

RAND CAPITAL CORP  
Form 10-Q  
November 02, 2012  
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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 quarter ended September 30, 2012

.. **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)

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<b>New York</b> (State or Other Jurisdiction of Incorporation or organization)	<b>16-0961359</b> (IRS Employer Identification No.)
<b>2200 Rand Building, Buffalo, NY</b> (Address of Principal executive offices)	<b>14203</b> (Zip Code)
<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 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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

As of October 31, 2012 there were 6,613,784 shares of the registrant's common stock outstanding.

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**RAND CAPITAL CORPORATION**

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As of September 30, 2012 and December 31, 2011

	September 30, 2012 (Unaudited)	December 31, 2011
<b><u>ASSETS</u></b>		
Investments at fair value:		
Control investments (cost of \$1,877,754 and \$966,895, respectively)	\$ 8,377,754	\$ 7,466,896
Affiliate investments (cost of \$7,327,855 and \$6,083,260, respectively)	6,746,025	5,838,975
Non-Control/Non-affiliate investments (cost of \$6,945,954 and \$6,358,527, respectively)	12,686,753	10,625,990
Total investments, at fair value (cost of \$16,151,563 and \$13,408,682, respectively)	27,810,532	23,931,861
Cash and cash equivalents	4,042,981	4,517,985
Interest receivable (net of allowance of \$186,654 as of 9/30/12 and \$122,000 as of 12/31/11)	59,826	83,869
Prepaid income taxes	653,144	822,789
Other assets	869,227	1,975,453
Total assets	\$ 33,435,710	\$ 31,331,957
<b><u>LIABILITIES AND STOCKHOLDERS EQUITY (NET ASSETS)</u></b>		
<b>Liabilities:</b>		
Debentures guaranteed by the SBA	\$ 3,900,000	\$ 4,000,000
Deferred tax liability	3,346,036	2,683,639
Accounts payable and accrued expenses	252,589	249,197
Deferred revenue	8,333	
Total liabilities	7,506,958	6,932,836
<b>Stockholders equity (net assets):</b>		
Common stock, \$.10 par; shares authorized 10,000,000; shares issued 6,863,034; shares outstanding of 6,757,992 as of 9/30/12 and 6,818,934 as of 12/31/11	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment (loss)	(961,936)	(1,729,856)
Undistributed net realized gain on investments	8,575,988	8,317,397
Net unrealized appreciation on investments	7,250,972	6,590,693
Treasury stock, at cost; 105,042 shares as of 9/30/12 and 44,100 shares as of 12/31/11	(204,365)	(47,206)
Total stockholders equity (net assets), (per share 9/30/12 - \$3.84, 12/31/11- \$3.58)	25,928,752	24,399,121
Total liabilities and stockholders equity	\$ 33,435,710	\$ 31,331,957

See accompanying notes

**Table of Contents****RAND CAPITAL CORPORATION AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****For the Three Months and Nine Months Ended September 30, 2012 and 2011****(Unaudited)**

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investments	\$ 9,818	\$ 13,401	\$ 32,259	\$ 42,618
Affiliate investments	123,269	151,808	355,316	444,671
Non-Control/Non-Affiliate investments	22,957	5,000	38,824	62,556
Total interest from portfolio companies	156,044	170,209	426,399	549,845
Interest from other investments	1,845	8,828	6,483	26,909
Total interest from other investments	1,845	8,828	6,483	26,909
Dividend and other investment income:				
Control investments	1,246,825	174,356	1,560,606	174,356
Affiliate investments	44,030	79,944	178,186	150,500
Non-Control/Non-Affiliate investments			6,950	
Total dividend and other investment income	1,290,855	254,300	1,745,742	324,856
Other income:				
Control investments	2,000	2,000	4,000	6,000
Affiliate investments		1,000	2,000	3,000
Non-Control/Non-Affiliate investments	668	4,100	668	5,680
Total other income	2,668	7,100	6,668	14,680
<b>Total investment income</b>	<b>1,451,412</b>	<b>440,437</b>	<b>2,185,292</b>	<b>916,290</b>
<b>Operating expenses:</b>				
Salaries	122,478	118,750	365,683	356,250
Bonus and profit sharing			144,000	
Employee benefits	31,350	22,700	105,387	88,384
Directors fees	12,750	12,750	82,500	65,250
Professional fees	30,793	45,519	113,250	122,323
Stockholders and office operating	24,046	27,104	99,848	101,703
Insurance	12,228	7,800	31,470	27,646
Corporate development	20,988	15,773	53,846	48,510
Other operating	3,500	2,070	10,402	12,264
	258,133	252,466	1,006,386	822,330
Interest on SBA obligations	20,681	184,080	131,012	479,199
Bad Debt Expense	64,654		64,654	

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Total expenses	<b>343,468</b>	436,546	1,202,052	1,301,529
<b>Investment gain (loss) before income taxes</b>	<b>1,107,944</b>	3,891	983,240	(385,239)
Income tax expense (benefit)	<b>281,017</b>	18,809	215,320	(119,478)
<b>Net investment gain (loss)</b>	<b>826,927</b>	(14,918)	767,920	(265,761)
<b>Realized gain (loss) on investments:</b>				
Affiliate investments		(1)		(2,074,131)
Non-Control/Non-Affiliate investments	<b>379,612</b>		415,097	
Income tax expense (benefit)	<b>144,087</b>		156,507	(751,568)
Net realized gain (loss) on investments	<b>235,525</b>	(1)	258,590	(1,322,563)
<b>Net (decrease) increase in unrealized appreciation on investments:</b>				
Affiliate investments	<b>(337,546)</b>		(337,546)	2,022,631
Non-Control/Non-Affiliate investments	<b>(3,501,050)</b>			