori Technologies, Inc.	9,056,721	835,342
	Total Affiliated Common Equities	9,056,721	835,342
	MISCELLANEOUS SECURITIES – 0.99%⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾		
	<i>Communications Service</i> NEC – 0.99%		
15,023	AnchorFree, Inc., options to buy ⁽¹⁾⁽⁵⁾	92,971	97,199
	Total Affiliated Miscellaneous Securities	92,971	97,199
	TOTAL AFFILIATED INVESTMENTS	9,644,504	2,442,236
	TOTAL UNAFFILIATED INVESTMENTS	5,270,651	6,945,744
	TOTAL INVESTMENTS	\$14,915,155	\$9,387,980
	OTHER ASSETS AND LIABILITIES – 4.76%		469,310
	TOTAL NET ASSETS		\$9,857,290

See Accompanying Notes to Financial Statements

RENN Fund, Inc.

Schedule of Investments

December 31, 2014

INFORMATION REGARDING RESTRICTED SECURITIES AND CONTROLLED AFFILIATES ⁽²⁾⁽³⁾

	Date(s)	Cost	Cost	Value ⁽⁷⁾	% of	
	Acquired	9/30/14	12/31/14	12/31/14	Net Assets	
AnchorFree, Inc. ⁽¹⁾ Preferred A Equity	04/15/11	\$419,812	\$419,812	\$1,508,992	15.31	%
AnchorFree, Inc. ⁽¹⁾⁽⁵⁾ Options to buy @ \$0.3971	06/29/12	92,971	92,971	97,199	0.99	
iSatori Technologies, Inc. ⁽⁶⁾ Preferred D Equity	10/13/99	75,000	75,000	703	0.01	
iSatori Technologies, Inc. ⁽⁶⁾ Common Equity	10/02/98 to 12/31/10	9,056,721	9,056,721	835,342	8.47	
Total Restricted and Controlled Securities		\$9,644,504	\$9,644,504	\$2,442,236	24.78	%

(1) Securities in a privately owned company.

(2) "Affiliated," generally means that the Fund (and/or affiliated funds) has a director on issuer's board and/or the Fund owns more than 5% of the issuer's voting shares.

(3) Non-Income Producing.

(4) Percentage is calculated as a percentage of net assets.

(5) These options represent the Fund's ability to purchase 15,023 common shares of AnchorFree Inc. at \$0.3971 per share. These options were issued as compensation for Russell Cleveland's advisory services to the Company prior to Mr. Cleveland's joining the board. These options expire three months after Russell Cleveland ceases to be a member of the board.

(6) "Controlled" refers to Affiliates who have the power to exercise a controlling influence over the management or policies of a company. A person who owns, directly or indirectly through another controlled company, more than 25 % of the voting securities of a company shall be presumed to control such company.

(7) See Fair Value Measurements. See Note 5 to the Financial Statements.

(8) The PetroHunter Energy Corporation ("PetroHunter") note is in default as of December 31, 2014. The note is valued on an as converted basis consistent with prior years, using PetroHunter's observable stock price of \$0.002.

See Accompanying Notes to Financial Statements

RENN Fund, Inc.

Statement of Assets and Liabilities

December 31, 2014

ASSETS

Assets:

Investments at fair value		
Unaffiliated investments, cost of \$5,270,651	\$6,945,744	
Affiliated and controlled investments, cost of \$9,131,721	836,045	
Affiliated investments, cost of \$512,783	1,606,191	
Total investments, cost of \$14,915,155		\$9,387,980
Cash and cash equivalents		506,071
Prepaid and other assets		17,791
Total assets		\$9,911,842

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable		\$1,212
Accounts payable – affiliate		53,340
Total liabilities		\$54,552

Net assets consist of:

Common stock, \$1 par value, 20,000,000 shares authorized, 4,673,867 shares issued, and 4,463,967 shares outstanding		\$4,673,867
Additional paid in capital		23,022,542
Treasury stock at cost		(1,734,967)
Accumulated net realized loss on investments		(10,576,976)
Net unrealized depreciation of investments		(5,527,176)
Net assets		\$9,857,290
Net asset value per share		\$2.21

See Accompanying Notes to Financial Statements

RENN Fund, Inc.

Statement of Operations

Year Ended December 31, 2014

Investment income:	
Dividend income	\$ 169
	169
Expenses:	
General and administrative	35,842
Shareholder expenses	36,779
Legal fees	40,731
Audit and accounting fees	69,074
Directors' fees and expenses	92,250
Insurance expense	57,895
Management fee to affiliate	188,721
	521,292
Net investment loss	(521,123)
Realized and unrealized gain (loss) on investments:	
Net change in unrealized appreciation of investments	7,173,339
Net realized loss on investments – unaffiliated companies	(966,666)
Net realized loss on investments – affiliated companies	(6,367,200)
Net loss on investments	(160,527)
Net decrease in net assets resulting from operations	\$(681,650)
Net decrease in net assets resulting from operations per share	\$(0.15)
Weighted average shares outstanding	4,463,967

See Accompanying Notes to Financial Statements

RENN Fund, Inc.

Statements of Changes in Net Assets

Years Ended December 31, 2014 and 2013

	2014	2013
From operations:		
Net investment loss	\$(521,123)	\$(604,406)
Net realized loss on investment	(7,333,866)	(3,599,541)
Net change in unrealized appreciation of investments	7,173,339	3,469,679
Net decrease in net assets resulting from operations	(681,650)	(734,268)
Net assets:		
Beginning of year	10,538,940	11,273,208
End of year	\$9,857,290	\$10,538,940

See Accompanying Notes to Financial Statements

RENN Fund, Inc.

Statement of Cash Flows

Year Ended December 31, 2014

Cash flows from operating activities:

Decrease in net assets resulting from operations	\$(681,650)
Adjustments to reconcile decrease in net assets from operations to net cash provided by (used in) operations:	
Net unrealized appreciation on investments	(7,173,339)
Net realized loss on investments	7,333,866
Decrease in prepaid and other assets	3,378
Decrease in accounts payable	(387)
Decrease in accounts payable - affiliate	(3,258)
Purchase of investments	(463,703)
Net cash used in operating activities	(985,093)

Net decrease in cash and cash equivalents (985,093)

Cash and cash equivalents at beginning of the year 1,491,164