

RENN Fund, Inc.  
Form N-Q  
May 29, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-22299

RENN FUND, INC.  
(Exact name of registrant as specified in charter)

470 Park Avenue South,

New York, NY 10016  
(Address of principal executive offices) (Zip Code)

Jay Kesslen  
Horizon Kinetics, LLC

470 Park Avenue South  
New York, NY 10016  
(Name and address of agent for service)

Registrant's telephone number, including area code: (914) 703-6904

Date of fiscal year end: December 31

Date of reporting period: March 31, 2018

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the

Edgar Filing: RENN Fund, Inc. - Form N-Q

burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.  
The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C § 3507.

**ITEM 1. SCHEDULE OF INVESTMENTS**

RENN Fund, Inc.

Schedule of Investments

March 31, 2018 (Unaudited)

Shares or Principal Amount	Company	Cost	Value <sup>(1)</sup>
	<b>MONEY MARKET FUNDS – 28.67%</b>		
1,922,166	Fidelity Institutional Government Portfolio Fund - Institutional Class, 1.49%	\$ 1,922,166	\$ 1,922,166
	<b>Total Money Market Funds</b>	<b>1,922,166</b>	<b>1,922,166</b>
	<b>U.S. GOVERNMENT AND AGENCIES - 31.19%</b>		
\$2,100,000	United States Treasury Bill 1.663%, 06/28/2018	2,091,273	2,091,461
	<b>Total U.S. Government and Agencies</b>	<b>2,091,273</b>	<b>2,091,461</b>
	<b>CONVERTIBLE BONDS – 0.00%</b>		
	<b>Oil and Gas – 0.00%</b>		
1,000,000	PetroHunter Energy Corporation 8.50% Maturity 12/31/2014 <sup>(2)(3)</sup>	1,000,000	-
	<b>Total Convertible Bonds</b>	<b>1,000,000</b>	<b>-</b>
	<b>CONVERTIBLE PREFERRED EQUITIES – 29.67%</b>		
	<b>Communications Service NEC – 29.67%</b>		
233,229	AnchorFree, Inc. Series A <sup>(2)(4)(5)</sup>	419,812	1,989,443
	<b>Total Convertible Preferred Equities</b>	<b>419,812</b>	<b>1,989,443</b>
	<b>COMMON EQUITIES – 40.22%</b>		
	<b>Communications Service NEC – 1.91%</b>		
15,023	AnchorFree, Inc. <sup>(2)(4)(5)</sup>	92,971	128,146
	<b>Medicinal Chemicals and Botanical Products – 0.75%</b>		
193,070	FitLife Brands, Inc. <sup>(2)</sup>	9,131,688	50,237
	<b>Oil and Gas– 9.41%</b>		
808,445	PetroHunter Energy Corporation <sup>(2)</sup>	101,056	-
1,248	Texas Pacific Land Trust	553,920	630,764
		<b>654,976</b>	<b>630,764</b>
	<b>Securities and Commodity Exchanges – 0.06%</b>		

Edgar Filing: RENN Fund, Inc. - Form N-Q

18	Cboe Global Markets, Inc.	2,294	2,054
12	CME Group, Inc.	1,830	1,941
		4,124	3,995

	Securities, Commodity Contracts, and Other Financial Investments and Related Activities – 0.85%		
5,460	Bitcoin Investment Trust	30,095	57,276
	Surgical & Medical Instruments & Apparatus – 27.24%		
615,000	Bovie Medical Corporation <sup>(2)</sup>	1,470,958	1,826,550
	Total Common Equities	11,384,812	2,696,968
	TOTAL INVESTMENTS – 129.75%	\$16,818,063	8,700,038
	LIABILITIES LESS OTHER ASSETS – (29.75%)		(1,994,986)
	NET ASSETS		\$6,705,052

(1) See Note 2 - Fair Value Measurements.

(2) Non-Income Producing.

The PetroHunter Energy Corporation (“PetroHunter”) note is in default as of December 31, 2014. The note is valued on an as converted basis consistent with prior years, using PetroHunter’s observable stock price of \$0.0000. During <sup>(3)</sup>2016 PetroHunter declared Chapter 7 bankruptcy. The Fund is attempting to recover amounts owed to it by PetroHunter through that process; however, there is no way to estimate what amount, if any, might be recovered.

(4) Securities in a privately owned company.

<sup>(5)</sup> “Affiliated,” generally means that the Fund (and/or affiliated funds) has a director on issuer’s board and/or the Fund owns more than 5% of the issuer’s voting shares.

*See Notes to Schedule of Investments.*

**RENN Fund, Inc.**

**NOTES TO SCHEDULE OF INVESTMENTS**

**As of March 31, 2018 (Unaudited)**

**Note 1 - Organization**

RENN Fund, Inc. (the "Fund"), is a registered, non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

The Fund, a Texas corporation, was organized and commenced operations in 1994 and is registered under and pursuant to the provisions of Section 8(a) of the 1940 Act.

The investment objective of the Fund is to provide shareholders with above-market rates of return through capital appreciation and income by a long-term, value oriented investment process that invests in a wide variety of financial instruments, including but not limited to, common stocks, fixed income securities including convertible and non-convertible debt securities or loans, distressed debt, warrants and preferred stock, exchange traded funds and exchange traded notes, and other instruments.

Prior to a special shareholder meeting held on June 29, 2017 (the "Special Meeting"), RENN Capital Group, Inc. ("RENN Group"), a Texas corporation, served as the Investment Advisor to the Fund. At the Special Meeting, shareholders approved Horizon Asset Management LLC ("Horizon" or the "Investment Advisor"), a registered investment adviser and wholly owned subsidiary of Horizon Kinetics LLC ("Horizon Kinetics"), as its investment manager. In its capacity as investment manager, RENN Group was responsible for the selection, evaluation, structure, valuation, and administration of the Fund's investment portfolio, subject to the supervision of the Board of Directors. Since that time, Horizon has been responsible for the aforementioned responsibilities.

On December 5, 2017 The Renn Fund, Inc. (Cayman) was organized as a limited liability company, and is a wholly owned subsidiary of the Fund. The consolidated financial statements of the Fund include The Renn Fund, Inc. (Cayman), a limited liability company in which the Fund may invest. The Renn Fund, Inc. (Cayman) is a wholly-owned subsidiary; therefore all inter-company accounts and transactions are eliminated. For the period ended March 31, 2018 the Fund had no transactions associated with the subsidiary.

**Note 2 - Fair Value Measurements**

## Edgar Filing: RENN Fund, Inc. - Form N-Q

Investments are carried at fair value, as determined in good faith by Horizon, subject to the approval of the Fund's Board of Directors. The fair values reported are subject to various risk including changes in the equity markets, general economic conditions, and the financial performance of the companies. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is possible that the amounts reported in the accompanying financial statements could change materially in the near term.

The Fund generally invests in common securities, preferred securities, convertible and nonconvertible debt securities, and warrants. These securities may be unregistered and thinly-to-moderately traded. Generally, the Fund negotiates registration rights at the time of purchase and the portfolio companies are required to register the shares within a designated period, and the cost of registration is borne by the portfolio company.

On a daily basis, as is necessary, Horizon prepares a valuation to determine fair value of the investments of the Fund. The Board of Directors approves the valuation on a quarterly basis. Interim board involvement may occur if material issues arise before quarter end. The valuation principles are described below.

Unrestricted common stock of companies listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued at the closing price on the date of valuation. Thinly traded unrestricted common stock of companies listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued at the closing price on the date of valuation, less a marketability discount as determined appropriate by the Fund Managers and approved by the Board of Directors.

Restricted common stock of companies listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued based on the quoted price for an otherwise identical unrestricted security of the same issuer that trades in a public market, adjusted to reflect the effect of any significant restrictions.

**RENN Fund, Inc.**

**NOTES TO SCHEDULE OF INVESTMENTS (Continued)**

**As of March 31, 2018 (Unaudited)**

The unlisted preferred stock of companies with common stock listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued at the closing price of the common stock into which the preferred stock is convertible on the date of valuation.

Debt securities are valued at fair value. The Fund considers, among other things, whether a debt issuer is in default or bankruptcy. It also considers the underlying collateral. Fair value is generally determined to be the greater of the face value of the debt or the market value of the underlying common stock into which the instrument may be converted.

The unlisted in-the-money options or warrants of companies with the underlying common stock listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market are valued at fair value (the positive difference between the closing price of the underlying common stock and the strike price of the warrant or option). An out-of-the-money warrant or option has no value; thus the Fund assigns no value to it.

Investments in privately held entities are valued at fair value. If there is no independent and objective pricing authority (i.e., a public market) for such investments, fair value is based on the latest sale of equity securities to independent third parties. If a private entity does not have an independent value established over an extended period of time, then the Investment Advisor will determine fair value on the basis of appraisal procedures established in good faith and approved by the Board of Directors.

The Fund follows the provisions of Accounting Standards Codification ASC 820, *Fair Value Measurements*, under which the Fund has established a fair value hierarchy that prioritizes the sources (“inputs”) used to measure fair value into three broad levels: inputs based on quoted market prices in active markets (Level 1 inputs); observable inputs based on corroboration with available market data (Level 2 inputs); and unobservable inputs based on uncorroborated market data or a reporting entity’s own assumptions (Level 3 inputs).

The following table shows a summary of investments measured at fair value on a recurring basis classified under the appropriate level of fair value hierarchy as of March 31, 2018:



Edgar Filing: RENN Fund, Inc. - Form N-Q

	Level 1	Level 2	Level 3	Total
Convertible Bonds	\$-	\$-	\$-	\$-
Convertible Preferred Equities	-	-	1,989,443	1,989,443
Common Equities	2,568,822	-	128,146	2,696,968
U.S. Government and Agencies	-	2,091,461	-	2,091,461
Money Market Funds	1,922,166	-	-	1,922,166
Total Investments	\$4,490,988	\$2,091,461	\$2,117,589	\$8,700,038

Following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining value:

	Value
Beginning balance December 31, 2017	\$2,117,589
Transfers into Level 3 during the period	-
Change in unrealized appreciation/(depreciation)	-
Total realized gain/(loss)	-
Purchases	-
Sales	-
Return of capital distributions	-
Transfers out of Level 3 during the period	-
Ending balance March 31, 2018	\$2,117,589

**RENN Fund, Inc.****NOTES TO SCHEDULE OF INVESTMENTS (Continued)****As of March 31, 2018 (Unaudited)**

The Fund has adopted a policy of recording any transfers of investment securities between the different levels in the fair value hierarchy as of the end of the year unless circumstances dictate otherwise. There were no transfers between levels during the period ended March 31, 2018.

One portfolio company is being classified as Level 3. AnchorFree, Inc. is a private company and at March 31, 2018, the investment was valued primarily using forecasted revenues and thus qualifies as a Level 3 security. The following table summarizes the valuation techniques and significant unobservable inputs used in determining fair value measurements for those investments classified as Level 3 as of March 31, 2018:

Quantitative Information about Level 3 Fair Value Measurements

Portfolio Investment Company	Valuation Technique	Input	Value at 3/31/18
Convertible Preferred	Market Approach	Revenue Multiple	\$1,989,443
Common Stock	Market Approach	Revenue Multiple	128,146

**Note 3 - Investments in Affiliated Issuers**

An affiliated issuer is an entity in which the Fund has ownership of at least 5% of the voting securities, or where the Fund has a director on the issuer's board. In this instance, affiliation is based on the fact that Russell Cleveland serves as a director for both the Fund and AnchorFee, Inc. Issuers that are affiliates of the Fund at period-end are noted in the Fund's Schedule of Investments. Additional security purchases and the reduction of certain securities shares outstanding of existing portfolio holdings that were not considered affiliated in prior years may result in the Fund owning in excess of 5% of the outstanding shares at period-end. The table below reflects transactions during the period with entities that are affiliates as of March 31, 2018 and may include acquisitions of new investments, prior year holdings that became affiliated during the period and prior period affiliated holdings that are no longer affiliated as of period-end.

Name of Issuer and Title of Issue	Value Beginning of Period	Purchases	Sales Proceeds	Net Realized	Change in Unrealized Appreciation	Value End of Period
-----------------------------------	---------------------------------	-----------	-------------------	-----------------	---	------------------------

Edgar Filing: RENN Fund, Inc. - Form N-Q

				Gain (Loss)	(Depreciation)	
AnchorFree, Inc. Series A Convertible Preferred A Equity	\$1,989,443	\$ -	\$ -	\$ -	\$ -	\$1,989,443
AnchorFree, Inc. Common Stock	128,146	-	-	-	-	128,146
Total	\$2,117,589	\$ -	\$ -	\$ -	\$ -	\$2,117,589

Name of Issuer and Title of Issue	Shares Beginning of Period	Purchases	Sales Proceeds	Stock Split	Shares End of Period
AnchorFree, Inc. Series A Convertible Preferred A Equity	233,229	-	-	-	233,229
AnchorFree, Inc. Common Stock	15,023	-	-	-	15,023
Total	248,252	-	-	-	248,252

**RENN Fund, Inc.**

**NOTES TO SCHEDULE OF INVESTMENTS (Concluded)**

**As of March 31, 2018 (Unaudited)**

**Note 4 - Federal Income Tax Information**

At March 31, 2018, gross unrealized appreciation and depreciation on investments owned by the Fund, based on cost for federal income tax purposes, were as follows:

Cost of Investments	\$16,818,063
Gross Unrealized Appreciation	\$2,114,046
Gross Unrealized Depreciation	(10,232,071)
Net Unrealized Depreciation	\$(8,118,025 )

The difference between cost amounts for financial statement and federal income tax purposes is due primarily to timing differences in recognizing certain gains and losses in security transactions.

**ITEM 2. CONTROLS AND PROCEDURES.**

(a) The registrant's principal executive and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30-13(c) under the Investment Company Act of 1940, as amended) are effective at the reasonable assurance level based on his evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal control over financial reporting that could significantly affect these controls subsequent to the date of his evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

**ITEM 3. EXHIBITS.**

The certification required by Rule 30a-2 of the Investment Company Act of 1940, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 is attached as an exhibit hereto.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
1 (a) (1)	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): RENN Fund, Inc.

By: /s/ Murray Stahl  
Murray Stahl  
Chief Executive  
Officer

Date: May 15, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Murray Stahl  
Murray Stahl  
Chief Executive Officer and  
  
Chief Financial Officer

Date: May 15, 2018