

RAND CAPITAL CORP  
Form 10-Q  
August 07, 2018  
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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 June 30, 2018**

**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>	
<b>(Registrant's telephone number, including area code)</b>	

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

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 (Do not check if a smaller reporting company)	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

As of August 2, 2018, there were 6,321,988 shares of the registrant's common stock outstanding.

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**RAND CAPITAL CORPORATION**

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	June 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
Investments at fair value:		
Control investments (cost of \$99,500)	\$ 99,500	\$ 99,500
Affiliate investments (cost of \$21,937,593 and \$20,871,129, respectively)	17,526,818	17,016,795
Non-affiliate investments (cost of \$15,903,520 and \$15,718,690, respectively)	14,701,108	15,167,767
Total investments, at fair value (cost of \$37,940,613 and \$36,689,319, respectively)	32,327,426	32,284,062
Cash	4,720,381	6,262,039
Interest receivable (net of allowance: \$237,641 at 6/30/18; \$161,000 at 12/31/17)	127,897	231,048
Deferred tax asset	898,903	551,863
Prepaid income taxes	740,086	762,047
Other assets	55,956	42,854
<b>Total assets</b>	<b>\$ 38,870,649</b>	<b>\$ 40,133,913</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (NET ASSETS)</b>		
<b>Liabilities:</b>		
Debentures guaranteed by the SBA (net of debt issuance costs)	\$ 7,868,873	\$ 7,855,173
Profit sharing and bonus payable		144,000
Accounts payable and accrued expenses	168,918	178,348
Deferred revenue	65,880	37,707
Total liabilities	8,103,671	8,215,228
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	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,808,243)	(1,597,146)
Undistributed net realized gain on investments	27,215,738	27,215,738
Net unrealized depreciation on investments	(4,439,505)	(3,498,895)
Treasury stock, at cost: 541,046 shares	(1,469,105)	(1,469,105)

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Total stockholders equity (net assets) (per share \$4.87 at 6/30/18; \$5.05 at 12/31/17)	<b>30,766,978</b>	31,918,685
<b>Total liabilities and stockholders equity (net assets)</b>	<b>\$ 38,870,649</b>	<b>\$ 40,133,913</b>

See accompanying notes

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## RAND CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
<b>Investment income:</b>				
Interest from portfolio companies:				
Affiliate investments	\$ 175,990	\$ 137,243	\$ 323,026	\$ 274,000
Non-Control/Non-Affiliate investments	139,710	140,397	290,022	249,731
Total interest from portfolio companies	315,700	277,640	613,048	523,731
Interest from other investments:				
Non-Control/Non-Affiliate investments	7,735	6,859	12,845	17,834
Total interest from other investments	7,735	6,859	12,845	17,834
Dividend and other investment income:				
Affiliate investments	76,266	53,024	127,049	115,397
Non-Control/Non-Affiliate investments	2,676	2,681	6,058	5,193
Total dividend and other investment income	78,942	55,705	133,107	120,590
Fee income:				
Affiliate investments	4,416	3,167	7,583	4,084
Non-Control/Non-Affiliate investments	6,725	5,768	9,744	11,537
Total fee income	11,141	8,935	17,327	15,621
<b>Total investment income</b>	<b>413,518</b>	<b>349,139</b>	<b>776,327</b>	<b>677,776</b>
<b>Operating expenses:</b>				
Salaries	169,875	165,413	339,749	330,826
Employee benefits	45,251	47,699	108,996	100,069
Directors fees	28,624	36,374	63,499	71,249
Professional fees	37,341	178,193	139,028	262,195
Stockholders and office operating	64,599	80,725	129,038	147,935
Insurance	6,900	6,258	18,888	17,560
Corporate development	10,646	11,609	26,442	33,317
Other operating	2,424	3,323	5,115	5,283

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	<b>365,660</b>	529,594	830,755	968,434
Interest on SBA obligations	<b>77,269</b>	77,569	154,838	155,138
Bad debt expense	<b>30,741</b>		76,641	
Total expenses	<b>473,670</b>	607,163	1,062,234	1,123,572
<b>Net investment loss before income taxes</b>	<b>(60,152)</b>	(258,024)	(285,907)	(445,796)
Income tax benefit	<b>(22,384)</b>	(99,403)	(74,810)	(171,911)
<b>Net investment loss</b>	<b>(37,768)</b>	(158,621)	(211,097)	(273,885)
<b>Net increase in unrealized depreciation on investments:</b>				
Affiliate investments	<b>(306,441)</b>	(665,675)	(556,441)	(665,675)
Non-Control/Non-Affiliate investments	<b>(450,000)</b>	(52,664)	(651,489)	(433,308)
Increase in unrealized depreciation before income tax benefit	<b>(756,441)</b>	(718,339)	(1,207,930)	(1,098,983)
Deferred income tax benefit	<b>(162,915)</b>	(241,623)	(267,320)	(378,050)
Net increase in unrealized depreciation on investments	<b>(593,526)</b>	(476,716)	(940,610)	(720,933)
<b>Net unrealized loss on investments</b>	<b>(593,526)</b>	(476,716)	(940,610)	(720,933)
<b>Net decrease in net assets from operations</b>	<b>(\$ 631,294)</b>	(\$ 635,337)	(\$ 1,151,707)	(\$ 994,818)
<b>Weighted average shares outstanding</b>	<b>6,321,988</b>	6,321,988	6,321,988	6,321,988
<b>Basic and diluted net decrease in net assets from operations per share</b>	<b>(\$ 0.10)</b>	(\$ 0.10)	(\$ 0.18)	(\$ 0.16)

See accompanying notes

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

(Unaudited)

	<b>Three months ended June 30, 2018</b>	<b>Three months ended June 30, 2017</b>	<b>Six months ended June 30, 2018</b>	<b>Six months ended June 30, 2017</b>
<b>Net assets at beginning of period</b>	<b>\$ 31,398,272</b>	<b>\$ 32,269,882</b>	<b>\$ 31,918,685</b>	<b>\$ 32,629,363</b>
Net investment loss	(37,768)	(158,621)	(211,097)	(273,885)
Net increase in unrealized depreciation on investments	(593,526)	(476,716)	(940,610)	(720,933)
Net decrease in net assets from operations	(631,294)	(635,337)	(1,151,707)	(994,818)
<b>Total decrease in net assets</b>	<b>(631,294)</b>	<b>(635,337)</b>	<b>(1,151,707)</b>	<b>(994,818)</b>
<b>Net assets at end of period</b>	<b>\$ 30,766,978</b>	<b>\$ 31,634,545</b>	<b>\$ 30,766,978</b>	<b>\$ 31,634,545</b>
<b>Accumulated net investment loss</b>	<b>(\$ 1,808,243)</b>	<b>(\$ 1,851,733)</b>	<b>(\$ 1,808,243)</b>	<b>(\$ 1,851,733)</b>