

Mill City Ventures III, Ltd
Form 10-Q
November 15, 2016

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 September 30, 2016

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. 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 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 Accelerated filer
Non-accelerated filer Smaller reporting company

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 November 14, 2016, Mill City Ventures III, Ltd. had 12,151,493 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 September 30, 2016

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****MILL CITY VENTURES III, LTD.****BALANCE SHEETS**

	September 30, 2016 (unaudited)	December 31, 2015 (audited)
ASSETS		
Investments at fair value:		
Non-control/non-affiliate investments (cost of \$7,538,930 and \$7,218,131, respectively)	\$ 6,344,519	\$ 5,747,808
Cash	2,074,613	2,980,659
Prepaid expenses	60,859	43,808
Interest and dividends receivable	25,401	23,840
Leasehold improvements, net	17,692	23,773
Property and equipment, net	10,666	14,222
Total Assets	\$ 8,533,750	\$ 8,834,110
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 14,961	\$ 10,431
Payable for purchases of investments	-	65,622
Deferred interest income	-	5,645
Deferred rent	11,370	11,124
Total Current Liabilities	26,331	92,822
Total Liabilities	26,331	92,822
Commitments and Contingencies (Note 6)		
SHAREHOLDERS' EQUITY (NET ASSETS)		
Common stock, par value \$0.001 per share (250,000,000 authorized; 12,151,493 and 12,151,493 issued and outstanding)	\$ 12,151	\$ 12,151
Additional paid-in capital	11,857,660	11,857,660
Accumulated deficit	(1,159,665)	(1,159,665)
Accumulated undistributed investment loss	(1,262,854)	(1,099,927)
Accumulated undistributed net realized gains on investment transactions	254,538	601,392
Net unrealized depreciation in value of investments	(1,194,411)	(1,470,323)
Total Shareholders' Equity (net assets)	8,507,419	8,741,288

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Total Liabilities and Shareholders' Equity	8,533,750	8,834,110
Net Asset Value Per Common Share	\$ 0.70	\$ 0.72

See accompanying Notes to Financial Statements

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MILL CITY VENTURES III, LTD.

STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Investment Income				
Interest income	\$89,062	\$ 108,679	\$215,222	\$ 365,001
Dividend income	24,170	10,673	64,061	65,276
Total Investment Income	113,232	119,352	279,283	430,277
Operating Expenses				
Professional fees	47,632	61,245	133,116	148,713
Payroll	40,487	40,422	122,445	122,377
Insurance	18,782	21,682	58,869	67,856
Occupancy	21,571	22,798	60,175	68,416
Directors' fees	15,000	15,000	43,956	45,000
Depreciation and amortization	3,213	3,213	9,637	9,637
Other general and administrative	5,711	6,608	14,012	15,771
Total Operating Expenses	152,396	170,968	442,210	477,770
Net Investment Income (Loss)	\$(39,164)	) \$(51,616)	) \$(162,927)	) \$(47,493)
Realized and Unrealized Gain (Loss) on Investments				
Net realized gain (loss) on investments	\$186,427	\$ 20,781	\$(346,854)	) \$ 306,924
Net change in unrealized appreciation (depreciation) on investments	(5,009)	) (2,604,807)	) 275,912	(3,282,452)
Net Realized and Unrealized Gain (Loss) on Investments	181,418	(2,584,026)	(70,942)	) (2,975,528)
Net Increase (Decrease) in Net Assets Resulting from Operations	\$142,254	\$(2,635,642)	\$(233,869)	) \$(3,023,021)
Net Increase (Decrease) in Net Assets Resulting from Operations per share:				
Basic and diluted	\$0.01	\$(0.22)	\$(0.02)	) \$(0.25)
Weighted-average number of common shares outstanding	12,151,493	12,151,493	12,151,493	12,151,493

See accompanying Notes to Financial Statements

MILL CITY VENTURES III, LTD.

STATEMENTS OF CHANGES IN NET ASSETS

	Nine Months Ended	
	September 30, 2016	September 30, 2015
Net Assets at Beginning of Period	\$8,741,288	\$ 11,473,690
Net investment loss	(162,927)	(47,493)
Net realized gain (loss) on investments	\$(346,854)	\$ 306,924
Net increase (decrease) in unrealized appreciation on investments	275,912	(3,282,452)
Net decrease in net assets resulting from operations	(233,869)	(3,023,021)
Total net decrease in net assets resulting from operations	(233,869)	(3,023,021)
Net Assets at End of Period	\$8,507,419	\$ 8,450,669
Accumulated undistributed net investment loss	\$(1,262,854)	\$ (1,099,927)

See accompanying Notes to Financial Statements

MILL CITY VENTURES III, LTD.

STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended	
	September 30, 2016	September 30, 2015
Cash flows from operating activities:		
Net decrease in net assets resulting from operations	\$(233,869)	\$(3,023,021)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:		
Net change in unrealized (appreciation) depreciation on investments	(275,912)	3,282,452
Net realized (gain) loss on investments	346,854	(306,924)
Payments for purchases of investments	(2,049,581)	(3,121,399)
Proceeds from sales of investments	1,381,928	1,463,376
Depreciation and amortization expense	9,637	9,637
Changes in operating assets and liabilities:		
Prepaid expenses	(17,051)	(8,965)
Receivable from sale of investments	-	82,103
Interest and dividends receivable	(1,561)	(47,758)
Accounts payable	4,530	(5,217)
Deferred interest income	(5,645)	13,145
Deferred rent	246	886
Payable for investment purchase	(65,622)	—
Net cash used in operating activities	(906,046)	(1,661,685)
Cash flows from investing activities:		
Purchases of property and equipment	—	—
Purchases of leasehold improvements	—	—
Net cash used by investing activities	—	—
Net decrease in cash	(906,046)	(1,661,685)
Cash, beginning of period	2,980,659	4,105,911
Cash, end of period	\$2,074,613	\$ 2,444,226

See accompanying Notes to Financial Statements

MILL CITY VENTURES III, LTD.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2016

Investments ⁽¹⁾	Investment Type	Interest Rate ⁽²⁾	Maturity Date	Principal Amount	Cost	Fair Value	Percentage of Net Assets	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation (Depreciation)
Debt										
Investments										
Advertising										
Creative Realities, Inc.	Secured Loan ⁽³⁾	12% cash + 2% pik	4/15/2017	\$609,000	609,000	609,000	7.16%	—	—	—
Consumer										
Mix 1 Life, Inc.	Secured Loan ⁽⁴⁾	12%	2/6/2016*	\$500,000	500,000	500,000		—	—	—
Mix 1 Life, Inc.	Unsecured Loan	12%	3/13/2016*	\$250,000	250,000	250,000		—	—	—
					750,000	750,000	8.82%	—	—	—
Financial										
Bravo Financial LLC	Secured Loan	12%	8/31/2018	\$500,000	500,000	500,000	5.88%	—	—	—
Oil & Gas										
Dala Petroleum, Inc.	Secured Loan	12%	12/31/2015	\$25,000	25,000	—		—	25,000	(25,000)
	Secured Loan	12%	12/22/2016	\$35,195	35,195	—		—	35,195	