

Mill City Ventures III, Ltd
Form 10-Q
May 14, 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 March 31, 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.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company x
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 x No

As of May 11, 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.

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for the Quarter Ended March 31, 2018

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PART I. FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

MILL CITY VENTURES III, LTD.

BALANCE SHEETS

	March 31, 2018 (unaudited)	December 31, 2017 (audited)
ASSETS		
Investments, at fair value:	\$ 8,482,227	\$ 7,240,860
Non-control/non-affiliate investments (cost: \$7,602,218 and \$7,000,745 respectively)		
Cash	1,765,268	2,158,314
Prepaid expenses	35,357	62,549
Receivable for sale of investments	—	267,119
Interest and dividend receivables	45,060	39,574
Leasehold improvements, net	5,529	7,557
Property and equipment, net	6,575	7,218
Total Assets	\$ 10,340,016	\$ 9,783,191
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 40,307	\$ 37,091
Payable for purchase of investments	120,637	106,222
Deferred rent	10,267	10,663
Total Current Liabilities	171,211	153,976
Total Liabilities	171,211	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	(1,346,829)	(1,194,773)
Accumulated undistributed net realized gains on investment transactions	1,009,570	957,818
Net unrealized appreciation in value of investments	880,009	240,115
Total Shareholders' Equity (net assets)	10,168,805	9,629,215

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Total Liabilities and Shareholders' Equity	\$ 10,340,016	\$ 9,783,191
Net Asset Value Per Common Share	\$ 0.92	\$ 0.87

See accompanying Notes to Financial Statements

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MILL CITY VENTURES III, LTD.

STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Investment Income		
Interest income	\$34,146	\$ 23,197
Dividend income	379	13,367
Total Investment Income	34,525	36,564
Operating Expenses		
Professional fees	60,281	66,736
Payroll	61,053	41,358
Insurance	18,891	17,446
Occupancy	22,755	19,822
Director's fees	15,000	15,000
Depreciation and amortization	2,671	2,748
Other general and administrative	5,930	3,104
Total Operating Expenses	186,581	166,214
Net Investment Loss	\$(152,056)	\$(129,650)
Realized and Unrealized Gain (Loss) on Investments		
Net realized gain on investments	51,752	712,271
Net change in unrealized appreciation (depreciation) on investments	639,894	(603,139)
Net Realized and Unrealized Gain on Investments	691,646	109,132
Net Increase (Decrease) in Net Assets Resulting from Operations	\$539,590	\$ (20,518)
Net Increase (Decrease) in Net Assets Resulting from Operations per share: Basic and diluted	\$0.05	\$ 0.00
Weighted-average number of common shares outstanding	11,067,402	12,151,493

See accompanying Notes to Financial Statements

MILL CITY VENTURES III, LTD.

STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Net Assets at Beginning of Period	\$ 9,629,215	\$ 9,387,408
Net investment loss	(152,056) (129,650
Net realized gain on investments	51,752	712,271
Net increase (decrease) in unrealized appreciation on investments	639,894	(603,139
Net increase (decrease) in net assets resulting from operations	539,590	(20,518
Total net increase (decrease) in net assets resulting from operations	539,590	(20,518
Net Assets at End of Period	\$ 10,168,805	\$ 9,366,890
Accumulated undistributed net investment loss	\$ (1,346,829) \$ (1,459,855

MILL CITY VENTURES III, LTD.

STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	\$539,590	\$ (20,518)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash (used) provided in operating activities:		
Net change in unrealized (appreciation) depreciation on investments	(639,894)	603,139
Net realized gain on investments	(51,752)	(712,271)
Payments for purchases of investments	(628,252)	(694,120)
Proceeds from sales of investments	78,531	2,321,114
Depreciation and amortization expense	2,671	2,748
Changes in operating assets and liabilities:		
Prepaid expenses	27,192	22,441
Interest and dividends receivable	(5,486)	(5,895)
Receivable for sales of investments	267,119	(2,057)
Accounts payable	3,216	5,993
Payable for purchase of investments	14,415	205,698
Deferred rent	(396)	(157)
Net cash (used) provided in operating activities	(393,046)	1,726,115
Net (decrease) increase in cash	(393,046)	1,726,115
Cash, beginning of period	2,158,314	2,344,751
Cash, end of period	\$1,765,268	\$ 4,070,866

See accompanying Notes to Financial Statements

MILL CITY VENTURES III, LTD.

SCHEDULE OF INVESTMENTS

MARCH 31, 2018

Investments ⁽¹⁾	Investment Type	Interest		Principal Amount	Cost	Fair Value	Percentage of Net Assets	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation (Depreciation)
		Rate ⁽²⁾	Maturity Date							
Debt Investments										
Consumer										
Mix 1 Life, Inc.	Secured Loan ⁽³⁾	12%	2/6/2016	\$500,000	\$500,000	\$—		\$—	\$500,000	\$(500,000)
Mix 1 Life, Inc.	Secured Loan	12%	3/13/2016	\$250,000	250,000	—		—	250,000	(250,000)
					750,000	—	0.00%	—	750,000	(750,000)
Financial										
Bravo Financial LLC	Secured Loan	12%	8/31/2018	\$500,000	500,000	500,000	4.92%	—	—	—
Total Debt Investments					\$1,250,000	\$500,000	4.92%	\$—	\$750,000	\$(750,000)

Investments ⁽¹⁾	Investment Type ⁽⁴⁾	Interest Rate ⁽⁵⁾	Expiration Date ⁽⁶⁾	Shares/Units	Cost	Fair Value	Percentage of Net Assets	Gross Unrealized Appreciation	Gross Unrealized Depreciation	
										Equity Investments
Advertising										
Creative Realities, Inc.	Warrants ⁽⁷⁾	n/a	12/28/2020	1,071,429	\$—	\$21,429	0.21%	\$21,429	\$—	
Business Services										
Spar Group Inc.	Common Stock ⁽⁷⁾	n/a	n/a	159,406	227,728	223,168	2.19%	3,261	7,821	
Consumer										
Bridgford Foods Company	Common Stock	n/a	n/a	2,959	43,805	44,267		609	147	
Famous Daves of America, Inc.										
HG Holdings, Inc.	Common Stock ⁽⁷⁾	n/a	n/a	37,923	159,087	269,253		110,166	—	

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Mix 1 Life, Inc.	Common Stock	n/a	n/a	100,000	46,160	—	—	46,160
Tzfat Spirits of Israel, LLC	LLC Membership Units ⁽⁷⁾	n/a	n/a	55,000	101,019	25,000	—	76,019
					549,189	458,520	4.51 %	110,775
Education Nat'l Amer. Univ. Holdings, Inc.	Common Stock	n/a	n/a	114,753	186,693	149,844	1.47 %	5,406
Financial OTC Markets Group Cl A	Common Stock	n/a	n/a	11,226	181,748	300,857		119,109
Hi-Crush Partners, LP	Common Stock ⁽⁸⁾	n/a	n/a	10,000	104,222	106,000		—