

RAND CAPITAL CORP  
Form 10-Q  
May 02, 2019  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2019**

**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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, \$0.10 par value	RAND	Nasdaq Capital Market

As of May 2, 2019, there were 6,321,988 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**

	March 31, 2019 (Unaudited)	December 31, 2018
<b>ASSETS</b>		
Investments at fair value:		
Control investments (cost of \$0 and \$99,500, respectively)	\$	\$ 99,500
Affiliate investments (cost of \$21,442,998 and \$20,708,659, respectively)	<b>18,804,026</b>	17,026,091
Non-Control/Non-Affiliate investments (cost of \$14,151,246 and \$17,483,984, respectively)	<b>13,687,175</b>	17,541,213
Total investments, at fair value (cost of \$35,594,244 and \$38,292,143, respectively)	<b>32,491,201</b>	34,666,804
Cash and cash equivalents	<b>8,694,705</b>	4,033,792
Interest receivable (net of allowance: \$161,000)	<b>137,214</b>	145,532
Deferred tax asset	<b>425,461</b>	525,198
Prepaid income taxes	<b>846,120</b>	1,138,708
Other assets	<b>338,507</b>	11,690
<b>Total assets</b>	<b>\$ 42,933,208</b>	\$ 40,521,724
<b>LIABILITIES AND STOCKHOLDERS EQUITY (NET ASSETS)</b>		
<b>Liabilities:</b>		
Debentures guaranteed by the SBA (net of debt issuance costs)	<b>\$ 10,758,657</b>	\$ 8,554,443
Profit sharing and bonus payable		125,000
Accounts payable and accrued expenses	<b>154,082</b>	245,758
Deferred revenue	<b>40,867</b>	72,336
Total liabilities	<b>10,953,606</b>	8,997,537
Commitments and contingencies (See Note 5)		
<b>Stockholders equity (net assets):</b>		
Common stock, \$0.10 par; shares authorized 10,000,000; shares issued 6,863,034; shares outstanding of 6,321,988 as of 3/31/19 and 12/31/18	<b>686,304</b>	686,304
Capital in excess of par value	<b>10,581,789</b>	10,581,789
Accumulated net investment loss	<b>(1,642,785)</b>	(1,665,552)
Undistributed net realized gain on investments	<b>26,252,574</b>	26,221,443
Net unrealized depreciation on investments	<b>(2,429,175)</b>	(2,830,692)
Treasury stock, at cost: 541,046 shares	<b>(1,469,105)</b>	(1,469,105)

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Total stockholders equity (net assets) (per share- 3/31/19: \$5.06,12/31/18: \$4.99)	<b>31,979,602</b>	31,524,187
<b>Total liabilities and stockholders equity (net assets)</b>	<b>\$ 42,933,208</b>	<b>\$ 40,521,724</b>

See accompanying notes

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## RAND CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>Investment income:</b>		
Interest from portfolio companies:		
Affiliate investments	\$ 208,715	\$ 147,036
Non-Control/Non-Affiliate investments	197,250	150,312
Total interest from portfolio companies	405,965	297,348
Interest from other investments:		
Non-Control/Non-Affiliate investments	17,811	5,110
Total interest from other investments	17,811	5,110
Dividend and other investment income:		
Affiliate investments	34,625	50,783
Non-Control/Non-Affiliate investments		3,382
Total dividend and other investment income	34,625	54,165
Fee income:		
Affiliate investments	4,247	3,167
Non-Control/Non-Affiliate investments	256,722	3,019
Total fee income	260,969	6,186
<b>Total investment income</b>	<b>719,370</b>	<b>362,809</b>
<b>Expenses:</b>		
Salaries	181,500	169,874
Employee benefits	62,932	63,745
Directors fees	28,624	34,875
Professional fees	226,655	101,687
Stockholders and office operating	61,255	64,439
Insurance	9,601	11,988
Corporate development	18,460	15,796
Other operating	1,584	2,691

	<b>590,611</b>	465,095
Interest on SBA obligations	<b>99,124</b>	77,569
Bad debt expense		45,900
Total expenses	<b>689,735</b>	588,564
<b>Net investment gain (loss) before income taxes</b>	<b>29,635</b>	(225,755)
Income tax expense (benefit)	<b>6,868</b>	(52,426)
<b>Net investment gain (loss)</b>	<b>22,767</b>	(173,329)
<b>Net realized gain on sales and dispositions of investments:</b>		
Control investments	<b>40,500</b>	
Income tax expense	<b>9,369</b>	
Net realized gain on sales and dispositions of investments	<b>31,131</b>	
<b>Net change in unrealized depreciation on investments:</b>		
Affiliate investments	<b>1,043,595</b>	(250,000)
Non-Control/Non-Affiliate investments	<b>(521,300)</b>	(201,489)
Change in unrealized depreciation before income taxes	<b>522,296</b>	(451,489)
Deferred income tax expense (benefit)	<b>120,779</b>	(104,405)
Net change in unrealized depreciation on investments	<b>401,517</b>	(347,084)
<b>Net realized and unrealized gain (loss) on investments</b>	<b>432,648</b>	(347,084)
<b>Net increase (decrease) in net assets from operations</b>	<b>\$ 455,415</b>	(\$ 520,413)
<b>Weighted average shares outstanding</b>	<b>6,321,988</b>	6,321,988
<b>Basic and diluted net increase (decrease) in net assets from operations per share</b>	<b>\$ 0.07</b>	(\$ 0.08)

See accompanying notes



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**RAND CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

(Unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>Net assets at beginning of period</b>	<b>\$ 31,524,187</b>	<b>\$ 31,918,685</b>
Net investment gain (loss)	22,767	(173,329)
Net realized gain on sales and dispositions of investments	31,131	
Net change in unrealized depreciation on investments	401,517	(347,084)
<b>Net increase (decrease) in net assets from operations</b>	<b>455,415</b>	<b>(520,413)</b>
<b>Net assets at end of period</b>	<b>\$ 31,979,602</b>	<b>\$ 31,398,272</b>
<b>Accumulated net investment loss</b>	<b>(\$ 1,642,785)</b>	<b>(\$ 1,770,475)</b>

See accompanying notes

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## RAND CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>Cash flows from operating activities:</b>		
Net increase (decrease) in net assets from operations	\$ 455,415	(\$ 520,413)
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Investments in portfolio companies	(650,012)	(450,000)
Proceeds from loan repayments	3,500,000	70,131
Net realized gain on portfolio investments	(40,500)	
Change in unrealized depreciation on investments before income taxes	(522,296)	451,489
Deferred income tax expense (benefit)	99,737	(104,405)
Depreciation and amortization	8,842	7,400
Original issue discount amortization	(10,191)	(9,080)
Non-cash conversion of debenture interest	(101,398)	(8,701)
Change in interest receivable allowance		45,900
Changes in operating assets and liabilities:		
Decrease in interest receivable	8,318	17,019
Increase in other assets	(326,882)	(39,943)
Decrease (increase) in prepaid income taxes	292,588	(35,375)
Decrease in accounts payable and accrued expenses	(91,676)	(70,609)
Decrease in profit sharing and bonus payable	(125,000)	(132,000)
(Decrease) increase in deferred revenue	(31,469)	15,814
Total adjustments	2,010,061	(242,360)
<b>Net cash provided by (used in) operating activities</b>	<b>2,465,476</b>	<b>(762,773)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from SBA debentures	2,250,000	
Origination costs to SBA	(54,563)	
<b>Net cash provided by financing activities</b>	<b>2,195,437</b>	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,660,913</b>	<b>(762,773)</b>
<b>Cash and cash equivalents:</b>		
Beginning of period	4,033,792	6,262,039
End of period	\$ 8,694,705	\$ 5,499,266

See accompanying notes

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**RAND CAPITAL CORPORATION AND SUBSIDIARY  
CONSOLIDATED SCHEDULE OF PORTFOLIO INVESTMENTS**