

Mill City Ventures III, Ltd
Form 10-Q
August 10, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

(For the quarterly period ended June 30, 2018

or

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 814-00991

MILL CITY VENTURES III, LTD.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

90-0316651

(I.R.S. Employer Identification No.)

328 Barry Avenue South #210, Wayzata, Minnesota

(Address of principal executive offices)

55391

(Zip Code)

(952) 479-1923

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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. x 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). x 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.

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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 Exchange Act).
Yes No

As of August 10, 2018, Mill City Ventures III, Ltd. had 11,067,402 shares of common stock, and no other classes of capital stock, outstanding.

MILL CITY VENTURES III, LTD.

Index to Form 10-Q

for the Quarter Ended June 30, 2018

	<u>Page No.</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Balance Sheets – June 30, 2018 and December 31, 2017</u>	<u>3</u>
<u>Statements of Operations – Three and six months ended June 30, 2018 and June 30, 2017</u>	<u>4</u>
<u>Statements of Changes in Net Assets – Six months ended June 30, 2018 and June 30, 2017</u>	<u>5</u>
<u>Statements of Cash Flows – Six months ended June 30, 2018 and June 30, 2017</u>	<u>6</u>
<u>Schedule of Investments – June 30, 2018 and December 31, 2017</u>	<u>7</u>
<u>Notes to Financial Statements – June 30, 2018</u>	<u>12</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>21</u>
<u>Item 4. Controls and Procedures</u>	<u>24</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 6. Exhibits</u>	<u>25</u>
<u>SIGNATURES</u>	<u>25</u>

PART I. FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

MILL CITY VENTURES III, LTD.

BALANCE SHEETS

	June 30, 2018 (unaudited)	December 31, 2017 (audited)
ASSETS		
Investments, at fair value:	\$ 9,135,268	\$ 7,240,860
Non-control/non-affiliate investments (cost: \$7,222,366 and \$7,000,745 respectively)		
Cash	1,127,225	2,158,314
Prepaid expenses	85,823	62,549
Receivable for sale of investments	—	267,119
Interest and dividend receivables	55,639	39,574
Leasehold improvements, net	3,502	7,557
Property and equipment, net	5,932	7,218
Total Assets	\$ 10,413,389	\$ 9,783,191
LIABILITIES		
Current Liabilities		
Accounts payable	32,112	37,091
Payable for purchase of investments	—	106,222
Deferred rent	9,869	10,663
Total Current Liabilities	41,981	153,976
Total Liabilities	41,981	153,976
Commitments and Contingencies (Note 6)		
SHAREHOLDERS EQUITY (NET ASSETS)		
Common Stock, par value \$0.001 per share (250,000,000 authorized; 11,067,402 and 11,067,402 outstanding)	11,067	11,067
Additional paid-in capital	10,774,653	10,774,653
Accumulated deficit	(1,159,665)	(1,159,665)
Accumulated undistributed investment loss	(1,471,930)	(1,194,773)
Accumulated undistributed net realized gains on investment transactions	304,381	957,818
Net unrealized appreciation in value of investments	1,912,902	240,115
Total Shareholders' Equity (net assets)	10,371,408	9,629,215
Total Liabilities and Shareholders' Equity	\$ 10,413,389	\$ 9,783,191

Net Asset Value Per Common Share	\$0.94	\$ 0.87
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See accompanying Notes to Financial Statements

MILL CITY VENTURES III, LTD.

STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Investment Income				
Interest income	\$25,506	\$27,854	\$59,652	\$51,051
Dividend income	13,544	8,655	13,923	22,022
Total Investment Income	39,050	36,509	73,575	73,073
Operating Expenses				
Professional fees	45,192	59,814	105,473	126,550
Payroll	56,272	67,429	117,325	108,787
Insurance	19,583	18,694	38,474	36,140
Occupancy	22,547	22,509	45,302	42,331
Director's fees	15,000	15,000	30,000	30,000
Depreciation and amortization	2,670	2,747	5,341	5,495
Other general and administrative	2,887	2,340	8,817	5,444
Total Operating Expenses	164,151	188,533	350,732	354,747
Net Investment Loss	\$(125,101)	\$(152,024)	\$(277,157)	\$(281,674)
Realized and Unrealized Gain (Loss) on Investments				
Net realized gain (loss) on investments	(705,189)	35,799	(653,437)	748,070
Net change in unrealized appreciation (depreciation) on investments	1,032,893	304,886	1,672,787	(298,253)
Net Realized and Unrealized Gain on Investments	327,704	340,685	1,019,350	449,817
Net Increase in Net Assets Resulting from Operations	\$202,603	\$188,661	\$742,193	\$168,143
Net Increase in Net Assets Resulting from Operations per share:				
Basic and diluted	\$0.02	\$0.02	\$0.07	\$0.01
Weighted-average number of common shares outstanding	11,067,402	12,151,493	11,067,402	12,151,493

See accompanying Notes to Financial Statements

MILL CITY VENTURES III, LTD.

STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net Assets at Beginning of Period	\$9,629,215	\$9,387,408
Net investment loss	(277,157)	(281,674)
Net realized gain (loss) on investments	(653,437)	748,070
Net increase (decrease) in unrealized appreciation on investments	1,672,787	(298,253)
Net increase in net assets resulting from operations	742,193	168,143
Total net increase in net assets resulting from operations	742,193	168,143
Net Assets at End of Period	\$10,371,408	\$9,555,551
Accumulated undistributed net investment loss	\$(1,471,930)	\$(1,611,879)

See accompanying Notes to Financial Statements

MILL CITY VENTURES III, LTD.

STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended	
	June 30, 2018	June 30, 2017
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$742,193	\$168,143
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided (used) in operating activities:		
Net change in unrealized appreciation or depreciation on investments	(1,672,787)	298,253
Net realized (gain) loss on investments	653,437	(748,070)
Payments for purchases of investments	(1,824,303)	(1,128,365)
Payments for purchases of investments sold short	(200,341)	—
Proceeds from sales of investments	971,652	2,397,699
Proceeds from sales of investments sold short	177,934	85,936
Depreciation and amortization expense	5,341	5,495
Changes in operating assets and liabilities:		
Prepaid expenses	(23,274)	(26,549)
Interest and dividends receivable	(16,065)	(14,381)
Receivable for investment sales	267,119	—
Accounts payable	(4,979)	(2,378)
Deferred rent	(794)	(315)
Payable for investment purchase	(106,222)	106,288
Net cash provided (used) in operating activities	(1,031,089)	1,141,756
Net increase (decrease) in cash	(1,031,089)	1,141,756
Cash, beginning of period	2,158,314	2,344,751
Cash, end of period	\$1,127,225	\$3,486,507

See accompanying Notes to Financial Statements

MILL CITY VENTURES III, LTD.

SCHEDULE OF INVESTMENTS

JUNE 30, 2018

Investments ⁽¹⁾	Investment Type ⁽⁵⁾	Interest Rate ⁽⁶⁾	Expiration Date ⁽⁷⁾	Shares/Units	Cost	Fair Value	Percentage of Net Assets	Gross Unrealized Appreciation	Gross Unrealized Depreciation
Equity Investments Advertising Creative Realities, Inc.	Warrants ⁽⁸⁾	n/a	12/28/2020	1,071,429	—	21,429	0.21%	21,429	—
Business Services Spar Group Inc.	Common Stock ⁽⁸⁾	n/a	n/a	200,012	284,592	252,015	2.43%	—	32,577
Consumer Bridgford Foods Company	Common Stock	n/a	n/a	2,959	43,805	40,242		—	3,563
Famous Daves of America, Inc.	Common Stock	n/a	n/a	38,963	154,409	263,000		108,591	—
HG Holdings, Inc.(fka Stanley Furniture Co, Inc.)	Common Stock ⁽⁸⁾	n/a	n/a	200,000	199,118	130,000		1,413	70,531
J Jill Inc.	Common Stock ⁽⁸⁾	n/a	n/a	10,000	89,512	93,400		3,888	—
Nordstroms, Inc.	Common Stock ⁽⁸⁾	n/a	n/a	872	42,549	45,152		2,603	—
Tzfat Spirits of Israel, LLC	LLC Membership Units ⁽⁸⁾	n/a	n/a	55,000	101,019	25,000		—	76,019
					630,412	596,794	5.75%	116,495	150,113
Education Nat'l Amer. Univ. Holdings, Inc.	Common Stock	n/a	n/a	132,053					